

THE CSL GROUP

CORPORATE SUSTAINABILITY REPORT
2013



ABOUT THIS REPORT

In line with CSL's fundamental goal and core value to conduct its operations with the highest standards of corporate social responsibility, CSL introduces its inaugural Corporate Sustainability Report. This new publication marks an evolution from the CSL Environmental Report, first published in 2008 to report on the Company's environmental performance.

While maintaining the solid environmental measurement and reporting of the previous Report, the scope of the Corporate Sustainability Report has been broadened to communicate in a transparent manner CSL's commitment to safety, ethical behaviour, a positive workplace, employee and community engagement, and value for customers. CSL believes that the responsibility of a good corporate citizen is to go beyond compliance in these areas and continuously seek to be better, safer, greener, cleaner and smarter.

For more information on CSL's sustainability and corporate social responsibility programs, visit the CSL website at www.cslships.com.

Cover photo: *CSL Tacoma*, a Trillium Class Panamax self-unloader sailing off the coast of British Columbia.

Photo credit: Dave Roels

TABLE OF CONTENTS

MESSAGE FROM THE CEO	3
CSL AT A GLANCE	4
SAFETY ABOVE ALL	6
ENVIRONMENTAL SUSTAINABILITY: IMPROVING “THE WAY WE DO THINGS”	8
DEVELOPMENTS IN SHORT SEA SHIPPING	10
IMPROVING AIR QUALITY	12
PROTECTING BIODIVERSITY AND ECOSYSTEMS	14
REDUCING MARINE POLLUTION AND WASTE	16
ENVIRONMENTAL MANAGEMENT	18
ETHICS	20
POSITIVE WORKPLACE	22
EMPLOYEE AND COMMUNITY ENGAGEMENT	24
VALUE FOR CUSTOMERS	26
ANNEX	
2013 GREEN MARINE RESULTS	28
2013 ENVIRONMENTAL PERFORMANCE	30
2013 ENVIRONMENTAL FOOTPRINTS	31
2014 ENVIRONMENTAL GOALS	32



In December 2013, in Sept-Îles, Quebec, *CSL Spirit* completed the historic first loading of a Chinamax class dry bulk vessel in North American waters.

MESSAGE FROM THE CEO

2013 was a watershed year at CSL as we paid homage to our rich 100-year heritage and embarked on a series of meaningful changes to prepare us for our next century. Symbolic of this transition was the arrival of our new state-of-the-art Trillium Class vessels, representing a new era in safe, sustainable shipping, deeply rooted in CSL's century-old tradition of customer service and performance. Also notable was our *Keep on Steamin* fundraising challenge, which inspired employees to celebrate our 100th anniversary by engaging with and giving back to the communities in which we operate.

Ours is an industry with long-lasting assets and a wary eye towards change, so when CSL invests in concrete actions for the future, we look only to the most advanced and proven technologies regarding safety, the environment and customer value. This same forward-thinking approach is what drives our employee programs, our corporate values and our culture.

CSL takes its responsibility as a corporate citizen and a steward of the environment very seriously and we recognize the need to take a leadership role within the world shipping community. To this end, we have expanded the performance measurement program introduced in 2008 with our Environmental Report, by reporting on other areas of our business in a more comprehensive Corporate Sustainability Report. Though widespread in many industries, corporate social responsibility reporting is a fairly new concept in the marine transportation community, and particularly novel in privately-owned shipping companies.

At CSL, we believe we owe our employees, our customers and the communities and ecosystems in which we operate the assurance that our operations are conducted transparently, ethically and with the utmost respect for safety and the environment. As a pledge to our continued improvement in this regard, our annual reporting will mark our progress as we evolve to meet and exceed the expectations of our many stakeholders.

Preparing CSL's inaugural Corporate Sustainability Report has in fact challenged some of our assumptions and raised our overall awareness of our strengths and weaknesses. Over the next year, we will share our results with our employees and encourage them to actively engage in promoting excellence and positive change at CSL. We will also work with our partners to advance sound public policy that supports sustainable shipping and a level playing field for a thriving marine transportation industry.

CSL employees are inspired by the Company's long history of creative reinvention as business and operating climates have changed. Although CSL is today the world's leading owner and operator of self-unloading ships and a major player in high capacity transshipment, its history reveals other vocations as a passenger shipping company, a package freighter and a Great Lakes bulk business.

In today's market, the major challenge facing the operating environment is regulatory. Only the most proactive shipping companies will be able to stay ahead of the curve as new regulations and expectations are imposed on our industry. While CSL is and will continue to be a strong voice for sound decision-making and smooth transitions in this process, we will also evolve and adapt to be a frontrunner in the shipping industry's green revolution. This report details the many steps we are taking now to ensure we are ready for our future.



ROD JONES
President and CEO
The CSL Group

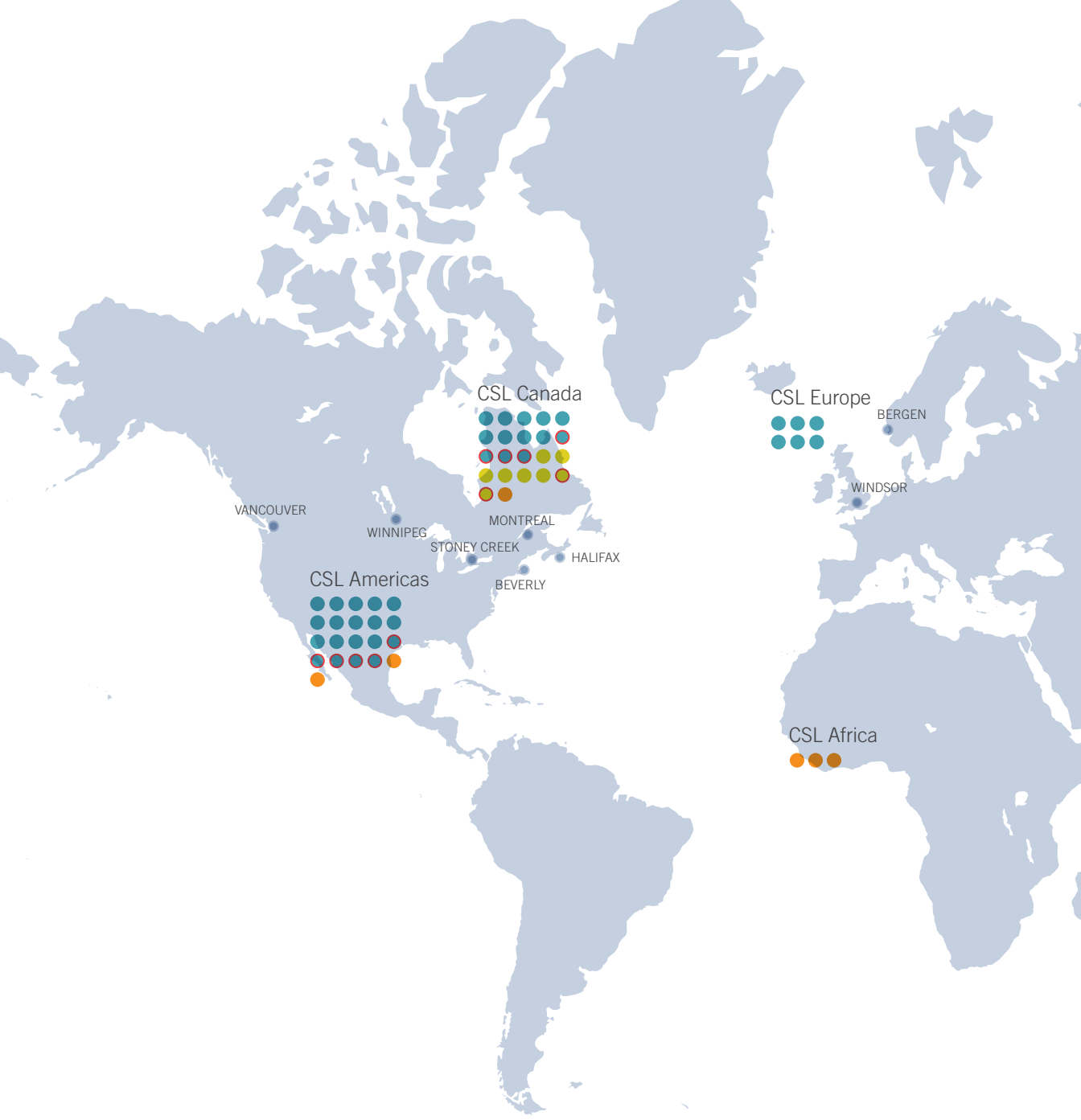
CSL AT A GLANCE

COMPANY OVERVIEW

Founded in 1845, CSL is a private Canadian company headquartered in Montreal, Quebec, with commercial operations around the world.

Through its six major operating divisions, CSL owns and operates a highly diversified fleet of specialized self-unloading vessels, transshippers and bulk carriers.

CSL is a leading provider of marine dry bulk cargo handling and delivery services and the world’s largest owner and operator of self-unloading vessels.



CSL currently operates a fleet of 65 vessels, including 46 self-unloaders, 11 transhippers and eight bulkers. CSL is also a leader in high efficiency transshipment solutions.

In FY 2013 (March 31, 2013) CSL transported over 76 million tonnes of dry bulk commodities for its customers. Typical commodities shipped by CSL include aggregates, cement, coal, gypsum, iron ore, salt and wheat. Approximately 90% of CSL's revenues are generated from long-term contracts with customers. Contracts range in duration between one and 20 years.



CORPORATE GOVERNANCE

At CSL, good governance is an essential element of the corporate culture, ensuring a comprehensive system of stewardship and accountability that complies with all requirements, rules, regulations and policies.

CSL's Board of Directors is responsible for overseeing the company's business affairs and management, particularly in areas such as governance, strategic planning, risk management, succession planning and corporate disclosure. The Board delegates the day-to-day management of CSL to the President and CEO and senior management, although major capital expenditures, debt and equity financing, and significant acquisitions and divestitures require Board approval.

The Board carries out many of its responsibilities through its Committees:

- › Audit Committee
- › Nominating and Governance Committee
- › Corporate Environmental Sustainability Committee
- › Human Resources Committee

Directors

David R. Beatty
Appointed August 25, 2003

Jacques Bougie
Appointed December 1, 2008

Lone Fonss Schrøder
Appointed September 21, 2011

Meredith H. (Sam) Hayes
Appointed May 6, 1992

Rod Jones
Appointed April 12, 2000

William (Bill) Linton
Appointed December 16, 2013

Greg Maddison
Appointed August 18, 2005

Paul W. J. Martin
Appointed January 1, 2005

R. James E. Martin
Appointed January 1, 2005

David P. A. Martin
Appointed January 1, 2005

David A. Tarr
Appointed April 12, 2007



RICHARD IRVINE
Safety Manager
CSL Australia

"Maintaining a strong bond and open communications with our seafarers is an important factor in the safe operation of CSL ships. Building trust between personnel ashore and afloat solidifies our 'one team' approach."

60% PLUS

Percentage of Canada Steamship Lines permanent crew member who received enhanced safety training in 2013.



RECOGNIZING EXCELLENCE

Celebrating safety achievements and leadership is a hallmark of CSL's safety philosophy. Every year, the SafePartners Safety Award, is presented to ships who have achieved the requisite number of days without a Lost Time Incident. Qualifying ships receive the "SafePartners Safety Award" pennant during the sailing season. The pennant must be removed if a Lost Time Incident occurs. The Safety Leadership Award is also presented every year to seafarers who have demonstrated exceptional safety conduct and leadership in the past year.

SAFETY ABOVE ALL

CSL's first and foremost value is the health and safety of its crews, employees, and anyone in direct contact with its operations. Using the SafePartners program as its foundation, CSL is building a sustainable safety culture across every division and department, where employees and crew members take ownership for their own safety and the safety of their co-workers. Through training, sharing best practices, eliminating hazards through shared learning, and maintaining an open and honest dialogue about safety, CSL and its divisions are continually working to enhance the safety of the ship and shore working environments.

SAFEPARTNERS GOES GLOBAL

First launched by Canada Steamship Lines in collaboration with ship manager V.Ships in 2011, SafePartners was created to take CSL's existing safety programs to the next level. The Program is a "safety for the crews by the crews" initiative that recognizes seafarers are the best positioned to understand and appreciate the importance of operating safely. CSL also recognizes that to be effective, SafePartners must be adapted and tailored in each division throughout the world to correspond to the differing cultures and languages of seafarers.

With the objective to improve and promote a safe and healthy working environment, the inclusive program brings together crew members, management, partners and unions in a unique, collaborative and proactive approach. In 2013, the Program was introduced to the CSL Americas, CSL Australia, CSL Asia and CSL Europe fleets, with full implementation scheduled for 2014.

By empowering the people who work first-hand on ship operations, SafePartners fosters a collaborative safety culture that yields genuine change and pragmatic solutions. Key features of SafePartners are:

1. SafePartners is designed to involve everyone in the process, including unlicensed crew, officers, and seafaring and office management teams. People onboard vessels are best positioned to identify the safety risks associated with operations. They are also best placed to identify and implement the controls and solutions to mitigate those risks.
2. SafePartners incorporates elements that cover five key pillars, including people, procedures, communication, assets and training.
3. SafePartners is a long term program designed to drive forward the safety culture across the business.

Since the launch of the SafePartners program, over 100 action items have been developed, implemented and completed. Among the many achievements are the introduction of improved and standardized personal protective equipment, comprehensive safety training courses and exercises for crews of all levels, and the appointment of safety officers.

SAFETY TRAINING

The SafePartners program empowers crews and employees to be responsible for the safety of their work place and reduce risks. Central to this approach is an effective and comprehensive training program that develops crews and employees to become competent, capable and skilled safety ambassadors.

As CSL continues to roll out SafePartners throughout the world, considerable emphasis is being placed on safety training for crew members of all levels, including cadet orientation, training for chief cooks, confined spaces search and rescue training, risk management, lock out tag out, incident investigation, among many others.

FIRE SAFETY FRAMEWORK FOR SELF-UNLOADING VESSELS

In October 2010, CSL and leading members of the global self-unloading (SUL) bulk carrier vessel community united and formed the SUL Safety Working Group. Two years later, in August 2013, the Working Group presented a White Paper to the Bahamas Maritime Authority to promote an Industry Based Framework outlining procedures and initiatives that would significantly improve fire detection and suppression on SULs.

The Working Group is committed to investigating and investing in detection and suppression technologies best suited to harsh SUL marine environments. Through collaboration, the Working Group combines its collective expertise to conduct and review the laboratory testing and in-field installations of various pilot projects. In conjunction with the Bahamas Maritime Authority, the SUL Safety Working Group will continue to work together to:

- › Review and improve fire detection in SUL spaces;
- › Develop a containment and extinguishing framework for cargo;
- › Share best practices and raise safety awareness for self-unloading vessels.



REDUCING HUMAN ERROR

The Human Element and Leadership Management (HELM) training program educates crews about the limitations of human performance. Participants learn to understand the root cause of human error and how factors such as fatigue, emergencies and work overload can contribute to mistakes. The emphasis of HELM is on developing an understanding of the human factors and managerial actions that influence performance. Seafarers and superintendents attend the HELM course together, which is an important success factor in this type of training.

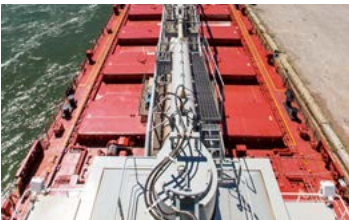
OUR COMMITMENT	PROGRESS IN 2013	MOVING FORWARD
Target goal is zero injury or accident.	The SafePartners program was introduced to and adopted by all CSL divisions.	Fully implement the SafePartners program in all CSL divisions.
Instill a world-class safety culture throughout CSL.	A series of townhall-style meetings were held throughout CSL to foster an open and constructive dialogue between crew members and management.	Explore, test and implement technologies, products and methods to improve ship safety.
Improve workplace health and safety onboard and at shore.	Safety training courses, exercises and drills were held for CSL crew members throughout the global fleets.	Improve safety investigation, reporting and communications tools.
Reduce the frequency rate of injuries and Lost Time Incidents.		Improve exchange of expertise and resources across divisions.
Develop and implement safety strategies worldwide.		Implement best practices and lessons learned in a rigorous and systematic way.
Improve communication and cross-division collaboration about safety.		Establish company-wide benchmarks to measure safety performance.
Reduce safety risks associated with new ships.		Continue to promote global safety standard for self-unloaders through the SUL Safety Working Group.
Assess and improve standard operating procedures, incident reporting and investigation.		
Take a leadership role in promoting safety in the shipping industry.		



CLAUDE DUMAIS

Vice-President, Technical
Operations and Environment
The CSL Group

"By combining CSL's entrepreneurial spirit and commitment to communities with the ISO 14001 structure, additional benchmarking and guidance, and the widespread adoption of the Green Marine program, we are giving ourselves the right tools: a shared vision and plan, a path forward to continuously improve our environmental performance."



MEASURING THE MARINE TRANSPORTATION INDUSTRY

Over the last four years, the marine shipping industry has commissioned a series of ground-breaking studies that have, for the first time, provided a comprehensive profile of the economic, environmental and safety performance of the entire bi-national Great Lakes-St. Lawrence Seaway System. The CSL Group was a key participant in these studies and provided confidential financial and operational data on its fleet. The data from this research will also provide a benchmark to measure the industry's future performance.

ENVIRONMENTAL SUSTAINABILITY: IMPROVING "THE WAY WE DO THINGS"

Since the onset of CSL's sustainability program, environmental awareness and responsibility have permeated into all aspects of the business. Making CSL's activities greener is categorically "the way we do things." Whether it's the design and construction of a new vessel, the operation of ships, the logistics chain, the promotion of new trades, or an industrial transportation service project, the environment is a fundamental consideration in any initiative.

In the past few years, each CSL division has made remarkable progress reducing its operational footprint and improving energy efficiency. In fact, environmental stewardship has become a natural extension of CSL's collective consciousness, opening the door to Group-wide goals, aspirations, targets and projects that recognize the distinct realities of each division.

A GLOBALLY COORDINATED APPROACH

CSL first reported its yearly environmental goals and results in 2008 as part of a commitment to demonstrate accountability and transparency, and to promote a greener and cleaner shipping culture at CSL and throughout the world. Due to regional differences and diverse vessel specifications and systems across divisions, consolidated Group-wide reporting and measurement has been challenging and, in some instances, unfeasible.

While CSL's operations face distinct challenges in different parts of the world, many issues tackled locally are in fact common to all divisions. Universal challenges such as climate change require a coordinated approach and macro solutions, while region-specific issues are best addressed when tailored to local conditions.

Recognizing that environmental management at CSL requires both divisional and global strategies, CSL is adopting a globally coordinated approach that takes into account the differences in operating and regulatory environments of the many regions in which the company does business. Moreover, after six years of divisional-specific reporting, CSL is implementing an integrated approach to performance measurement.

CONSISTENT PERFORMANCE MEASUREMENT THROUGHOUT THE WORLD

CSL has adopted Green Marine – the definitive program for footprint reduction – as the foundation for a new global approach to environmental performance. Under the Green Marine umbrella, each division will be rated using a common scoring profile to ensure consistency and continuity in measuring successes and growth areas. In 2013, Canada Steamship Lines achieved an exceptional score of 4.57/5, and CSL Americas scored a respectable 2.3/5 for its first year of implementation. Green Marine will be incorporated into all CSL division footprint programs within the next two years.

By the end of 2014, each CSL division will be guided by an Internal Divisional Environmental Committee (IDEC). While each IDEC will continue to monitor and deal with local footprints and issues, global challenges will be addressed based on a clear, common vision and strategy. The ISO 14001 model, the world's most recognised Environmental Management System, will be adopted in all divisions to ensure a consistent approach throughout CSL.

As a result, more robust systems will be put in place to share information and standardize data measurement and reporting. The development of Group best practices will facilitate cross-training worldwide, and will lead to highly effective strategies to protect our environment.

A CLEAR VISION FORWARD

CSL spent the past year benchmarking its sustainability program against other marine companies, including high-profile trans-ocean shipping and short sea shipping interests. While the process demonstrated CSL's environmental leadership, it also revealed a significant need to better communicate our achievements with customers, employees and stakeholders.

The results of the benchmarking process paved the way for CSL's new "Corporate Sustainability Report", in which sustainability has become a more inclusive concept. With regard to environmental reporting, CSL has decided to evolve its legacy "divisional" performance measurement to a Group-wide approach with high level goals and continual progress.

CSL's long-term environmental sustainability objectives include the following:

- › Establish an ISO 14001 Environmental Management System in all divisions in the next two years;
- › Implement Green Marine certification in all divisions within two years and achieve a rating of 4/5 across divisions within four years;
- › Reduce Group-wide GHG emissions on a tonne-mile basis by 15% in the next five years using 2012 as a benchmark;
- › Complete at least one major Group R&D or demonstration project for each of the next five years;
- › Strengthen the sustainability of the fleet-wide supply chain with greener suppliers and contractors;
- › Pledge to report third party audited results;
- › Be recognized as a sustainability leader in short sea shipping;
- › Enhance employee engagement programs and communications.



KIRK JONES

Vice President, Sustainability,
Government and Industry Affairs
The CSL Group

"With the establishment of a culture, a standard and a strategy to ensure the continued improvement of our environmental performance, we seek to join efforts with partners in the shipping and environmental communities to tackle the many challenges facing the marine environment, such as improving marine mammal habitats, addressing declining water levels, and reducing underwater noise, among others."



Rt. Hon. Paul E. Martin loading cargo in Sechelt, British Columbia.



DAVID MARTIN

Chair, CSL Sustainability Committee

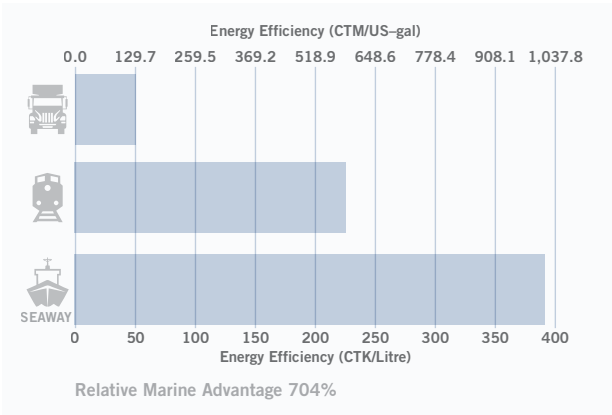
“Despite a global presence counting approximately 16,000 vessels, short sea shipping is often overlooked by the IMO and governments worldwide as a significant contributor to the social, economic, and environmental well-being of nations. When the interests of ocean-going trades overshadow short sea shipping voices at the IMO and other international shipping bodies, the unintended result is the promotion of a modal shift to rail and truck, along with its negative consequences. Now is the time for the short sea shipping sector to unite and engage with international organizations and regulatory bodies to advance sound public policy towards environmentally-sustainable, socially-responsible and competitive cargo shipping.”

DEVELOPMENTS IN SHORT SEA SHIPPING

According to a CSL-commissioned report released in September 2013 entitled *Define, Defend and Promote*, the importance of short sea shipping to global trade and the efficient movement of a country’s goods and services is neither fully recognized nor exploited. Not only is short sea shipping essential to a country’s industrial strategy – whether it is within one’s borders or as part of a regional import/export infrastructure – it also plays a key role in reducing greenhouse gas emissions and congestion problems.

Most consumers and policy makers outside the shipping world are unaware of where everyday commodities such as gypsum for dry-wall or aggregate for concrete are transported. These bulk cargoes often arrive via short sea shipping routes. Unlike their trans-ocean cousins, short sea ships typically operate along coastlines and rarely transit vast ocean distances. They also compete directly with lower-efficiency transportation modes such as truck or rail, which can also move heavy payloads but with higher pollution and fuel consumption rates.

ENERGY EFFICIENCY COMPARISON BY TRANSPORT MODE CANADA STEAMSHIP LINES — LAKERS



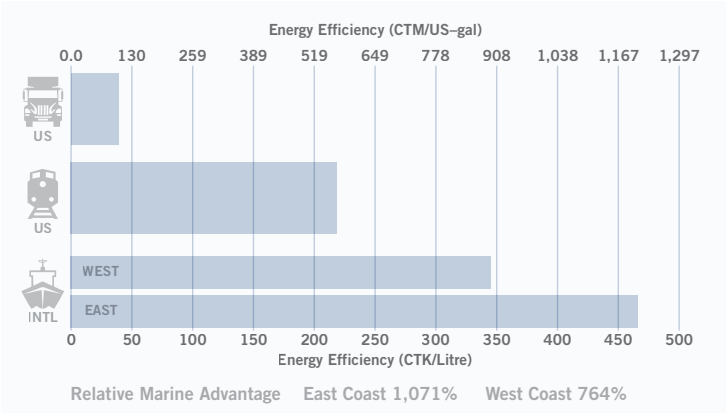
Whitefish Bay arriving in Montreal, Quebec.

While some international conventions and domestic shipping regulations recognize the unique aspects of short sea shipping, most do not. The omission of short sea shipping from the legislative debate such as the Ballast Water Management Convention and the North American Emission Control Area (both contained in the International Convention for the Prevention of Pollution from Ships) can impact short sea shipping and undermine the very environmental enhancements they seek.

Produced by the Research and Traffic Group, *Define, Defend and Promote* demonstrates the economic relevance of short sea shipping and analyzes its unique operating parameters, and inherent environmental and economic benefits.

The study recommends five immediate actions to promote short sea shipping, ensure sound policy development and convention negotiation, and educate decision-makers on the impact of the short sea shipping industry.

ENERGY EFFICIENCY COMPARISON BY TRANSPORT MODE
CSL AMERICAS — PANAMAX



DEFINE, DEFEND AND PROMOTE
REPORT RECOMMENDATIONS

- 1 The International Maritime Organization (IMO) should establish a common definition of short sea shipping to focus and consolidate the sector's interests globally.
- 2 IMO members should establish a mechanism to evaluate and protect short sea shipping prior to adopting international conventions that may include the sector. The short sea shipping industry must be consulted by respective national governments.
- 3 A mechanism must be developed within the International Chamber of Shipping to ensure the interests of short sea shipping at the IMO, exclusive of administration representation.
- 4 Short sea shipping nations should implement as policy a defense of domestic short sea shipping interests when adopting international marine conventions and subsequent national regulations.
- 5 National shipping associations must do a better job of providing relevant socio-economic and environmental data to governments to ensure they are updated on the full value of promoting the short sea shipping sector and can avoid the unintended negative consequences of applying trans-ocean rules to the sector without modification.

Define, Defend and Promote can be downloaded at CSLships.com.





-10%

Fuel sulphur content average across the CSL fleet was **1.36%**, representing a **10%** drop since 2012.



The **4555** MT of diesel saved by CSL ships in 2013 could power **1035** homes for one year.

13.5%

DROP IN DIESEL CONSUMPTION
THROUGHOUT CSL

IMPROVING AIR QUALITY

CSL recognizes that the fuel consumed by its ships contributes to the release of air emissions that can have long term effects on the air we breathe and climate change. The Company acknowledges its responsibility in this regard and has adopted strategies and taken significant steps to mitigate the impact of fuel use. Throughout 2013, CSL introduced various systems, programs and policies to decrease fuel oil sulphur, reduce harmful air emissions and improve efficiency. CSL was also very active in promoting sound public policy legislation in North America to phase in low sulphur fuel oils in the marine industry.

FLEET AVERAGING

Implemented in 2012, CSL's aggressive fleet averaging program is a ten-year plan to methodically reduce sulphur oxide emissions on the Great Lakes and Saint Lawrence Seaway. One year into the plan, CSL ships are reporting fuel sulphur content of .87% m/m – a result well below the regional goal of 1.15% m/m. Globally, CSL ships consumed fuel with an average marine fuel sulphur content of 1.3% m/m, which is well below the 3.5 % m/m international limit.

SHIPBOARD EFFICIENCY AND FUEL CONSUMPTION

Through state-of-the art weather routing, economic speeds, sophisticated fuel monitoring systems, and innovative research and development, CSL continuously seeks to improve processes, equipment, and practices to minimize emissions and the damage exhaust may cause. In the Canada Steamship Lines fleet, an emerging exhaust gas scrubbing system was installed aboard *Spruceglen* resulting in a 15% reduction in NO_x. In Europe, new Icon Research fuel monitoring was installed aboard two ships, and CSL Australia applied similar technology aboard *Goliath* and *CSL Brisbane*. The implementation of these technologies has resulted in a 12.3% reduction in fuel oil use across the CSL global fleet.

LNG ON THE RADAR

In light of rising fuel prices and impending environmental regulations, CSL, like many marine transport companies, is exploring Liquefied Natural Gas (LNG) as an emerging alternative fuel. Clean burning with a projected reduction in CO₂ of up to 30% over conventional marine fuels, LNG reduces enough SO_x and NO_x emissions to comply with ECA requirements.

INNOVATING FOR CLEANER AIR

Research and development is an important component of CSL's global strategy to curb air emissions. CSL's Technical Operations departments continually explore, test and implement clean technologies throughout the fleet. In 2013, CSL developed and launched a series of energy efficiency projects aimed at achieving the Company's objective to reduce GHG emissions by 1.5% per year for the next 10 years.

1. Engine heat is being recovered and harnessed to heat the accommodations and the onboard water system, to process hydrocarbons and to preheat standby generators. Over 1500 tonnes of GHG are expected to be reduced per year as a result of this initiative.
2. The use of variable frequency drives to control vessel cooling pumps is expected to reduce monthly GHG emissions by 1200 tonnes.

- 3. Older onboard electric heating systems are being replaced with steam coil heaters on ships where exhaust gas from the main engine is used to produce steam. This process, which is expected to reduce monthly GHG emissions by 300 tonnes, is both energy- and cost-efficient.
- 4. Pre-heating the main engine using a small circulating pump is creating a more efficient heat exchange system that is expected to decrease GHG emissions by more than 250 tonnes per year.
- 5. The replacement of obsolete generators by more efficient groups will produce less NO_x, lower fuel consumptions and drop GHG emissions by more than 1200 tonnes of GHG per year.

NEW VESSEL IMPROVES OVERALL EFFICIENCY

As part of a *Ministère des Transports du Québec* program to support initiatives to curb GHG emissions, *MV Halifax*, CSL's last steamship, was retired and replaced by Trillium Class *Baie St. Paul*, which began operating in 2013. In 2013, *Baie St. Paul*'s environmental performance was evaluated by a third party in accordance to ISO 14064-3, and revealed considerable improvements. From January 1 to December 31, 2013, 16,231 tonnes of GHG emissions were reduced as a direct result of vessel replacement. The audit was based on carbon dioxide, methane and nitrous oxide emissions from the engines onboard *Halifax* and *Baie Saint-Paul*, and the extraction, production and transport of consumed fossil fuels.



GAÉTAN SIMARD
Fleet Efficiency Specialist
Canada Steamship Lines

"Since the CSL GHG Team began engineering solutions to improve our environmental performance three years ago, we have seen a significant reduction in fuel consumption and GHG emissions. Best practices and expertise developed in one division are being shared and implemented throughout the entire Company. Seafarers and officers are also being trained on how to optimize the environmental performance of our operations."

OUR COMMITMENT	PROGRESS IN 2013	MOVING FORWARD
Reduce GHG emissions by 1.5% per year for the next 10 years.	GHG emissions were reduced by an average of 1.62% throughout CSL's global fleet in 2013 as compared to 2012.	Establish company-wide benchmarks to measure performance based on Green Marine key performance indicators.
Reduce fuel oil and bunkers.		
Reduce sulphur content in fuel to an average of 1.15% across the fleet.	The implementation of fuel efficiency technologies resulted in a 12.3% reduction in fuel oil use across the CSL global fleet.	Explore, test and implement technologies, products and methods to maximize GHG reductions and fuel efficiency performance.
Develop company-wide strategies to reduce GHG emissions, NO _x , SO _x and particulate matter.	The fuel sulphur content average across the CSL fleet, dropped by 10% since last year to 1.36%.	
Support and invest in research and development in alternative fuels.	A series of energy efficiency projects were undertaken throughout the fleet.	
Strive to reach a company-wide level of 5 for the following Green Marine indicators: NO _x , SO _x and GHG emissions.		
Take a leadership role in reducing the overall impact of shipping on climate change.		



COASTAL RESTORATION

In December 2010, during a severe winter storm, a CSL barge ran aground on the western shore of the Bay of Sept-Iles when the rope used to secure it to an ocean going vessel was stressed and broke. While CSL made every effort to reduce the environmental impact of refloating the barge, the nature of the operation inevitably caused some damage to local natural habitats.

CSL sought the assistance and expertise of a local educational institution to restore environmental damage caused by the operation. Launched in early 2012, the partnership with the Cégep de Baie-Comeau, a local college, resulted in an extraordinary success story for the participating students, for CSL and, most importantly, for the ecosystems of the Bay of Sept-Iles. A progress report and recommendations for further restoration was submitted to CSL in July 2013. Along with restoring the coastal habitat as close to its original state as possible, the students used the project to explore advanced methods in plant engineering.

PROTECTING BIODIVERSITY AND ECOSYSTEMS

CSL recognizes the important role of the world's water sources in maintaining ecological diversity and regulating climate. Moreover, CSL acknowledges that, as a primary user of these water sources, it is responsible to preserve and protect the marine habitats and fragile waterways it shares. From scientific partnerships to testing new technologies, CSL seeks to do its part by initiating and participating in programs that contribute to a thriving and biologically diverse marine ecosystem.

SOLVING THE BALLAST WATER DILEMMA IN FRESH WATER

Despite advancements in saltwater ballast treatment, an effective ballast system has yet to be successful in the cold fresh waters of the North American Great Lakes. Finding a solution to prevent the lake-to-lake transfer of invasive species is critical to Lakes shipping, and so CSL, along with a group of North American ship owners, are earnestly seeking a system that works.

In 2013, CSL and the Canadian Shipowners Association, in partnership with the Department of Fisheries and Oceans (DFO) of Canada, wrapped up a rigorous two-year analysis of the lake-to-lake transfer of aquatic species via ballast water. During the two year study, DFO scientists visited CSL ships on ten occasions to conduct ballast water analysis. The research concluded that only 30 of the over 180 known species on the Great Lakes had not spread to every Lake. Out of these 30 species, five were identified by DFO as causes for concern.

In view of the study results, CSL pursued sophisticated filtration testing on M/V *Richelieu* to test the efficacy of prototype filters to reduce species transfer risk. As reported by DFO scientists, prototype filtration reduced the uptake of species by up to 50% of zooplankton and 60% of phytoplankton, justifying further tests to determine if filtration significantly reduced the lake-to-lake transfer risk of invasive species.

FILTRATION TESTING PROGRAM

CSL and six other marine transportation providers partnered with the Great Ships Initiative (GSI) to create a competitive ballast water filtration testing program. The initiative recognizes the significant technological challenges faced by ballast water treatment developers to deliver a fresh water system that achieves the stringent standards required by the EPA, the International Maritime Organization (IMO) and the U.S. Coast Guard. With CSL's leadership and financial support, eight different filter systems were tested in GSI's state-of-the art facility in Superior, Wisconsin.

The proper testing of filtration prototypes will expedite the advancement of this technology and provide ship owners with the data to make informed and environmentally-responsible decisions when selecting a system.

REDUCING UNDERWATER NOISE

Research conducted by CSL Australia examined potential solutions to reduce the adverse effects on marine life of underwater noise caused by shipping. Ambient noise created by the low-frequency sound emitted into the ocean by commercial vessels is particularly harmful to whales, which have highly adapted ears and produce their own sounds at similar frequency ranges.

According to the study, the overall design of power generation and propulsion systems can result in large reductions in underwater noise. As a result, CSL will consider recommended noise-reducing technologies when designing new vessels.

SUPPORTING RESEARCH TO PROTECT MARINE HABITATS

Between 2012 and 2013, CSL contributed to a World Wildlife Fund (WWF) two-year research project on the Grand Banks of Newfoundland. The project studied the interaction of whales, seabirds, and other marine species in one of the most spectacular and ecologically productive marine environments in the world. Results from the study will help protect this pristine ecosystem, provide data for marine spatial planning, and advance economic recovery in the region through sustainable fishing and responsible oceans management.

Also in 2013, CSL contributed to a WWF project to increase awareness of unnecessary by-catch in the fisheries industry – a serious threat to marine species. The incidental capture and mortality of non-targeted species during fishing is considered a major threat to marine biodiversity throughout the world. It is estimated that each year, 25% of the world’s harvested fish is needlessly thrown back into the sea after loss of life. Whales, turtles and other marine animals can also get hooked, trapped and entangled in fishing nets and gear.

CSL’s support of this initiative will contribute to the development of an innovative mobile device application and experimental equipment to help fishermen avoid by-catch.

70

Number of ballast water treatment systems reviewed for compatibility with CSL goals.

WATER LEVELS

Climate change on the Great Lakes is producing a downward movement in water levels, representing a genuine threat to ecosystems and the economy. To better understand the scale and scope of the problem, CSL joined forces with a diverse array of groups to commission an independent study on the issue. The bi-national study is expected to confirm the pressing need for governments in Canada and the United States to study and invest in long-term infrastructure solutions to address water levels.

OUR COMMITMENT	PROGRESS IN 2013	MOVING FORWARD
<p>Invest in the research and development of technologies to reduce the risk of introducing and propagating invasive species through ballast water.</p> <p>Support research to reduce the impact of marine shipping and protect marine life and habitats.</p> <p>Support initiatives to restore ecosystems where damaged by marine shipping.</p> <p>Strive to reach a company-wide level of 5 for the Green Marine indicator on Aquatic Invasive Species.</p> <p>Take a leadership role in protecting and preserving marine biodiversity and ecosystems.</p>	<p>CSL participated in the Great Ships Initiative (GSI) ballast water filtration testing program.</p> <p>Emerging ballast water treatment systems were assessed and tested.</p> <p>Solutions to reduce the impact of vessel-related underwater noise were studied and assessed.</p> <p>Financial support was provided to study water levels, and to WWF research to protect biodiversity and ecosystems.</p>	<p>Explore, test and implement technologies, prototypes and systems to minimize the introduction and propagation of invasive species through ballast water.</p> <p>Continue to seek opportunities to support research to reduce the impact of CSL’s operations on biodiversity and ecosystems.</p> <p>Establish company-wide benchmarks to measure performance based on Green Marine key performance indicators.</p>



TRAINED TO RESPOND

Initiated in 2013, CSL Asia's spill response program included a comprehensive joint spill response exercise protocol coordinated with V.Ships. In the Americas, a robust joint emergency response exercise was launched using the Incident Command System from a dynamic command center. The exercise incorporated detailed emergency response training for various facets of the organization to best prepare office staff and V.Ships managers for a major marine emergency.



RESPONSIBLE RECYCLING

The recycling of the *CSL Tiber* and *CSL Bergen* was completed within six weeks of delivery to the recycling facility in Turkey. At regular intervals throughout the process, onsite supervision was carried out by V.Ships Istanbul to ensure facility operators were completing the recycling as stated in the approved plan and in compliance with international rules and regulations.

REDUCING MARINE POLLUTION AND WASTE

Marine pollution and waste can have a devastating effect on biodiversity and habitats, which is why CSL has adopted proactive measures to minimize the impact of its operations. CSL also promotes ecological awareness and literacy among crews and employees, and challenges them to find new and innovative ways to eliminate all forms of pollution and reduce waste onboard ships and in offices.

Actions taken by CSL in 2013 include replacing harmful machinery chemicals and agents with greener alternatives, and installing advanced technology to reduce waste and the potential for an unintended spill. Looking to 2014, CSL divisions will seek to advance environmental protection goals by employing innovative bilge skimming systems to reduce oily water processing, and by installing an Alfa Lubrication System to reduce lube oil waste by over 360 litres per year.

CSL unfortunately experienced three pollution events in 2013, during which 100 liters of oil were released into the marine environment. The regrettable incidents reiterated CSL's resolve to improve and tighten operational and maintenance practices to maintain a world-wide goal of zero spills. Each incident was fully investigated and a thorough review of procedures was conducted to identify and rectify areas for improvement.

SHIP RECYCLING

In the course of its business, CSL recycles vessels that have outlived their commercial usefulness and seeks to do so in the most environmentally- and socially-responsible manner. In 2013, CSL revised its corporate Ship Recycling Policy to ensure ship recycling was responsibly executed by qualified professionals who place the safety of workers, the community and the environment as top priorities.

Over the course of the year, *CSL Tiber* and *CSL Bergen* of the CSL Europe fleet were recycled at a facility in Turkey that is fully compliant with international rules and regulations, including the EU's Basel Convention on the Movement and Disposal of Hazardous Waste, and the unratified IMO Hong Kong Convention for the Safe and Environmentally Sound Recycling of Ships. CSL Europe's leadership in responsible shipbreaking was recognized by industry peers at the 2013 International Green Recycling Forum in Dubai, at which CSL was invited to present its position on recycling.

For the recycling of the CSL Americas vessel *CSL Cabo*, CSL conducted comprehensive on-site vetting of four Chinese shipbreaking facilities. The assessments evaluated prospective yards to ensure they met CSL's high standards before the appropriate facility was selected.

WASTE MANAGEMENT

Since the revised MARPOL Annex V came into force on January 1, 2013, all V.Ships-managed CSL vessels are fully complying with the new requirements, which include the maintenance of a Garbage Management Plan and record book for each discharge operation and completed incineration. These include discharges into the sea, to reception facilities or to other ships, as well as the accidental loss of garbage.

It is the Ship Master’s responsibility to ensure all crew members are familiar with the Plan and with the onboard facilities intended for minimizing, storing, processing and disposing of ship-generated garbage. Garbage Management Plan training for crew members is conducted by the Chief Officer onboard as per section 3.7 of the Ship’s Sanitation Control manual.

Under the new Annex V, it is prohibited to discharge into the sea all plastics, synthetic ropes, fishing gear, plastic garbage bags, incinerator ashes, clinkers, cooking oil, floating dunnage, lining and packing materials, paper, rags, glass, metal, bottles, crockery and similar refuse.

Waste management on the Canada Steamship Lines fleet exceeds the Annex V standards. The division achieved the highest Level 5 in the Green Marine program for Garbage Management – a new environmental indicator for 2013.



JIM HARDIE
Director, Technical Operations
CSL Europe

“The decision to retire a ship is never an easy one and typically requires months of analysis and thoughtful consideration. CSL’s Ship Recycling Policy outlines a strict set of guidelines to ensure ships that have reached the end of their useful lives are recycled in a safe and environmentally-friendly manner.”

OUR COMMITMENT	PROGRESS IN 2013	MOVING FORWARD
<p>Target goal is zero spills.</p> <p>Support research and development to reduce marine pollution and waste.</p> <p>Maintain and test comprehensive environmental mitigation and response plans in the event of an incident.</p> <p>Focus improvement of waste management and recycling onboard vessels and in offices.</p> <p>Strive to reach a company-wide level of 5 for the following Green Marine indicators: Cargo Residues, Oily Waters, Waste Management and Prevention of Spills and Leakages.</p> <p>Take a leadership role in the responsible recycling of ships.</p>	<p>Three pollution events were reported during which 100 liters of oil were released. Immediate actions to mitigate environmental impacts were taken.</p> <p>A three-vessel trial of EPA recognized green chemicals was undertaken to replace engine room chemicals.</p> <p>Spill response drills were conducted in two divisions.</p> <p>Canada Steamship Lines achieved a Green Marine Level 5 for the Green Marine the Waste Management indicator, and a Level 4 for Cargo Residues and Oily Waters. CSL Americas achieved a Level 2 for Oily Water and a Level 1 for Waste Management.</p> <p>Three vessels were recycled in compliance with international regulations and CSL’s Ship Recycling Policy.</p>	<p>Establish company-wide benchmarks based on Green Marine key performance indicators.</p> <p>Schedule regular environmental emergency response drills in all divisions.</p> <p>Explore, test and implement technologies, products and methods to minimize marine pollution and waste.</p> <p>Continue to educate crews and employees on the responsible treatment, handling, reuse, recycling and disposal of garbage and waste.</p>



GREEN MARINE

Participants in the Green Marine environmental program are committed to continuously reducing their environmental footprint. Each year, they benchmark their environmental performance through Green Marine's framework. The certification process is rigorous and transparent, and requires participants to demonstrate year-over-year measurable improvements.



STEPHEN BROOKS

President

Chamber of Marine Commerce

"When it comes to industry sustainability, North America's marine shipping industry is taking action. Companies have invested billions of dollars in new ships and green technologies, reducing energy consumption and incorporating smarter practices into every aspect of their operations. And through the voluntary Green Marine improvement program, we're achieving environmental outcomes far beyond basic regulatory requirements."

ENVIRONMENTAL MANAGEMENT

As CSL continues to grow, so must its responsibility to protect the environment and make sustainability more "sustainable." Breaking from a traditional maritime model of mere compliance, CSL's environmental philosophy follows a "best practice" approach based on unified goals and comprehensive performance measurement.

For many years, each CSL division set goals and measured performance independently. As CSL evolves, this approach has run its course and more aggressive methods to advance as a Group with solid and consistent tactics and goals must be developed. Accordingly, CSL's Corporate Environmental Sustainability Committee has adopted a globally-coordinated approach to sustainability. The environmental centerpiece of this strategy is the implementation across all divisions of the Green Marine program.

GREEN MARINE PROGRAM

Green Marine is an independent North American initiative that provides ambitious voluntary environmental targets that reach far beyond regulatory standards. The Program is overseen by an executive board that maintains parity with international trends, keeping Green Marine's standards fresh and relevant.

Founded in 2007, Green Marine sets rigid standards with challenging benchmarks and transparent reporting, all of which appeal to CSL. As a cornerstone of the CSL Sustainability Strategy, the Green Marine Program will enhance standardization of environmental performance. Under this umbrella, each division will now be rated using a common scoring profile to ensure consistency of effort and continuity in measuring successes and growth areas.

ISO 14001

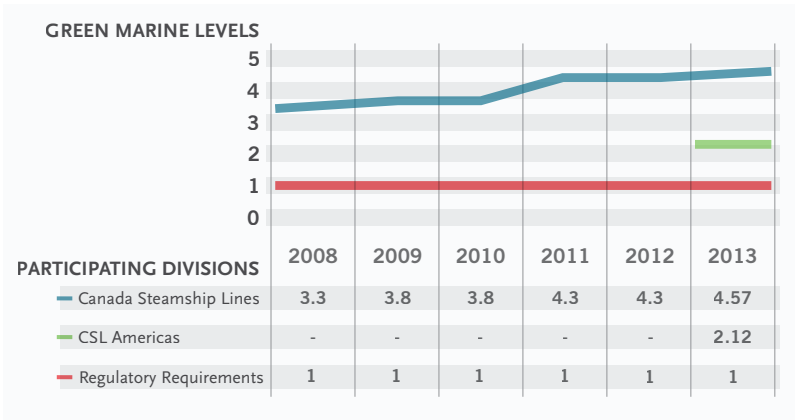
Since 2011, Canada Steamship Lines has been using the ISO 14001 Environmental Management System. The system provides tools and a framework to measure environmental impacts and improve performance and efficiencies. The success of ISO 14001 in Canada has paved the way to implement the system company-wide in a multi-year phase-in period.

Adopting the ISO 14001 system provides a credible audit and measurement function to help steer global goals and strengthen CSL's ability to unite the efforts of its diverse global operations. Using detailed processes and auditing, the ISO system also provides an independent platform to verify the performance data submitted voluntarily to Green Marine by CSL.

CSL GREEN MARINE PERFORMANCE 2008-2013

The 2013 Green Marine results show continued progress in the marine shipping industry, well beyond environmental compliance. The global average of participants in 2013 continued an upward curve and reached 3.1 on a scale of 1 to 5. (Level 1 shows regulatory compliance and Level 5 illustrates excellence and leadership). Reaching Level 3 is demanding: participants must benchmark their environmental impacts and have implemented best practices and management plans. Canada Steamship Lines reached an outstanding score of 4.57, while CSL Americas, a first time participant, received a respectable score of 2.12.

GREEN MARINE RESULTS 2008-2013



GREEN FLAG AWARD

In 2013, CSL Americas achieved an extraordinary **100%** voluntary compliance with the Port of Long Beach's Green Flag Program, attaining the Green Flag Environmental Achievement Award. Verified by the Marine Exchange of Southern California, the Green Flag Program reduces air pollution in the Long Beach area by more than 1,000 tonnes per year by rewarding vessels that emit fewer air emissions by travelling at slow speeds within 40 nautical miles of the Harbour's entrance.

OUR COMMITMENT	PROGRESS IN 2013	MOVING FORWARD
<p>Put in place processes and practices that enable CSL to reduce its environmental impact and increase its operating efficiency.</p> <p>Standardize environmental reporting and measurement throughout CSL by implementing Green Marine and ISO 14001 company-wide.</p> <p>Maintain leading Green Marine performance.</p>	<p>Canada Steamship Lines achieved an overall Green Marine score of 4.57, the best performance yet for the division.</p> <p>CSL Americas was audited for the first time by the Green Marine program and received an overall score of 2.12.</p> <p>Pre-planning is taking place in all CSL divisions to introduce and implement the Green Marine Program and ISO 14001.</p>	<p>Prepare to implement the Green Marine Program in each CSL division by 2016.</p> <p>Implement ISO 14001 company-wide in a multi-year phase-in period to be completed by 2016.</p>



ANTI-CORRUPTION MANUAL

Adopted in 2012, the CSL Anti-Corruption Manual outlines targeted policies and procedures addressing specific activities that pose a heightened compliance risk. The policies and procedures in the Manual apply to CSL and all of its officers, directors and employees. CSL also requires its partners, agents and other representatives to abide by its high ethical standards.



MARITIME ANTI-CORRUPTION NETWORK

CSL is a member of the Maritime Anti-Corruption Network (MACN), a global business network dedicated to fostering a corruption-free maritime industry that enables fair trade to the benefit of society at large. CSL's Chief Legal and Compliance Officer is a member of the MACN Steering Committee.

ETHICS

CODE OF CORPORATE RESPONSIBILITY

CSL has an established Code of Corporate Responsibility that sets out the ethical standards the Company expects all of its employees to meet.

CSL's reputation for integrity is one of its most important assets. Maintaining a high level of integrity and trust with those with whom CSL does business and the wider community is the obligation of every CSL director, officer and employee. Although laws differ from country to country, matters of CSL's business integrity transcend national boundaries.

ANTI-CORRUPTION

CSL's anti-corruption program reflects CSL's values and demonstrates its commitment to operating in accordance with high standards of ethical conduct. The CSL Anti-Corruption Manual outlines targeted policies and procedures that address specific activities that pose a heightened compliance risk.

The policies and procedures in the Manual apply to CSL and all officers, directors and employees of the Company. CSL also requires its partners, agents and other representatives to abide by its ethical standards.

Compliance with CSL's anti-corruption policies and procedures is mandatory and is the responsibility of each CSL officer, director, employee and representative. Any CSL officer, director or employee who violates these policies may be subject to disciplinary action up to and including termination.

WHISTLEBLOWING

CSL strongly encourages its employees, customers, suppliers and the public to report any unethical conduct by anyone working for CSL or any breach of any law, CSL policy or commitment.

CSL uses EthicsPoint, a confidential and anonymous, third-party reporting service so that any person can anonymously and easily report anything of concern. All reports filed through EthicsPoint are treated confidentially, investigated and addressed as required.

Anonymous and confidential reports can be submitted to EthicsPoint via telephone or internet.

COMPLIANCE WITH COMPETITION LAW

CSL complies strictly with competition laws in all jurisdictions where it carries on business. The CSL Competition/Anti-Trust Law Compliance Program provides instruction and guidance to all employees, members of the board of directors and other persons working for CSL on compliance with the competition/anti-trust laws of each country in which it operates.

HUMAN RIGHTS

CSL complies with all international human rights laws and recognizes its responsibility to respect the principles as set out in the *International Bill of Human Rights* and the *International Labour Organization’s Declaration of Fundamental Principles and Rights at Work*.

In accordance with its Code of Corporate Responsibility, CSL endeavours at all times to:

- > Respect human rights throughout its operations in every country;
- > Provide fair and competitive employment terms;
- > Promote equal opportunity employment; and
- > Treat employees fairly and comply with applicable laws and regulations.



EthicsPoint is a confidential, third-party reporting service available to anyone who would like to anonymously report any wrongdoing related to CSL.

Submit a report online

www.cslships.com/ethicspoint

or

Call toll-free in Canada and
the United States at

866-384-4277

*Consult the website if calling
from elsewhere.*



RISSALATH ADEBO
Business Process and
Accounting Analyst
The CSL Group

“We’ve completed vetting over 90% of our suppliers as part of our Anti-Corruption Compliance Program. This outstanding response rate achieved from each of our operating and business divisions illustrates our strong commitment to promote high ethical standards within the business community.”

OUR COMMITMENT	PROGRESS IN 2013	MOVING FORWARD
Consistently and rigorously uphold the highest ethical standards in every aspect of our business. Ensure all employees and agents are educated on and comply with policies, laws and ethical conduct.	All new suppliers are to be vetted under the CSL Anti-Corruption Program. 90% of existing suppliers have been vetted to date. CSL joined the Maritime Anti-Corruption Network (MACN).	Complete vetting of all existing suppliers under the CSL Anti-Corruption Program. Provide ongoing training on ethical conduct to all employees. Establish a process to review the sustainability impact, ethics, and respect for human rights throughout our supply chain.



5% OF TOTAL CSL
PAYROLL INVESTED
IN TRAINING AND
DEVELOPMENT



ONGOING SEAFARER TRAINING

- Cadet orientation & training
- Total Team Training (T3)
- Maritime occupational health & safety
- Human element & leadership management
- Confined spaces search & rescue training
- Risk management & incident investigation
- Ship security officer training
- Seatac emergency training & response
- Seafarers Training Institute courses
- Chief cook training
- Specialised skills training on new systems & technologies
- Electronic chart display & information system training
- Pilotage & ship handling simulator training
- Advanced first aid
- Electro technical training for officers & ratings
- Health & Safety Representative Training
- Working at heights
- Automation & control

POSITIVE WORKPLACE

The safety and well-being of employees is of the utmost importance to CSL, as is creating an inspiring and caring business environment that motivates people, promotes collaboration, cultivates innovation, and delivers outstanding results. During challenging economic times, implementing the right conditions to attract and retain talent, and to help employees stay engaged and thrive in their roles, takes on increased significance.

CSL and the shipping industry are at the crossroads of change when it comes to workforce issues. Worldwide trends such as aging and declining populations, unstable economic conditions, fast-paced technological change, and evolving skills requirements, mean that CSL must be at the forefront of developing and implementing innovative strategies to ensure the talent is in place to drive business success into the future.

In response to global trends and to prepare for future growth, CSL has been revising, developing and putting in place effective tools and programs to serve the company's long-term people vision. At the same, the rich heritage of excellence, innovation and customer service that CSL employees have developed for over a century is being cultivated and promoted.

INVESTING IN PEOPLE

CSL places a high value on education and training and encourages employees to further their education by taking advantage of CSL's Employee Training and Development Policy. In 2013, CSL's worldwide investment in training and development was approximately five per cent of total payroll.

CSL's investment in education and training provides technical, function-specific, leadership, and core competency training to support employees in acquiring and enhancing the skill sets needed to perform their best in their current roles and prepare for future responsibilities and/or positions.

In 2013, CSL refined its learning and development program to better foster employee engagement, job satisfaction, efficiency and innovation. Recognizing that people retain information more efficiently when learning through a variety of approaches, CSL introduced the Connect-Share-Learn program based on the 70/20/10 model. According to this approach, a combination of learning on the job, coaching and mentoring, and instructor-led training is the most favourable model for learning.

As part of an overall review of talent and performance management, CSL also undertook a company-wide career mapping exercise to build effective development plans that better connect individual career aspirations with business needs. It also deployed a new approach to the annual bonus plan, establishing the link between employee contribution, CSL success and compensation. CSL also continued to benchmark the competitiveness of compensation and benefits programs to ensure it maintains its position as an employer of choice.

VALUES THAT RESONATE

CSL understands that to be fully committed to meeting business objectives, employees must be informed and engaged, and feel a personal sense of connection with the values that drive the company. In 2013, CSL undertook a company-wide dialogue to define these values. Over the course of

this ground-up, inclusive process, employees articulated the fundamental principles and philosophies that drive the way decisions are made, business is conducted and people behave. From this exercise arose five core values that reflect how CSL employees define themselves and their aspirations .

Though geographies, cultures, languages and positions vary between employees, departments and divisions, the dialogue sessions revealed that regardless of these many differences, CSL employees are guided by common values:

- › We care about people and their safety. We care about the environment and the communities in which we operate. And we care about doing the right thing.
- › We thrive on exceeding expectations for our customers and partners. We take pride in cultivating teamwork and building long-term relationships.
- › We see challenges as opportunities and we are driven by a continual quest to improve our service to customers. We are imaginative, innovative and seek new ideas to deliver sound, value-added solutions.
- › We strive for excellence and reflect quality in everything we do. We hold each other accountable to the highest ethical and professional standards.
- › We conduct ourselves with integrity and honesty. Our word is our bond.



STEPHANEE LEGAULT

Marketing and Customer
Relations Representative
Canada Steamship Lines

“Working for six months on the construction of our new Trillium Class vessels in China was an exciting cross-development opportunity and a great complement to my ability to serve our customers. Understanding the inner workings of our state-of-the-art self-unloaders allows me to be more accurate and creative when proposing customized transportation and handling solutions.”

OUR COMMITMENT	PROGRESS IN 2013	MOVING FORWARD
Create a safe, caring and inspiring working environment that promotes diversity and agility.	HR department was restructured to better address CSL's long-term people vision.	Develop comprehensive succession and career plans at all levels.
Attract, select, develop and retain people with the right skills and “fit.”	CSL employees and crews throughout the world participated in enhanced training and development programs.	Enhance on-boarding and mentorship programs.
Foster employee satisfaction to enhance productivity and customer experience.	CSL's corporate values were defined and disseminated in a company-wide exercise.	Increase availability of targeted learning and development opportunities.
Enhance development and growth opportunities for employees, and empower them to take ownership of their career progression.	The Connect-Share-Learn program was launched to support career development.	Incorporate CSL's values throughout the Company.
Improve employee communications.	The new annual bonus plan was deployed establishing the link between employee performance and compensation.	Conduct regular employee engagement surveys and consultative town-hall meetings.
	Enhanced career mapping was introduced.	Enhance ship-shore employee communications to foster company-wide dialogue and collaboration.
		Benchmark industry compensation and benefits programs.



CYCLING FOR MS

CSL's *Keep on Steamin* cycling team rode more than 175 km over two days in mid-August to raise funds for the Multiple Sclerosis Society. The team raised \$11,280 and each CSL participant received an additional \$250 donation from CSL as part of the Employee Sponsorship Program.



BLESSING CEREMONY

On the occasion of her first loading at Orca Sand and Gravel in Port McNeill, B.C., *MV Rt. Hon. Paul E. Martin* was blessed by the Kwakiutl and Namgis First Nations in a traditional ceremony that took place on the foredeck of the vessel. The ceremony was attended by a small group of community members and representatives from Polaris and CSL.



MINI CSL WHYALLA

CSL Australia employees built and showcased a float of *CSL Whyalla*, much to the delight of the vessel's namesake community.

EMPLOYEE AND COMMUNITY ENGAGEMENT

Giving back to the diverse communities in which CSL operates is a corporate philosophy that is deeply embedded in the company culture. CSL and its employees are dedicated to enriching people, improving the natural environment and contributing to causes that make a difference.

CSL's approach to good citizenship reflects its diverse interests and focuses on three distinct pillars: education, the environment and social affairs, including arts and culture, community outreach, and health and human services. Every year, CSL donates approximately one percent of its net profit before extraordinary items to charitable organizations.

In the area of education, CSL supports scholarship programs at a number of academic institutions, including the Massachusetts Maritime Academy, the Maine Maritime Academy, the Institut Maritime du Québec, the British Columbia Institute of Technology, Georgian College and the Marine Institute of Memorial University. Candidates are evaluated and selected based on criteria established by CSL in collaboration with each institution.

The environment represents a key component of CSL's philanthropic efforts, with such initiatives as the annual employee-led coastal cleanup drive in support of the Ocean Conservancy's global campaign. CSL also contributes significantly to WWF research programs to promote biodiversity and protect species at risk, habitats, and natural ecosystems.

CSL is also a strong supporter of community outreach programs such as the Mission to Seafarers, the Red Cross, Beverly Bootstraps Food Pantry, the Old Brewery Mission and Junior Achievement, and contributes to a multitude of social and health-related causes worldwide, including emergency relief.

In 2013, CSL contributed \$10,000 each to relief and recovery efforts in the Philippines following Typhoon Haiyan, and to the community of Lac Mégantic, Québec, which was devastated by a train derailment and massive explosion.

CSL's philanthropic efforts are led by a Donations Committee that sets the annual donations budget and evaluates requests based on specific criteria. A portion of CSL's donations budget is set aside each year to support a matching-gift and employee-sponsorship program. Through this program, the company encourages the charitable activities of employees by matching donations to educational institutions up to \$1,000 CAD and other fundraising efforts up to \$250 CAD.

KEEP ON STEAMIN

In honour of CSL's 100th anniversary celebrated in 2013, CSL launched the worldwide *Keep on Steamin* challenge, a fundraising campaign aimed at enriching the lives of young people.

In addition to its yearly donations program, in 2013 CSL contributed \$100,000 – \$1,000 for every year of its existence – in matching funds (three for every dollar raised by employees and crews) to organizations, causes and initiatives that contribute to the advancement, education and welfare of young people.

Over the course of the year, CSL employees raised \$20,000 by holding a variety of *Keep on Steamin* fundraisers including bowling and poker tournaments, holiday-themed sales, bingo and quiz nights, and food drives. Together with CSL's matchings funds , the total raised through employee-led initiatives reached \$60,000. The remaining \$40,000 was donated to charitable organizations that support youth-related development causes in Africa, Indonesia and Canada. These include Canada World Youth, Plan Canada, Save the Children, and the Martin Aboriginal Education Initiative.

KEEP ON STEAMIN RECIPIENT ORGANIZATIONS

- › Air Cadets
- › Ardoch Youth Foundation, providing support to disadvantaged children and young people
- › Beverly Bootstraps Food Pantry
- › Boston Children's Hopsital
- › Canada World Youth
- › Community Giving Tree
- › Fairbridge Programme for marginalised and disengaged young people
- › Fondation Jasmin Roy, dedicated to anti-bullying
- › GMA Foundation, dedicated to uplifting lives in the Philippines
- › Martin Aboriginal Education Initiative
- › Northeast Health Link
- › Plan Canada – Sierra Leone and Indonesia
- › Salem High School Band
- › Save the Children
- › Shack Youth Services
- › Undercurrent Youth Center
- › Whyalla Football Club



OCEAN LITERACY

A CSL Americas donation will enable the Salem Sound Coastwatch to hire a marine environmental educator to develop and lead the Ocean Literacy Program. The Ocean Literacy initiative works with schools and youth groups to educate young people to manage invasive plants, sample and compare water quality, identify coastal animals and recognize marine species and their habitat.

OUR COMMITMENT	PROGRESS IN 2013	MOVING FORWARD
<p>Seek, identify and support causes that enrich lives, improve the environment and create opportunities for communities to thrive.</p> <p>Donate approximately one percent of net profit before extraordinary items to charitable organizations.</p>	<p>CSL donated over the targeted goal of one percent of net profit before extraordinary items.</p> <p>Through the <i>Keep on Steamin</i> Challenge, CSL and its employees raised and donated \$100,000 to youth-related causes worldwide.</p>	<p>Increase employee participation in volunteer and community engagement initiatives.</p> <p>Educate employees on the impact of CSL's philanthropic efforts.</p>



BLIND DISCHARGING SERVES CUSTOMERS ON THE WEST COAST

In response to stringent environmental regulations on the Pacific Coast, CSL's gypsum customers are now being served by Trillium-class vessels with much longer discharge booms. This means the vessels are discharging in 'blind' condition, where there is no visible monitoring of product transfer into the hopper. To meet the required dust emission limits, it was necessary to install flow detectors and hopper level measuring devices. After careful research, CSL recommended solutions to the customers.

Customers are now implementing these recommendations while CSL is installing new technology on vessels, including super-chute technology. Surfactant, water and mist application systems are being refined to prevent dust dispersion.

Improved ship and shore cargo handling systems will help secure both regulatory and public acceptance, thus assuring CSL's future role in the gypsum supply chain.

VALUE FOR CUSTOMERS

Customers seek value and flexibility with a tailored approach that meets their unique specifications. This is why CSL has developed a responsive, accessible business approach driven by the needs of customers, while concurrently building large pools of ships to deliver flexibility and economies of scale.

Experience, proven technology, innovation, and a commitment to operate in an ethical, safe and environmentally-friendly manner are essential elements of CSL's customer service approach. CSL aims to give clients a competitive edge by forming long-term, value-added partnerships.

EXCEEDING EXPECTATIONS

CSL strives to deliver a wide range of vessel options and sound solutions that ensure the reliability and productivity of its shipping and transshipment operations. The sustainability of CSL's business relies on understanding the needs of customers and meeting their expectations. Through ongoing dialogue and periodic customer surveys, CSL regularly assesses the satisfaction of customers and the Company's responsiveness to their needs. Opportunities to partner with customers to jointly develop key performance indicators in line with their requirements are enthusiastically embraced where appropriate.

SUPPORTING SUSTAINABLE AND COMPETITIVE SHIPPING

CSL actively engages in forming partnerships and alliances to support a sound public policy and regulatory environment for the marine transportation industry. CSL is a leading advocate for the short sea shipping industry and an active member of the Maritime Industrial Transportation Alliance, a multi-stakeholder coalition dedicated to advocating for safe, sustainable and competitive maritime transportation.

IMPROVING SERVICE THROUGH TECHNOLOGY

A constant source of inspiration, customers are the driving force behind CSL's fleet renewal program that to date has delivered seven of the most advanced self-unloaders in the world. Equipped to meet the evolving business needs and high environmental standards of customers, the Trillium Class vessels feature the most sophisticated technology available for bulk cargo and handling transportation.

OUR COMMITMENT	PROGRESS IN 2013	MOVING FORWARD
Maintain the highest standards of safety, ethical conduct and environmental responsibility.	The introduction of the Trillium Class vessels will deliver exceptional performance with a reduced overall environmental impact.	Continuously improve operational performance, and tailor products and services to respond to customer specifications.
Be responsive to customer needs and maintain an open dialogue.	CSL maintained ongoing dialogue with customers to understand needs and expectations.	Jointly develop key performance indicators in line with customer requirements.
Exceed expectations by creating value through efficiency, innovation and continuous improvement.	CSL led and participated in advocacy initiatives to promote a marine shipping industry positioned to respond to customer needs in changing regulatory arenas.	Continue to form partnerships with customers and other stakeholders to actively promote a sound policy and regulatory framework for marine transportation.
Position customers for the future through advocacy and partnerships.		

ANNEX



CSL Rhine sailing by the Grenland Bridge in Rafnes, Norway.

2013 GREEN MARINE RESULTS

CANADA STEAMSHIP LINES

INDICATOR	LEVEL	ACTIONS UNDERTAKEN TO ACHIEVE THE LEVEL
1. Aquatic Invasive Species	5	<p>CSL partnered with the Great Ships Initiative to develop a filtration system testing program to address the risk of aquatic invasive species in the Great Lakes.</p> <p>CSL carried out an annual inspection and scheduled ballast tank cleaning, with all sediments disposed of ashore.</p>
2. Pollutant Air Emissions SO _x and Particulate Matter	5	<p>Using recognized and consistent methodology, CSL sampled particulate matter emissions for all of its fleet engine types and validated its inventory emissions factors.</p> <p>On average, CSL uses fuel that contains less than 1% sulphur.</p>
3. Pollutant Air Emissions NO _x	4	<p>CSL completed its annual samplings and NO_x inventory.</p> <p>CSL used a NO_x reduction technology (Ecospec) onboard <i>Spruceglen</i> that resulted in a 15% reduction of NO_x emissions below permitted limits.</p>
4. Greenhouse Gases (GHG)	5	<p>CSL achieved an annual reduction of 1.56% of GHG emissions per tonne-kilometre between 2000 and 2013.</p>
5. Cargo Residues	4	<p>CSL continues to implement fleet-wide practices and a training plan to improve the accuracy of its cargo residue inventory.</p> <p>Trillium Class ships are equipped with wash-water apparatus that is adapted to their configuration.</p>
6. Oily Water	4	<p>CSL adopted a modernization policy for oily water separators and all related control and verification equipment.</p>
7. Garbage Management	5	<p>CSL developed and implemented a garbage management strategy aimed at reducing garbage and discharge at sea, as well as increasing recycling.</p> <p>CSL demonstrated continuous improvement by achieving the targets defined in its strategy.</p>

CSL AMERICAS

INDICATOR	LEVEL	ACTIONS UNDERTAKEN TO ACHIEVE THE LEVEL
1. Aquatic Invasive Species	2	<p>CSL organized specialized training for ship masters regarding changes and new environmental requirements to ensure compliance.</p> <p>CSL <i>Argosy</i> participated in a ballast water study with the Smithsonian Environmental Research Center as part of ongoing data collection for the U.S. Coast Guard.</p> <p>CSL met most of the Level 3 certification criteria, but did not conduct non-mandatory ballast water exchange, preventing a Level 3 achievement.</p>
2. Pollutant Air Emissions SO _x and Particulate Matter	3	<p>CSL uses the comprehensive Shiplt Data System to document consumption of fuel and other consumables on a per ship basis.</p> <p>All vessels in the fleet complied with the requirement to burn fuel with a 0.5% sulfur content when in port.</p>
3. Pollutant Air Emissions NO _x	3	CSL conducted samplings of NO _x emissions on several vessels in the fleet.
4. Greenhouse Gases (GHG)	2	CSL completed its annual GHG Emissions inventory.
5. Cargo Residues	N/A	N/A
6. Oily Water	2	<p>CSL compliance with regulatory requirements and specific guidance and procedures regarding oily waste management are contained onboard each vessel in Safety and Environmental Procedures, Section 12.</p> <p>CSL conducted annual audits on all waste oil arrangements, verified compliance, reviewed calibration records and inspected pollution prevention equipment.</p>
7. Garbage Management	1	CSL complies with existing regulatory requirements.

2013 ENVIRONMENTAL PERFORMANCE

GOALS	DIVISIONS	2013 TARGETS	STATUS
REDUCE AIR POLLUTION	CSL CANADA	Reduce GHG by 3% (grams per tonne-mile)	Mostly Achieved: -2.78%
		Reduce sulphur content in fuel to an average of 1.15%	Achieved: -0.87%.
	CSL AMERICAS	Reduce GHG by 2.5% (in grams per tonne-mile)	Partly Achieved: Gross +0.7%/GHG -10%
		Convert 70% Freon 22 refrigeration systems to green alternative	Achieved: 72% converted
	CSL AUSTRALIA	Reduce GHG by 0.5% (grams per tonne-mile)	Achieved: 2.8%
		Reduce amount of bunkers used by 1%	Achieved: -3.4%
	CSL EUROPE	Complete data collection for footprint	Achieved
		Apply and assess Dr. Diesel engine performance unit	Achieved
	CSL ASIA	Reduce GHG by 1.5 %	Achieved: -1.6%
REDUCE OUR IMPACT ON BIODIVERSITY	CSL CANADA	Investigate solutions to address species transfer risk via ballast water	Achieved
		Establish an environmental employee engagement action plan	Achieved
REDUCE MARINE POLLUTION	ALL DIVISIONS	Achieve no major oil spill incidents	Not Achieved
	CSL CANADA	Replace engine chemicals with greener products	Initiated on 3 vessels
		Design a new strategy to reduce dry cargo residue	Project Deferred
	CSL AMERICAS	Reduce lube oil usage by 0.5%	Project Deferred
	CSL AUSTRALIA	Minimize impact of products inadvertently released into marine environment	Achieved
		Achieve zero oil spills from deck side hydraulic oil	Achieved
	CSL EUROPE	Review data and set targets to reduce impact within 1 st quarter	Achieved
		Investigate replacement of dated OWS equipment and monitors	Adjusted: regional operating regulations
	CSL ASIA	Perform one oil spill response exercise	Achieved
REDUCE WASTE PRODUCTION	CSL CANADA	Increase recycling by 5%	Achieved: +23%
		Reduce sludge production by 2%	Achieved: -6.2%
	CSL AMERICAS	Survey agents regarding waste removal and explore green alternatives	Initiated
	CSL AUSTRALIA	Increase sludge recycling to all vessels by 2%	Achieved
		Reduce plastic waste generated/recycled onboard from bottled water	Achieved: -7%
		Increase energy efficiency from lighting	Achieved
		Implement a recycling program for paper, plastic and toner cartridges	Partially Achieved
		Improve shipboard segregation of garbage	Achieved
	CSL ASIA	Improve waste stream record keeping	Achieved
		Implement garbage disposal plan	Achieved
		Reduce sewage by 25%	Mostly Achieved: -20%
ENVIRONMENTAL MANAGEMENT SYSTEM	CSL CANADA	Maintain a Green Marine leading position for all indicators	Achieved: 4.57/5
	CSL AMERICAS	Obtain two Green Passports in 2013	Achieved
		Reach Green Marine Level 2 for at least 2 indicators	Achieved
	CSL EUROPE	Review 2012-13 data and set goals for ships and office within 1 st quarter	Achieved
	CSL ASIA	Implement environmental management to be audited/verified	Achieved
		Enlarge environment committee to include CSL Asia and V.Ships Asia	Achieved
		Carry out training of staff prior to joining platform	Achieved

2013 ENVIRONMENTAL FOOTPRINTS

ACTIVITIES AT SEA (VESSELS)

CSL	CANADA	AMERICAS	ASIA	AUSTRALIA	EUROPE
ENERGY					
Fuel Oil (tonnes)	62,554	46,570	N/A	40,039	12,271
Diesel (tonnes)	14,696	3,498	865	5,449	4,867
AIR					
CO ₂ e – Gross (includes ballast voyages g/tonne-mile)	21.28	16.41	N/A	135,763*	25.88
CO ₂ e – Net (does not include ballast voyages g/tonne-mile)	12.20	8.86	N/A	Not calculated	10.17
Fuel Sulphur Average (%)	0.87	1.38	<.1	2.58	<1**
HFC (kg)	533	483	12	986.93	153
WASTE					
Cargo residue (m ³)	771.6	214.5	N/A	494.4	30.85
Garbage (m ³)	3,233.7	507.5	65.7	1,302	1,204
Sludge (m ³)	2,173.8	399	N/A	860.2	996.7
WATER					
Significant oil spills (>100 l)	1	1	0	0	1

ACTIVITIES ON LAND (OFFICES)

CSL	CANADA	AMERICAS	ASIA	AUSTRALIA	EUROPE
ENERGY					
Electricity (kWh)	998,380	193,439	15,747	66,260	42,071
PAPER					
Paper Consumption (kg)	4,337	2,100	125	1,128	304
Recycled Paper (kg)	37,564	1,769	62	745	140

* Total CO₂e value; tonne-mile method not applied

** Majority of vessel operations within EU ECA; in ports MGO must be used

N/A = Not Applicable

HFC = Hydrofluorocarbon

2014 ENVIRONMENTAL GOALS

GOALS	DIVISIONS	2014 TARGETS
REDUCE AIR POLLUTION	CSL CANADA	Reduce GHG by 6% (grams per tonne-mile) compared to GHG emissions in 2013
		Reduce sulphur content in fuel to an average of 0.9% across the fleet
	CSL AMERICAS	Reduce GHG by 2% (grams per tonne-mile) compared to GHG emissions in 2013
		Convert 100% of Freon 22 refrigeration systems to green alternative
		Engineer installation of a scrubber on one CSL Americas vessel in 2015
	CSL AUSTRALIA	Reduce GHG by 0.5% in grams per tonne-mile compared to 2013
		Reduce fuel consumption by 1% compared to 2013
		Complete shipboard energy audit training of a senior chief engineer
		Complete three shipboard energy audits
	CSL EUROPE	Reduce GHG by 0.5% in grams per tonne-mile compared to 2013
		Reduce fuel consumption by 1% compared to 2013
	CSL ASIA	Reduce GHG by 1.5%
		Clean fuel storage and service tanks
		Add filters in transfer system to improve fuel quality and reduce carbon footprint
		Continue energy management system. Install LED fixtures
REDUCE OUR IMPACT ON BIODIVERSITY	CSL CANADA	Continue investigating solutions to address species transfer risk via ballast water
		Establish an environmental employee engagement action plan
	CSL AMERICAS	Install one ballast water treatment system onboard <i>Sheila Ann</i>
	CSL EUROPE	Install one ballast water treatment system onboard <i>CSL Clyde</i>
REDUCE MARINE POLLUTION	ALL DIVISIONS	Achieve zero major oil spills
	CSL CANADA	Replace engine chemicals with greener products in 25% of the fleet
		Design strategy to reduce dry cargo residue production
	CSL AMERICAS	Reduce lube oil usage by 0.5% with alpha lube system onboard <i>Sheila Ann</i>
	CSL AUSTRALIA	Develop plan to reduce cargo residue into the environment
	CSL ASIA	Carry out oil spill response drill
		Develop strategy to reduce cargo residue production and avoid spillage overboard
	CSL EUROPE	Continue crew emphasis on fuel transfer procedures and risk assessments
		Reduce 5% of oily water through installation of oil belt skimmers for ER bilges
REDUCE WASTE PRODUCTION	CSL CANADA	Reduce ship generated waste by 2% and increase recycling by 5%
		Reduce sludge production by 10% compared to 2013
	CSL AUSTRALIA	Reduce sludge production by 2.5% compared to 2013
	CSL EUROPE	Reduce garbage by 5% through the installation of a compactor on one ship
	CSL ASIA	Implement and enhance newly-developed garbage disposal plan
ENVIRONMENTAL MANAGEMENT SYSTEMS	CSL CANADA	Maintain a leading position in the Green Marine program for all indicators
	CSL AMERICAS	Obtain ISO 14001 certification by end of 2014
		Reach Green Marine Level 2 for indicators and complete external audit
	CSL AUSTRALIA	Establish an environmental manager position within the division
		Initiate pre-planning to apply Green Marine practices by 2016
		Initiate pre-planning to apply ISO 14001 implementation by 2016
	CSL EUROPE	Initiate pre-planning to apply Green Marine practices by 2016
		Initiate pre-planning to apply ISO 14001 implementation by 2016
	CSL ASIA	Initiate pre-planning to apply Green Marine practices by 2016
		Initiate pre-planning to apply ISO 14001 implementation by 2016

CSL Whyalla performing a transhipment operation off the South Coast of Australia.



