



**POSEIDON  
PRINCIPLES**  
FOR MARINE INSURANCE

# Annual Disclosure Report 2022



January 2023

## **Poseidon Principles for Marine Insurance**

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# Foreword

This is the first time that the Poseidon Principles for Marine Insurance publicly report climate alignment scores<sup>1</sup> based on its members' individual efforts. The Poseidon Principles for Marine Insurance framework enables members to track the maritime industry's progress towards a decarbonised economy and enhance transparency.

During this first year of the Poseidon Principles for Marine Insurance, we have started to independently implement the Principles in our internal procedures, work in partnership with our clients, and learn from each other. Meanwhile, the Poseidon Principles for Marine Insurance have also grown in numbers, from 14 Signatories and Affiliate members at launch, to 18 players in the global marine insurance ecosystem.

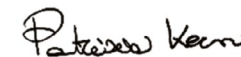
The Poseidon Principles for Marine Insurance acknowledge that the international shipping industry's efforts to decarbonise are a massive endeavour that can only be achieved if all actors are on board. As marine insurers, our role is to provide the support and risk mitigation needed. The Poseidon Principles for Marine Insurance allow us to play this role on a sound foundation based on actual CO<sub>2</sub> emissions data.

In addition to data sharing and transparency, the Principles establish common baselines to measure the climate alignment of hull and machinery portfolios. Thus, in this report, Signatories compare the carbon intensity of their marine portfolios against two trajectories: the first one is the International Maritime Organization's ambition of reducing shipping's total annual greenhouse gas (GHG) emissions by at least 50% by 2050 compared to 2008 ("50% CO<sub>2</sub> reduction trajectory"). The second one takes a step further toward alignment with the Paris Agreement, to achieve net-zero GHG emissions by 2050, and to limit global warming to below 2°C, preferably to 1.5 °C ("100% CO<sub>2</sub> reduction trajectory").

We thank our fellow Signatories for their commitment, as well as our Affiliate members and Supporting partner, the International Union of Marine Insurance, for their unwavering support.

By publishing our first Annual Disclosure Report, we demonstrate our commitment to transparency. We invite fellow insurers and other key marine insurance stakeholders to join us. Together, in partnership with our clients, we create a solid foundation for purposeful action.

January 2023



**Patrizia Kern**

Chair, Poseidon Principles for Marine Insurance  
Marine Strategy Consultant - CEO Office,  
Swiss Re Corporate Solutions



**Rolf Thore Roppestad**

Vice Chair, Poseidon Principles for Marine Insurance  
Chief Executive Officer  
Gard

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<sup>1</sup> The degree to which a hull and machinery portfolio's carbon intensity is in line with decarbonisation trajectories.





From right to left: Rolf Thore Roppestad, Vice Chair, Poseidon Principles for Marine Insurance; Patrizia Kern, Chair, Poseidon Principles for Marine Insurance; Michael Parker, Chair, Poseidon Principles; Paul Taylor, Vice Chair, Poseidon Principles.

# Table of contents

---

## Introduction

6

## Significance of the Poseidon Principles for Marine Insurance

12

## Climate alignment and decarbonisation trajectories

16

## Reporting results

22

## Fulfilling Signatory and Affiliate members requirements

26

## Key terms

46

## Acknowledgements

49

# Introduction

## About the Poseidon Principles for Marine Insurance

Inspired by the launch of the Poseidon Principles for Financial Institutions in June 2019 and the Sea Cargo Charter in October 2020, the Poseidon Principles for Marine Insurance were launched in December 2021.

The Poseidon Principles for Marine Insurance are a global framework for assessing and disclosing the alignment of insurers’ hull and machinery (H&M) portfolios with climate goals. They create common global baselines for emissions reporting that are consistent with and supportive of society’s goals.

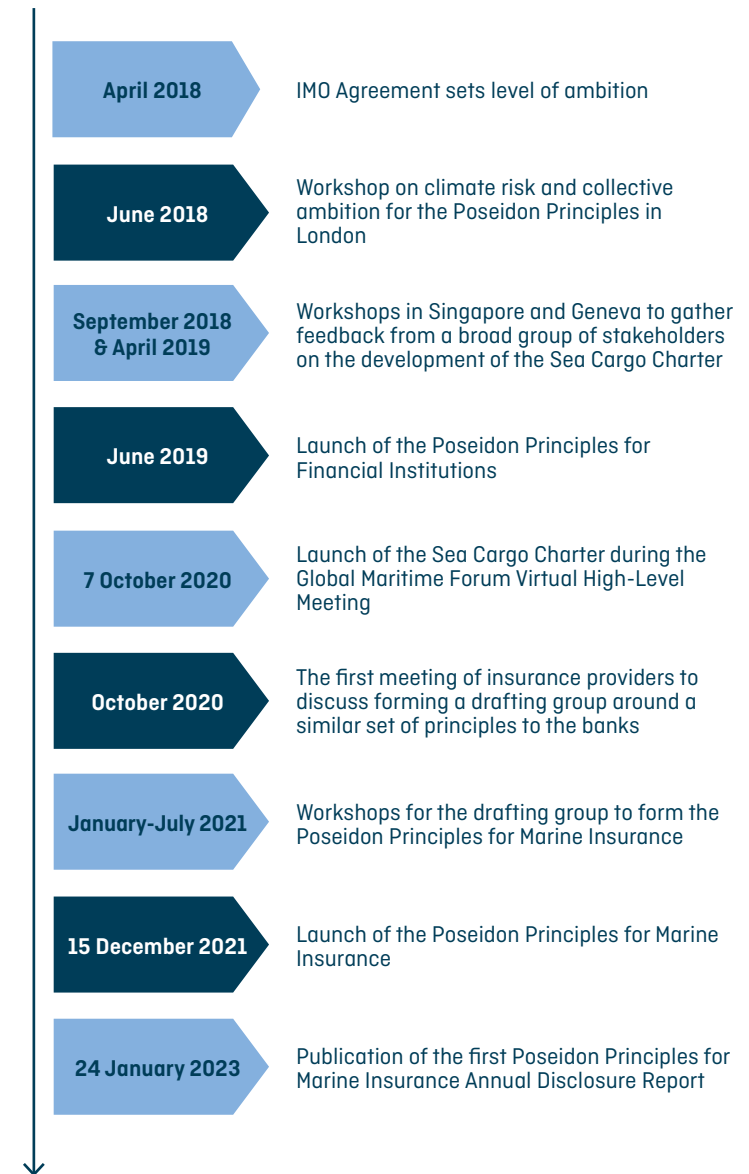
By establishing transparency requirements for Signatories, the Principles aim to promote international shipping decarbonisation. They allow marine insurers to gain knowledge of their portfolio climate alignment and better support their clients in aligning their business with responsible environmental impacts. They not only serve Signatories’ institutions to improve decision-making at a strategic level, but also support a better future for the shipping industry and society.

The Poseidon Principles for Marine Insurance are underpinned by a practical, robust, and industry-appropriate methodology for climate alignment assessment. To support Signatories’ data collection and analysis practices, they include carefully considered accountability and enforcement requirements.

The Poseidon Principles for Marine Insurance were developed in an effort spearheaded by global insurance institutions – Swiss Re Corporate Solutions, Gard, Cefor – in collaboration with leading industry players – WTW, Star Bulk, A.P. Moller-Maersk, Lloyd’s Register – with expert support provided by the Global Maritime Forum, Swiss Re Institute, and UMAS.

The Principles:

1. are consistent with the policies and ambitions of the International Maritime Organization (IMO), including its ambition for greenhouse gas (GHG) emissions to peak as soon as possible and to reduce shipping’s total annual GHG emissions by at least 50% by 2050 compared to 2008;
2. take steps towards alignment with the Paris Agreement by providing a decarbonisation trajectory consistent with a 100% CO<sub>2</sub> reduction by mid-century.



**Figure 1.**

Evolution of the Poseidon Principles for Marine Insurance



## Scope

### Membership: Signatories and Affiliate members

**Signatories:** Under the current scope, the Poseidon Principles for Marine Insurance are applicable to underwriters and insurers who provide marine vessel H&M coverage. They must be applied by Signatories in all business activities where:

- the insurance products cover H&M;
- the Signatory is the leading insurer, as well as in cases where the Signatory is a follower, but the lead is also a fellow Signatory;
- a vessel or vessels which have an established Poseidon Principles for Marine Insurance trajectory whereby the carbon intensity can be measured with IMO Data Collection System (DCS) data.

**Affiliate members:** Moreover, it is recognized that the ecosystem of key players extends beyond the current scope for Signatories, and the framework must be inclusive of various perspectives and support. Therefore, Affiliate membership is applicable to insurance brokers and collective groups (such as insurance associations, unions, captive, and P&I Clubs), and their support is welcome.

It is the intent that over time and with increasing access to reliable data and information for public disclosure of climate alignment, the scope of the Principles will expand to include Affiliate members as Signatories.

### Environmental factor

Climate alignment is currently the only environmental factor considered by the Poseidon Principles for Marine Insurance. In this context, it refers to the degree to which a vessel's or portfolio's carbon intensity is in line with the two decarbonisation trajectories. This scope will be reviewed and may be expanded by Signatories on a timeline that is at their discretion, with the support of Affiliate members.

**Hull and machinery (H&M)** represents the second largest part of marine insurance coverage and offers great coverage and potential for impact across marine insurance. In terms of data availability to measure carbon emissions, H&M offers a comparable starting point to the Poseidon Principles for Financial Institutions as a tangible first step to assess and disclose climate alignment.

H&M insurance is typically provided as a percentage of the value that is insured. As it is not customary to insure 100% of risk, especially for the larger and more valuable assets, many insurers will provide insurance for an owner's entire fleet with one insurer acting as the leader and the others as followers. A leader's average coverage is higher than a follower's.

A **claims leader** or leader is the insurance company which leads in claims decisions.

A **follower** is the insurance company which follows the decisions of the leader.



## The Principles

### Principle 1

#### Assessment of climate alignment



**We will annually assess climate alignment in line with the Technical Guidance<sup>1</sup> for all Business Activities.**

##### Our commitment:

- Signatories will, on an annual basis, measure the carbon intensity and assess climate alignment (carbon intensity relative to established decarbonisation pathways) of their H&M portfolios using a robust industry-appropriate methodology established by the Poseidon Principles for Marine Insurance.
- Affiliate members will support Signatories by sharing knowledge about the Assessment principle and climate alignment methodology with relevant stakeholders.

### Principle 2

#### Accountability



**We recognize the important role that unbiased information plays in data collection and reporting fuel consumption from ships to meet the decarbonisation goals of the sector. We will rely on trusted entities and mandatory regulations as explicitly identified in the Technical Guidance used to assess and disclose climate alignment.**

##### Our commitment:

- For each step of the assessment, Signatories will exclusively rely on the data types, data sources, and service providers identified in the Technical Guidance.
- Affiliate members will, for each step of the assessment and as necessary, support Signatories by sharing knowledge about the Accountability principle and data collection process with relevant stakeholders.

### Principle 3

#### Enforcement



**We will require that ongoing compliance with the Poseidon Principles for Marine Insurance is made contractual in all Business Activities using standardized covenant clauses. We will contribute to the update and addition of standardized clauses through the annual review process.**

##### Our commitment:

- Signatories commit to making compliance with the Poseidon Principles for Marine Insurance contractual in their new business activities. Signatories agree to work with shipowners, clients, brokers, and business partners to collect and process the information necessary to calculate carbon intensity and to assess climate alignment.
- Affiliate members agree to work with Signatories, shipowners, other marine insurance providers, brokers, and business partners where possible, to support Signatories by sharing knowledge about the Enforcement principle and standardized clauses with relevant stakeholders.

### Principle 4

#### Transparency



**We will publicly acknowledge that we are a Signatory to the Poseidon Principles for Marine Insurance, and we will publish the results of our assessment on an annual basis inline with the Technical Guidance.**

##### Our commitment:

- Signatories will publicly acknowledge that they are a Signatory to the Poseidon Principles for Marine Insurance, and all Signatories' scores will be published annually
  1. by the Secretariat of the Poseidon Principles for Marine Insurance,
  2. by each Signatory in relevant institutional reports on a timeline that is appropriate for that Signatory.
- Affiliate members will publicly acknowledge that they are an Affiliate member to the Poseidon Principles for Marine Insurance and disclosure requirements will be published annually
  1. by the Secretariat
  2. by each Affiliate member in relevant institutional reports on a timeline that is appropriate for that institution.

<sup>1</sup> Technical Guidance is the fundamental document of the Poseidon Principles for Marine Insurance detailing out the methodology. It is available at: [www.poseidonprinciples.org](http://www.poseidonprinciples.org)





## Members

As of January 2023, nine Signatories, nine Affiliate members, and one Supporting partner have come together to commit to and support the Poseidon Principles for Marine Insurance.

### Signatories



### Affiliate members



### Supporting partner



→ See all Signatories, Affiliate members, and Supporting partner [here](#).



## Steering Committee

**Fidelis MGU** – Charles Mathias, Group Executive Director

**Gard** – Rolf Thore Roppestad, Chief Executive Officer (Vice-Chair)

**Hellenic Hull Management** – Ilias Tsakiris, CEO

**Navium Marine** – Oliver Clark, Deputy CUO

**Norwegian Hull Club** – Atle Fjeldstad, Chief Underwriting Officer and Christian Irgens, Business Intelligence Director

**SCOR** – Sylvain Gauden, CUO Marine & Energy and Pauline des Vallières, Sustainable Insurance Manager

**Swiss Re Corporate Solutions** – Patrizia Kern, Marine Strategy Consultant – CEO Office (Chair)

**Victor International** – Richard Turner, International Head of Marine

## Affiliate Members Committee

**Cambiaso Risso Group** – Mauro Iguera, Chief Executive Officer

**Cefor** – Helle Hammer, Managing Director

**EF Marine** – Folkert Strengholt, Chief Executive Officer (Vice-Chair)

**Lockton International** – Alistair Rivers, Head of Lockton Marine

**WTW** – Ben Abraham, CEO Global Marine (Chair)

**Lochain Patrick Insurance Brokers** – Justin Murphy, Compliance Officer

**CTX Special Risks** – Charles Hedgcock, Executive Director

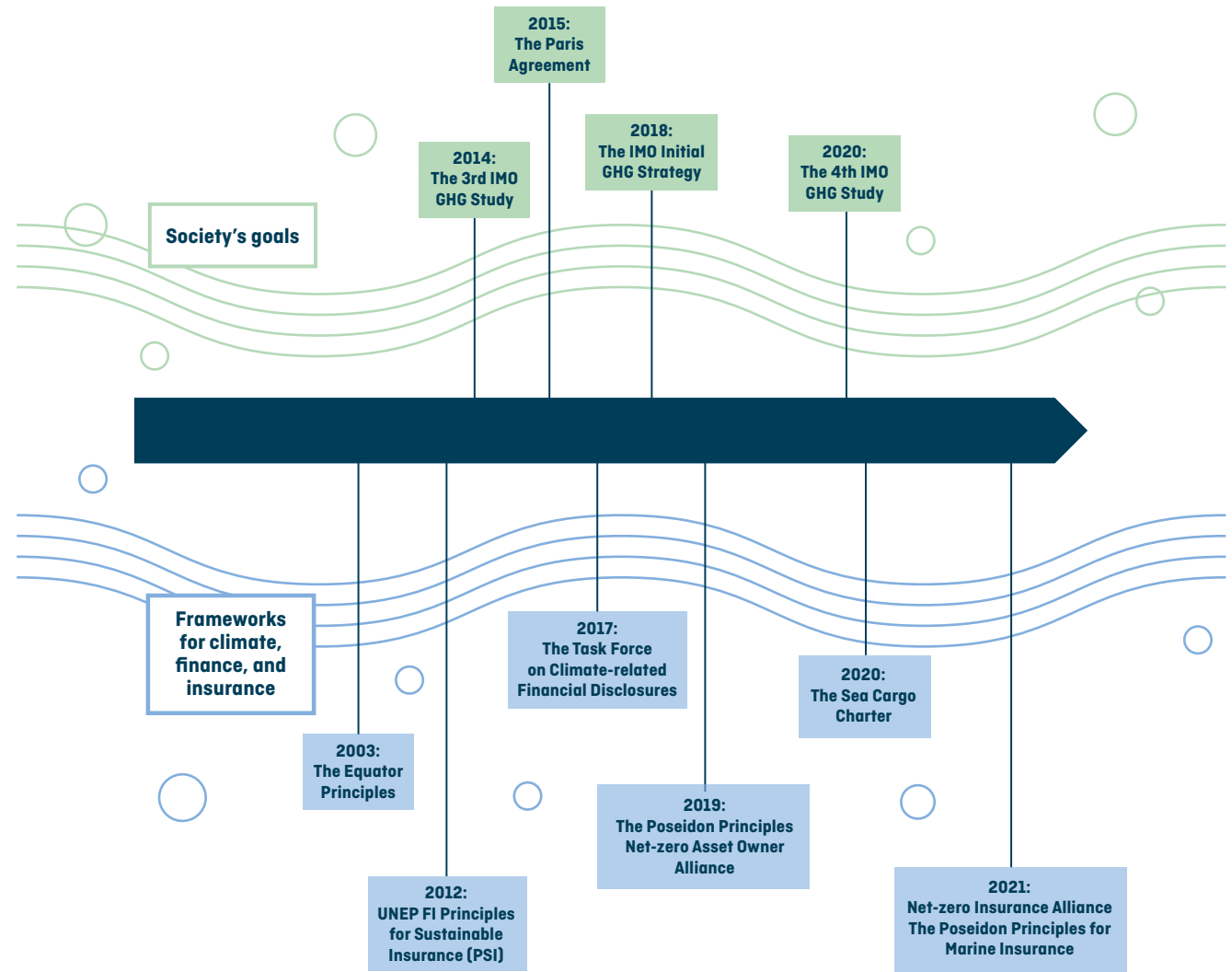
**Gallagher** – Andrew James, Executive Director, Marine

→ Learn more [about the governance of the Poseidon Principles for Marine Insurance.](#)



# 1. Significance of the Poseidon Principles for Marine Insurance

The insurance industry has been among the frontrunners in analysing the risk posed by climate change. By establishing the Poseidon Principles for Marine Insurance in December 2021, the founding Signatories and Affiliate members built on this pioneering tradition. The Principles recognize the role of marine insurance in actively supporting international shipping's transition to net-zero and fostering transparency throughout the maritime value chain. At the time of the launch, the Poseidon Principles for Marine Insurance were the first sector-specific climate alignment framework for marine insurance enabling Signatories to measure and report real emissions data.



**Figure 2.**  
Marine insurance: An evolving landscape



## Insurance influencing the industry

Marine insurance is in a unique position to facilitate the implementation of carbon disclosure. Marine insurers have a crucial role in understanding, managing risks, and in assisting and supporting their clients towards more sustainable solutions while taking into account associated risks.

Though insurance institutions do not have any form of ownership of their clients' assets, they can influence clients' business activities and support their transition to green shipping (especially, if the insurer is the claims leader of a policy). Several other stakeholders from the insurance industry, who do not have H&M portfolios of their own, can influence and support decarbonisation efforts through the Affiliate membership to the Poseidon Principles for Marine Insurance.

Furthermore, this framework makes marine insurance the first line of business to establish a sector-specific methodology that supports the ambition of the United Nations-convened Net-Zero Insurance Alliance (NZIA).

Nowadays, a number of initiatives directly connect insurance providers with the environmental impacts of their underwriting activities:

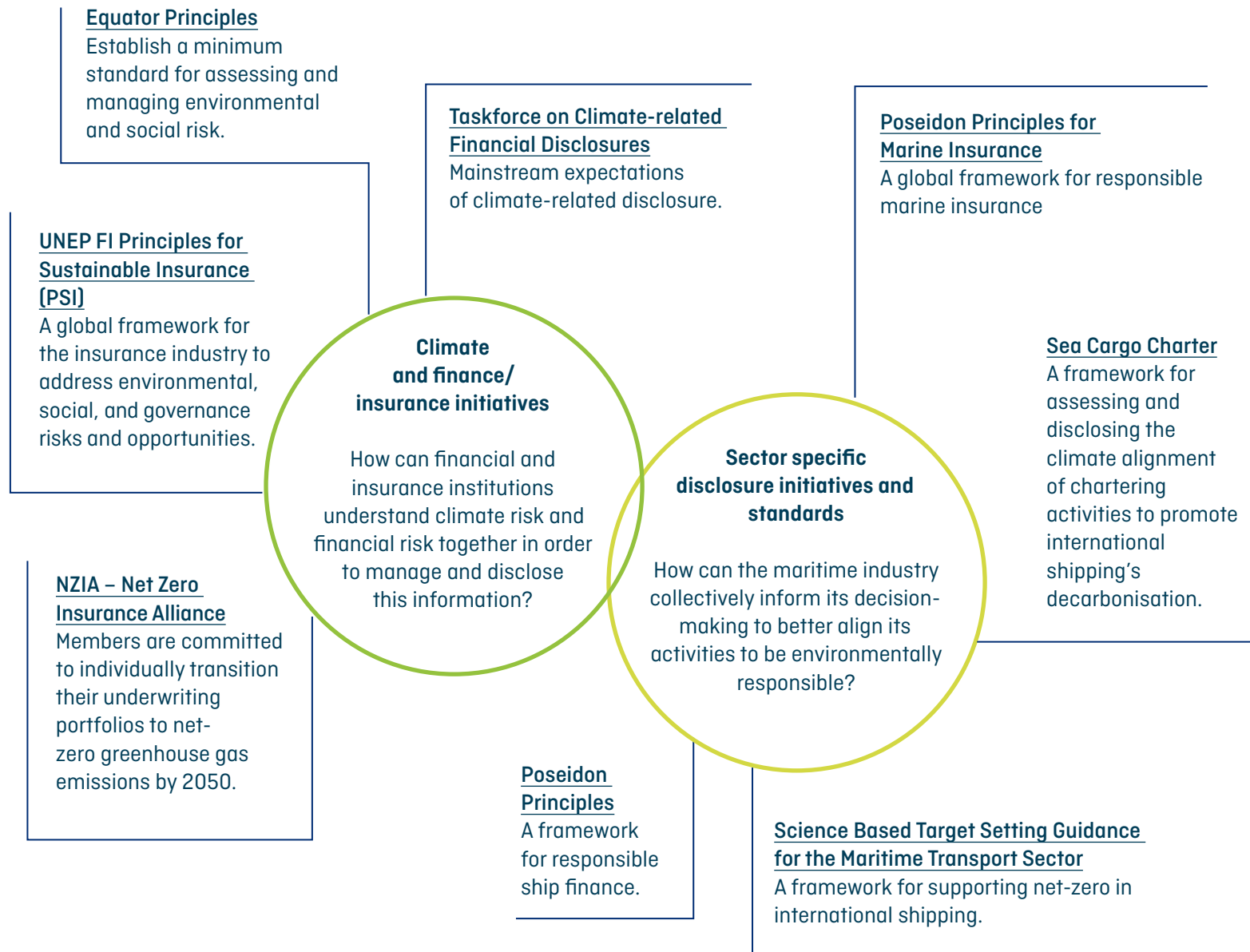
The **Principles for Sustainable Insurance (PSI)**, established by the United Nations Environment Programme Finance Initiative (UNEP FI) in 2012, are one such initiative. They serve as a global framework for the insurance industry to address environmental, social and governance risks and opportunities – and a global initiative to strengthen the insurance industry's contribution as risk managers, insurers and investors to building resilient, inclusive and sustainable communities and economies on a healthy planet.

The UNEP FI PSI also hosts the **Net-Zero Insurance Alliance (NZIA)**, whose members have committed to transitioning all their operational and attributable GHG emissions from their insurance and reinsurance underwriting portfolios to net-zero emissions by 2050.

Furthermore, the Poseidon Principles for Marine Insurance – through public disclosure of climate alignment scores – support Signatories' transparency efforts towards several initiatives such as the **Carbon Disclosure Project (CDP)**, the **Task Force on Climate-related Financial Disclosure (TCFD)**, the **Science Based Targets Initiative (SBTi)** as well as the work of NZIA and the **Partnership for Carbon Accounting Financials (PCAF)**.

These developments and initiatives make it clear that the evolution of aligning climate considerations and responsible underwriting has just begun. Working with their clients, insurance providers can proactively contribute to the transition to a net-zero global economy.





**Figure 3.**  
The expansion of sector specific disclosure initiatives

## Supporting the transition to net-zero insurance

The Poseidon Principles for Marine Insurance are not envisaged to be static. They are designed to be improved and strengthened over time with the availability of new data, new research, and new globally agreed goals. In September 2022, members of the Principles committed to adopting a new trajectory.



*1.5°C Ambition: Poseidon Principles paving the way for 1.5-aligned emissions benchmarking*

**“We believe there is no time to lose and are ready to play our part in supporting global efforts towards decarbonisation.”**

On 22 September 2022, the 17 members of the Poseidon Principles for Marine Insurance along with the 30 Signatories of the Poseidon Principles for Financial Institutions announced in a joint statement that both initiatives will add additional trajectories to report climate alignment with a 1.5°C future. This new commitment will align the Poseidon Principles with the ambition of the Paris Agreement and the latest available climate science.

Members of both of the initiatives have committed to adopting an emissions reduction trajectory in line with net-zero commitments, as soon as such a trajectory or trajectories become available. This means they will benchmark their portfolios against multiple trajectories<sup>2</sup>:

- the existing trajectory aligned with the IMO’s 50% reduction by 2050;
- a new trajectory aligned with net-zero by 2050 and a maximum temperature rise of 1.5°C above pre-industrial levels by 2100, to meet the temperature goals of the Paris Agreement.

By making this announcement, members of the Poseidon Principles wish to signal support for a 1.5°C-aligned future.

Once implemented, this new trajectory will give Poseidon Principles Signatories real emissions-based insight into how their portfolios align or misalign with the Paris Agreement overcoming the first obstacle to climate action: having a clear picture of where Signatories currently stand compared to the target. Tracking portfolio alignment year over year will enable Signatories to work with clients towards this goal on a basis of tangible data.

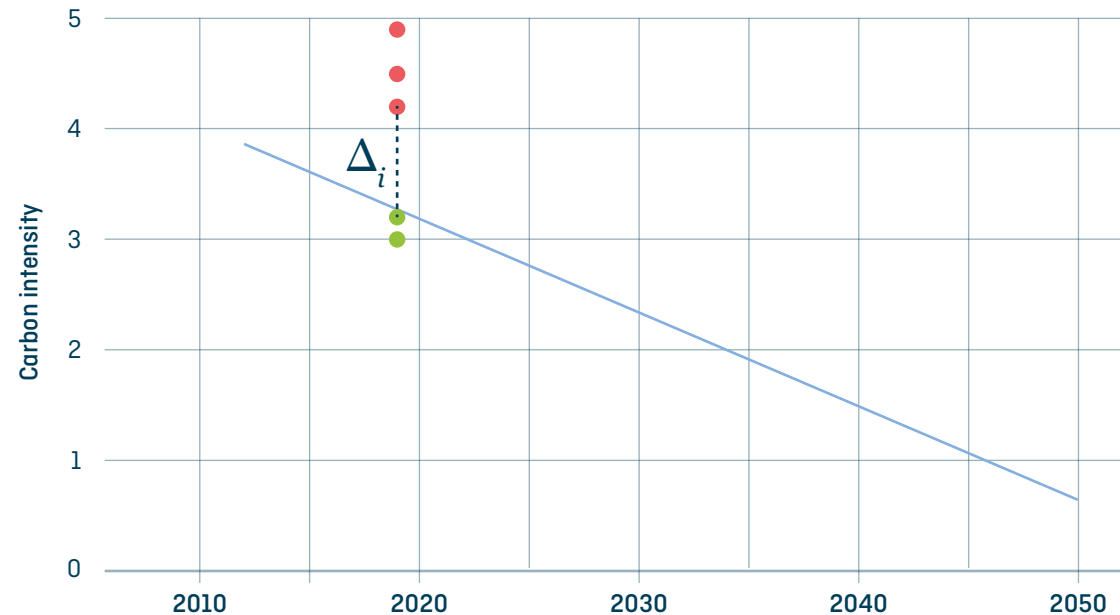
<sup>2</sup> The existing trajectories will also be evaluated following the expected adoption of the Revised IMO GHG Strategy at MEPC 80 in July 2023, including raising its levels of ambition. For the second trajectory to be consistent with a 1.5°C future, the scope will be expanded to include all GHG species, and to account for well-to-wake emissions.

## 2. Climate alignment and decarbonisation trajectories

Signatories to the Poseidon Principles for Marine Insurance have committed to reporting the climate alignment of their H&M portfolios for each calendar year. Underpinning this portfolio score are individual vessel climate alignment scores for vessels in an insurer's H&M portfolio.

Climate alignment measures the difference (as a percentage) between a vessel's carbon intensity and the carbon intensity required to be in line with the vessel's decarbonisation trajectory<sup>3</sup>. Figure 4 shows a stylized depiction of a decarbonisation trajectory (blue line) for a ship type and size category. Each dot represents the annual carbon intensity of a vessel. The green dots represent vessels that are aligned, while the red dots represent vessels that are misaligned because they lie above the decarbonisation trajectory.

In shipping, carbon intensity represents the total operational emissions generated to complete one unit of transport work, which is measured in grams of CO<sub>2</sub> per ton-nautical miles. For the Poseidon Principles for Marine Insurance, this is measured using a carbon intensity measure known as Annual Efficiency Ratio (AER), which is reported in unit grams of CO<sub>2</sub> per DWTnm (gCO<sub>2</sub>/dwt-nm). The IMO Data Collection System (IMO DCS) enables the calculation of the AER, using the parameters of fuel consumption, distance travelled, and deadweight at maximum summer draught (DWT).



**Figure 4.**

Assessing alignment at the vessel level

<sup>3</sup> See [Key terms](#) for a definition.



## Understanding the decarbonisation trajectories

The trajectories for the Poseidon Principles for Marine Insurance measure to what degree the portfolio meets the IMO ambition, as well as supports the ambition of 100% CO<sub>2</sub> reduction by 2050. The two trajectories are as follows:

1. **50% CO<sub>2</sub> reduction trajectory** is consistent with the IMO’s ambition for GHG emissions from international shipping to peak as soon as possible and to reduce the total annual GHG emissions by at least 50% by 2050 compared to 2008.
2. **100% CO<sub>2</sub> reduction trajectory** supports the move toward climate neutrality by mid-century and the ambition to be consistent with the goals of the Paris Agreement in due course, and to limit global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels.

These trajectories are produced for each ship type and size class and in a format that allows for simple weighted aggregation at the portfolio level. Therefore, once the carbon intensity of vessels is understood, it is simple and practical to understand climate alignment. This also ensures that numbers are comparable among Signatories.

### 50% CO<sub>2</sub> reduction trajectory

When the 50% CO<sub>2</sub> reduction trajectory was constructed, historical data was available from the Fourth IMO GHG Study. Values for the total transport demand, total CO<sub>2</sub> emissions, and aggregate carbon intensity are available in Table 1 showing figures for 2008, 2012 and the projections for 2050.

	2008	2012	2050
Total transport demand (billion tonne miles)	46,000	54,000	119,000
Total CO <sub>2</sub> emissions (million tonnes)	921	848	461
Estimated aggregate carbon intensity (gCO <sub>2</sub> /tnm)	20.0	15.7	3.9

**Table 1.**

Transport demand, emissions, and carbon intensity for international shipping - 50% CO<sub>2</sub> reduction trajectory

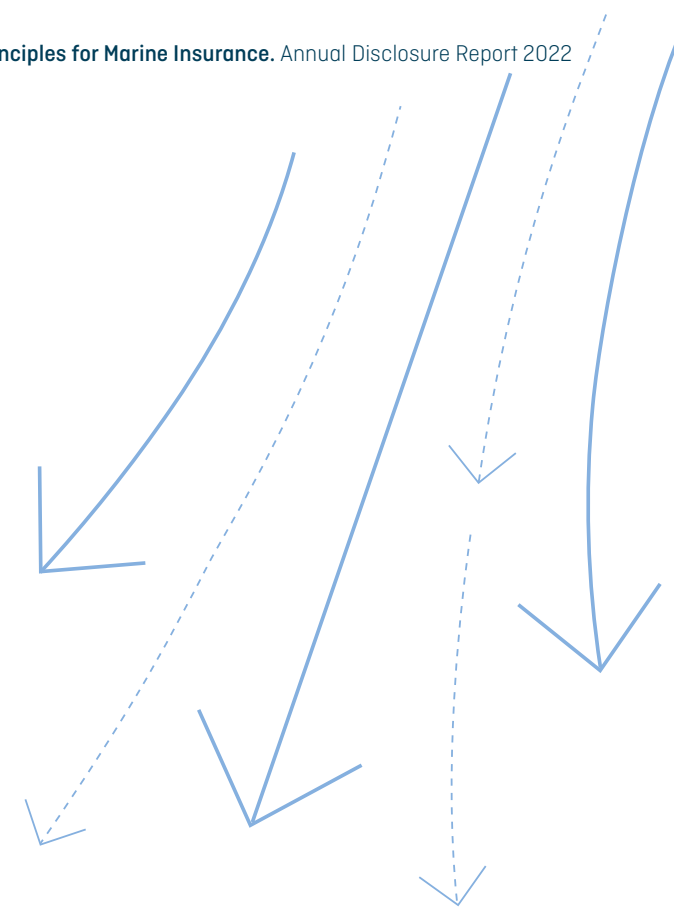
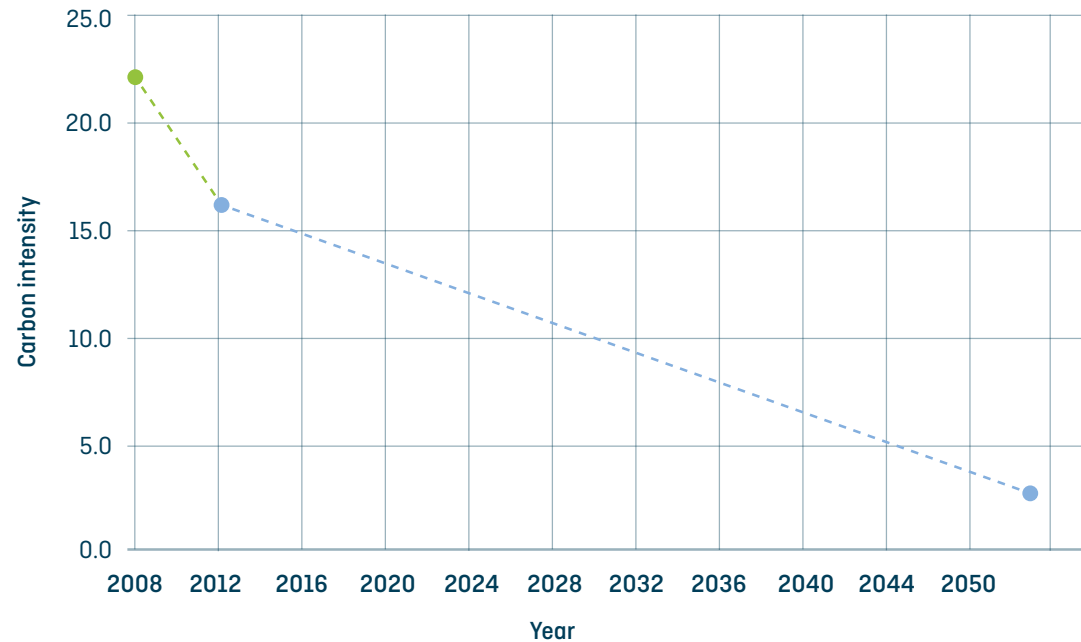


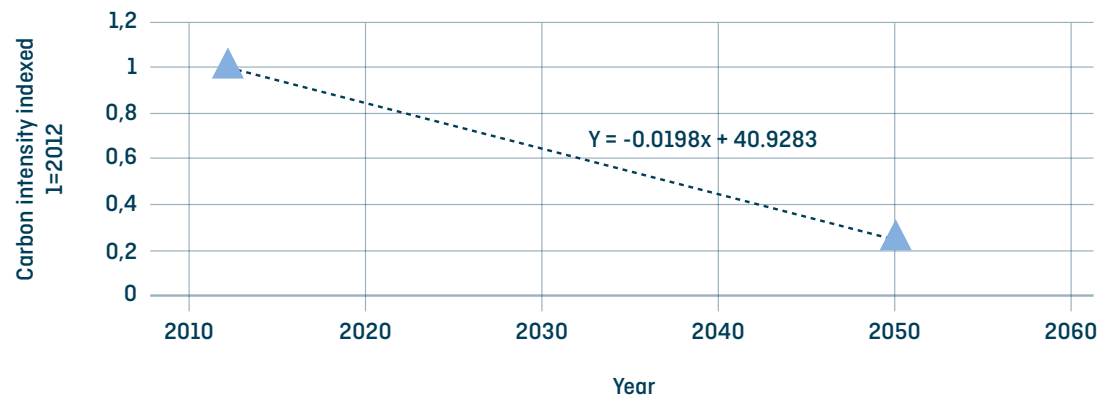
Figure 5 plots carbon intensity values from Table 1 in a linear trendline. The colours of the dashed line in Figure 5 indicate that between 2008 and 2012, carbon intensity data presented is from the Third IMO GHG study (green) while from 2012 onwards, this comes from the Fourth IMO GHG Study (blue).

There are many different assumptions that can be applied to specify the shape of the curve that defines the rate of carbon intensity reduction between 2012 and 2050. The chosen trajectory represents a consistent and year-on-year rate of improvement across the fleet. While this linear nature of the trajectory provides a method for overcoming uncertainty stemming from technology uptake or operational variation, it is not designed to forecast any changes in operating profile.

Figure 6 presents the global 50% CO<sub>2</sub> intensity reduction trajectory with reference to the 2012 AER value. The formula allows one to find the required reduction in carbon intensity for alignment at any given year with reference to the 2012 base year.<sup>4</sup>



**Figure 5.**  
Global 50% CO<sub>2</sub> reduction trajectory



**Figure 6.**  
Indexed global trajectory - 50% CO<sub>2</sub> intensity reduction

<sup>4</sup> Similarly, the global 100% CO<sub>2</sub> intensity reduction trajectory with reference to the 2012 AER value is available in the [Technical Guidance](#), page 21.

## 100% CO<sub>2</sub> reduction trajectory

The global 100% CO<sub>2</sub> reduction trajectory applies the same methodology that was used to construct the global 50% CO<sub>2</sub> reduction trajectory. As before, the overall improvement required in carbon intensity is calculated from:

1. a projection of the foreseeable growth in transport work across all ship types between the baseline (2012) and the target year (2050);
2. the target CO<sub>2</sub> emissions in 2050.

To construct the 100% reduction trajectory, the target CO<sub>2</sub> emissions in 2050 are taken by applying the IMO's Initial Strategy's Level 3 ambition objective<sup>5</sup>, which pursues efforts towards 100% reduction, compared to the total CO<sub>2</sub> emissions from the IMO Initial Strategy's baseline year (2008).

Values for the total transport demand, total CO<sub>2</sub> emissions, and aggregate carbon intensity in 2008, 2012 and projections for 2050 are given in Table 2<sup>6</sup>.

	2008	2012	2050
Total transport demand (billion tonne miles)	46,000	54,000	119,000
Total CO <sub>2</sub> emissions (million tonnes)	921	848	0
Estimated aggregate carbon intensity (gCO <sub>2</sub> /tnm)	20.0	15.7	0.0

**Table 2.**

Transport demand, carbon emissions, and carbon intensity for international shipping - 100% CO<sub>2</sub> reduction trajectory

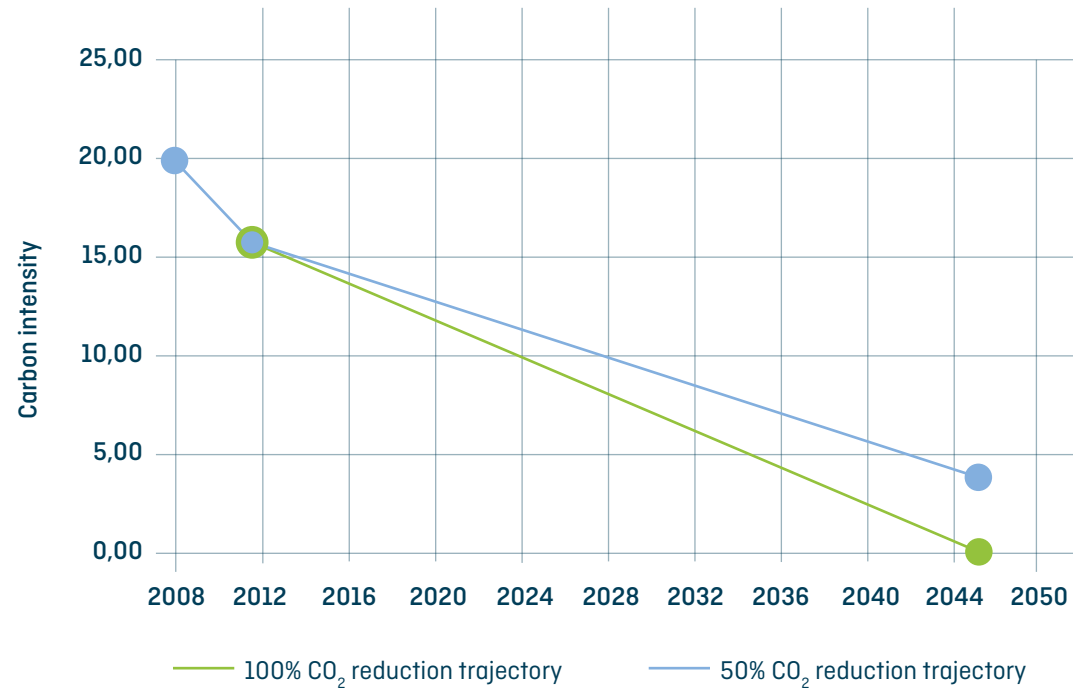
<sup>5</sup> See **Key terms** for a definition.

<sup>6</sup> The values are the same as those from the 50% reduction trajectories except the 2050 values for carbon emissions and carbon intensity, which are both zero.

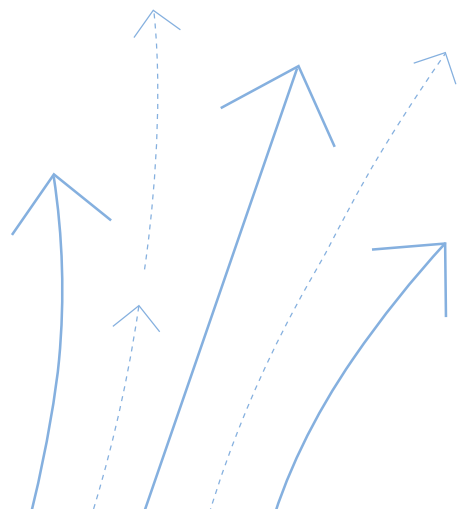


Figure 7 plots the carbon intensity values from Table 2 in a linear trendline and compares them to the global carbon intensity values used in the 50% reduction trajectory.

Like the 50% CO<sub>2</sub> reduction trajectory, the chosen 100% CO<sub>2</sub> reduction trajectory represents a gradual and consistent rate of improvement on average across the fleet; the assumption is for a constant improvement year-on-year, which is described by a straight line between 2012 and 2050.



**Figure 7.**  
50% CO<sub>2</sub> reduction and 100% CO<sub>2</sub> reduction trajectories





## Revisions and future considerations to the Poseidon Principles for Marine Insurance decarbonisation trajectories

The Poseidon Principles for Marine Insurance methodology is intended to evolve over time, to reflect latest available bodies of evidence with regards to the decarbonisation trajectories and overall methodologies.

The IMO has launched a rating system called CII (Carbon Intensity Indicator) that measures how efficiently a ship transports goods or passengers. It is given in grams of CO<sub>2</sub> emitted per cargo-carrying capacity and nautical mile. This will be a mandatory measure under MARPOL Annex VI, which came into force in 2023 and will impact all cargo, RoPax, and cruise vessels above 5,000 gross tonnage (GT) trading internationally. The first reporting of the CII based on 2023 data is due no later than 31 March 2024.

Given that CII is also based on the AER, understanding the similarities and differences between the two schemes is important to assess implications for Signatories. While both CII and the Poseidon Principles for Marine Insurance use the same metrics (AER and capacity gross ton distance -cgDist) and data source for reporting (IMO DCS), the main differences include:

- **Rate of carbon intensity reduction**  
The IMO's Marine Environment Protection Committee (MEPC) has defined carbon intensity baselines based on 2019 DCS data which will be reduced gradually by 11% in 2026. This rate of reduction is less ambitious than the current 50% reduction Poseidon Principles for Marine Insurance trajectory, which expects an 18% reduction by 2026.
- **Obligatory and enforceable**  
CII has been adopted by the IMO and applies to all vessels above 5,000 GT. Missing targets for annual carbon intensity repeatedly carries a requirement for planning of corrective action.
- **Rating system**  
CII gives a rating to each vessel's annual performance on a scale from A to E. These results are not published. While the Poseidon Principles for Marine Insurance do not disclose alignment down to a vessel level, the Signatories' overall weighted alignment score is made publicly available.

- **Baseline definition**

The required carbon intensity values are defined by continuous baselines for CII, which relate carbon intensity and vessel size. Currently, the Poseidon Principles for Marine Insurance use discrete carbon intensity benchmark values per ship type and size category. A change to the continuous baselines for the Poseidon Principles for Marine Insurance will be considered in the coming year as part of the ongoing development process.

As the points above elucidate, the two schemes set out to achieve different purposes and are targeted to different sectors of the industry. However, they are being used in parallel and therefore, it is important to understand and appreciate their differences and similarities.

Outcomes from MEPC 80 will be followed in order to determine how the IMO's revised emission reduction target relates to the enhanced Poseidon Principles for Marine Insurance ambition.

The learnings from this year's reporting will be used to further improve the methodology and reporting process.

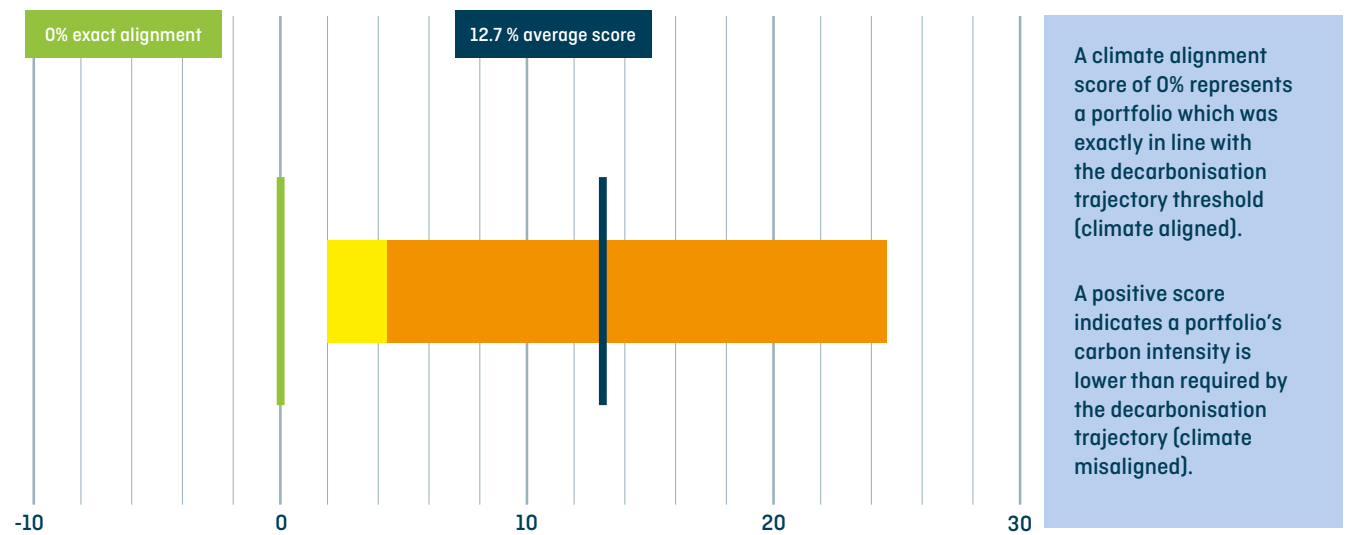
## 3. Reporting results

This first Annual Disclosure Report marks a major milestone as eight Signatory marine insurance institutions publicly disclose the climate alignment of their H&M portfolios for the first time. Additionally, nine Affiliate members (including brokers, associations, and captives) expressed their support to the Principles and its Signatories, whilst committing to work with their partners and clients to improve climate alignment transparency across business activities.

### Signatories' climate alignment scores against two trajectories

As part of the annual reporting requirements for the Poseidon Principles for Marine Insurance, Signatories were asked to provide two climate alignment scores to assess alignment against two individual decarbonisation goals established by the IMO and the Paris Agreement<sup>7</sup>.

From the data that the eight Signatories reported, the following results have been gathered. In terms of 50% CO<sub>2</sub> reduction, the average score was +12.7%; the simple average of all the reported climate alignment scores calculated with each score being assigned equal importance. Moreover, Signatories' scores ranged from +1.9% to +24.6%, with two of them having a score of +5% or less, as illustrated in Figure 8 below.

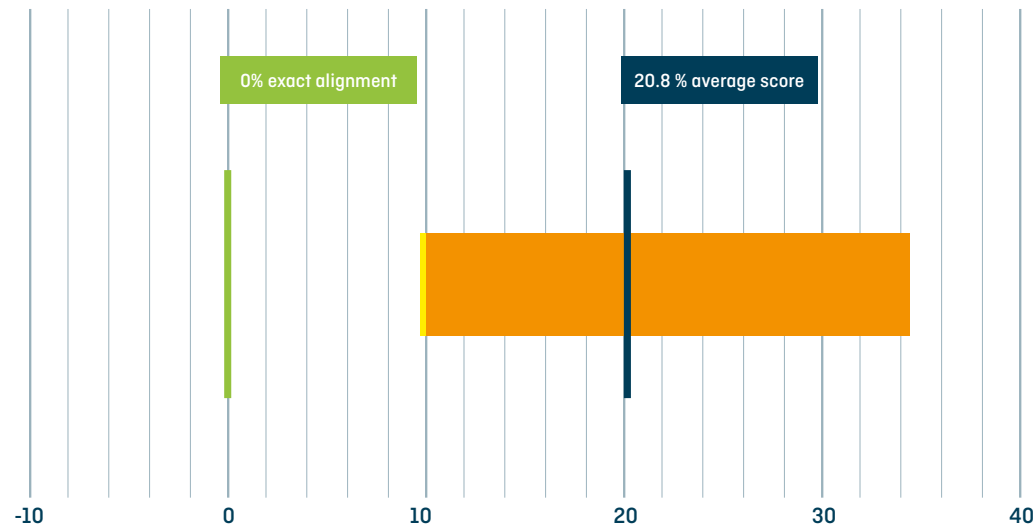


**Figure 8.**

Portfolio climate alignment scores - 50% reduction trajectory. This graphic shows the range of reported scores, with a green line at 0% (an aligned portfolio score), a blue line at +12.7% to show the average, and the yellow box to represent scores of +5% or less.

<sup>7</sup> With the 100% CO<sub>2</sub> reduction trajectory aligning more closely to this goal by targeting a 100% reduction in absolute CO<sub>2</sub> emissions by 2050 (compared to 2008).

To support the ambition of the Paris Agreement, Signatories also agreed from the very start to report against the 100% CO<sub>2</sub> reduction trajectory and be transparent disclosing two different climate alignment scores. In terms of 100% CO<sub>2</sub> reduction, the simple average score was +20.8%, with Signatories' scores ranging from +9.8% to +34.4%; of the eight Signatories, one having a score of +10% or less, as illustrated in Figure 9 below.



**Figure 9.**

Portfolio climate alignment scores - 100% reduction trajectory. This graphic shows the range of reported scores, with a green line at 0% (an aligned portfolio score), and a blue line at +20.8% to show the average and the yellow box to represent scores of +10% or less.



### Different factors influencing the portfolio's climate alignment

A limited number of vessels can significantly impact a Signatory's H&M portfolio. For example, a high exposure to misaligned vessels could contribute to the overall misalignment of the portfolio and vice-versa. Having a small number of vessels in a portfolio increases its sensitivity, especially if those vessels also have a higher DWT share of exposure. A higher DWT share associated with one particular vessel category increases its impact on the final climate alignment score.

Similarly, when comparing individual vessels, even with others of the same type and size, performance variance in their climate alignment scores can be observed. One major reason for this is their respective age, which can further be a proxy for technical efficiency, vessel's operation and maintenance, and the baseline trajectory value per vessel type and size category they start from.

Although not highlighted as a reason for Signatories' misaligned scores, it is important to consider that scores for 2021 could have been marked by various COVID-19 induced impacts on shipping, especially in the year's first half. These may include impacts of port congestion and shipping speeds marked by the increased shipping activities since the ease of COVID-19 restrictions globally.

### Signatories' learnings from the first exercise

As highlighted on some of the Signatories' and Affiliate members' individual pages in the next section, this first reporting exercise is an important milestone that could encourage more transparency within the marine insurance sector.

At the end of the first year of the Poseidon Principles for Marine Insurance, some Signatories have indicated that they will use their climate alignment scores to initiate constructive conversations with their clients to promote and support the transition of the shipping industry towards its decarbonisation goal. Hence, encouraging transparency and opening fact-based dialogue on how to eliminate the climate-related risks of their portfolio. Additionally, some Signatories also recognise the need to keep on engaging with clients and partners in order to broaden the portfolio coverage in the future.

Some Signatories have also noted that this framework will help them reinforce their decision-making on risks and allow them to identify, adopt, and better inform their sustainable decisions and strategies. For others, being a Signatory is a way to play their part to help reach the objectives set by the IMO and the Paris Agreement, through measuring and reporting the carbon emissions of their H&M portfolios.

The learnings from this year's reporting will be used to further improve the methodology and reporting process.

### Supporting the initiative and its Signatories: the role of Affiliate members'

Affiliate members' current business activities fall out of the reporting scope. Regardless, they are required to annually report on activities and efforts through which they support Signatories and the initiative as such.

Along with Signatories, Affiliate members have also shared their delight in joining the Poseidon Principles for Marine Insurance. They consider this framework to further strengthen and encourage efforts undertaken to decarbonise the shipping industry. Furthermore, Affiliate members have stated their commitment to further the reach of the Poseidon Principles for Marine Insurance by raising awareness of its importance. Their comments are to be found in the following section of this report.

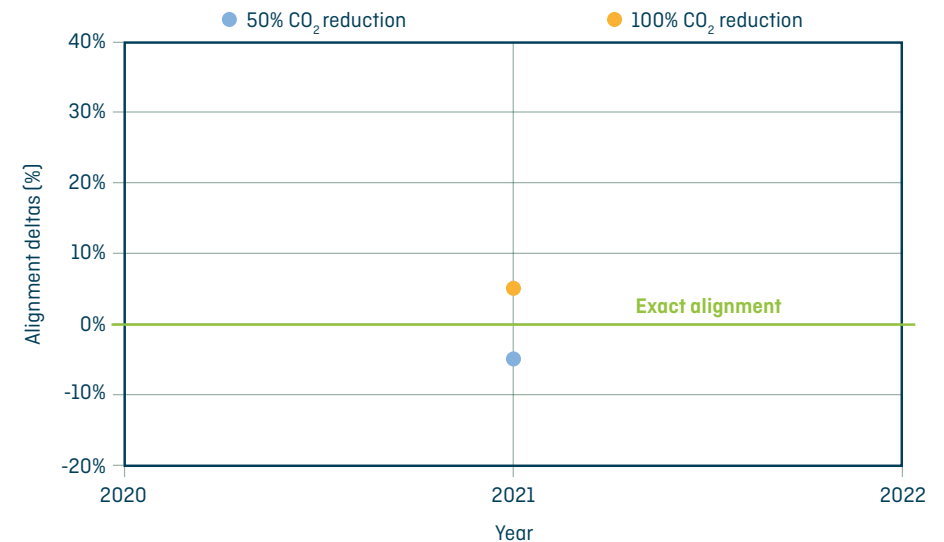




### How to read a portfolio's climate alignment score in the next section

Figure 10 illustrates a Signatory's portfolio climate alignment scores to achieve 50% CO<sub>2</sub> reduction as well as 100% CO<sub>2</sub> reduction. 0% represents "Exact Alignment" for both 50% and 100% CO<sub>2</sub> reduction trajectories respectively which is represented by the green line. Therefore, the blue dot represents a Signatory's climate alignment score against the 50% CO<sub>2</sub> reduction target while the orange dot represents alignment score against 100% CO<sub>2</sub> reduction target.

A positive score indicates misalignment while a negative score indicates alignment. As this is the first year of reporting, scores are depicted as points only, as illustrated in Figure 10. However, when data for at least two years is available, reported scores (historic and current year) will be accompanied by a trendline illustrating the future progression of Signatory's alignment based on historic data. Since Signatories' portfolios change every year, absolute comparison of alignment is impractical thus, this graph is aimed at depicting relative alignment to the annual target allowing for year-on-year comparison.



**Figure 10.**

Example of portfolio climate alignment scores for 2021

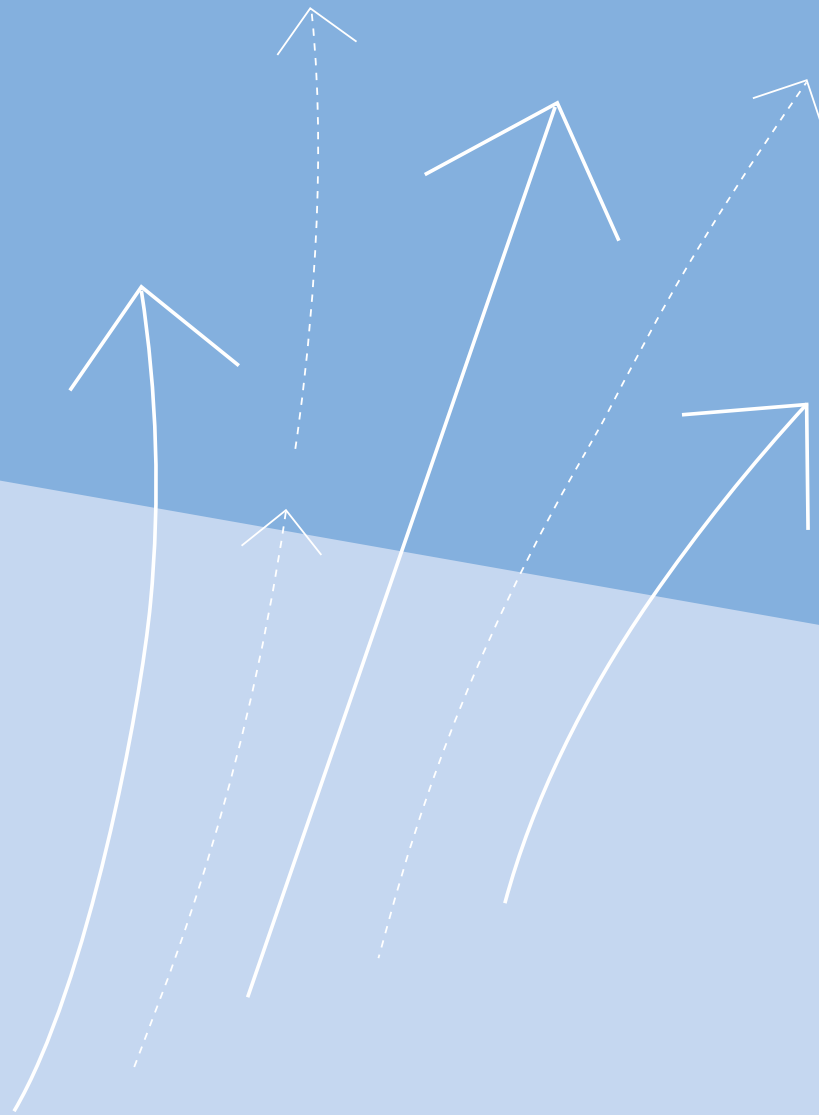
# 4. Fulfilling Signatory and Affiliate member requirements

## SIGNATORIES

→ <b>Fidelis MGU</b>	28
→ <b>Gard</b>	29
→ <b>Hellenic Hull Management</b>	30
→ <b>Navium</b>	31
→ <b>Norwegian Hull Club</b>	32
→ <b>SCOR</b>	33
→ <b>Swiss Re Corporate Solutions</b>	34
→ <b>Victor Insurance</b>	35

## AFFILIATE MEMBERS

→ <b>Cambiaso Risso Group</b>	37
→ <b>Cefor</b>	38
→ <b>Cosco Shipping Captive</b>	39
→ <b>CTX Special Risks</b>	40
→ <b>EF Marine</b>	41
→ <b>Gallagher</b>	42
→ <b>Lochain Patrick Insurance Brokers</b>	43
→ <b>Lockton</b>	44
→ <b>WTW</b>	45



# FULFILLING SIGNATORY REQUIREMENTS



## Fidelis MGU

Founding Signatory as of December 2021



### What are your key takeaways from your climate alignment score?

It is not surprising that the first submission suggests our portfolio is not aligned with the relevant benchmarks. This clearly shows the need to engage with our insureds in order to ensure alignment in future. In the first instance, however, more work needs to be done to broaden the portfolio coverage of our climate alignment score to establish a more representative baseline.

### How will the Poseidon Principles for Marine Insurance influence your business activities and decision-making in the future?

To date there has been no impact on decision-making, but with the first disclosure as a starting point we will (over the course of 2023) formulate an approach to aligning our portfolio with the required trajectory. This will align with our target setting process for meeting our broader net zero commitments.



**We – Fidelis and the whole insurance industry – are very much at the start of our endeavours to support the decarbonisation of shipping. This first Poseidon Principles for Marine Insurance disclosure is an important milestone and provides valuable information, but it needs to be a trigger for more concrete action.**

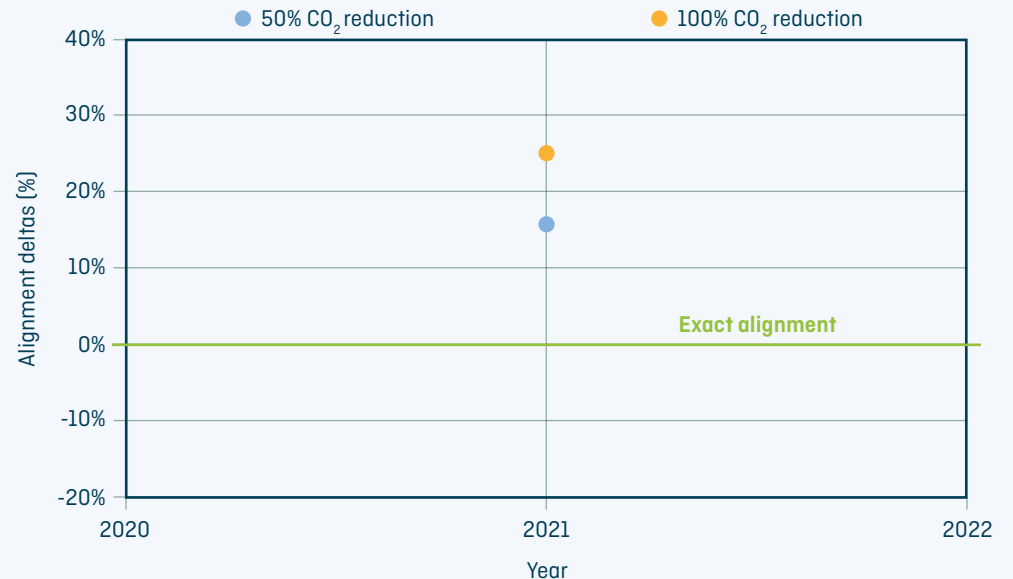
Charles Mathias, Group Executive Director & Group Director of Underwriting



#### Portfolio climate alignment scores

50% CO<sub>2</sub> reduction: **16.7%**

100% CO<sub>2</sub> reduction: **25.6%**



## Gard



Founding Signatory as of December 2021

### What are your key takeaways from your climate alignment score?

Gard is pleased to announce its first climate alignment score towards the emission targets set by the IMO and the Paris Agreement. Being a market leader, we have an opportunity – and a responsibility – to be at the forefront, pushing for increased transparency and new solutions in the transition towards a decarbonised economy.

The Poseidon Principles for Marine Insurance provides us with a useful tool in this regard, especially when combined with qualitative assessments, to support our customers' efforts to improve the energy efficiency of their ships.

We know that the urgency of decarbonisation is only increasing, and Gard works to make sure it has the competence, understanding and insurance products needed for its customers to succeed in the transition.

### How will the Poseidon Principles for Marine Insurance influence your business activities and decision-making in the future?

In Gard, we want to play our part to help reach the objectives set by the IMO and the Paris Agreement. Measuring and reporting the carbon emissions of our hull and machinery portfolio is one way of doing that. Mapping our climate alignment score has given us valuable insights into the climate risk of our hull and machinery portfolio, and we will continue to engage with our customers to support the measures that are needed to move in the right direction. We will further analyse the outcome of this first reporting year to determine how this can be incorporated into our future business strategy.

// **We are grateful to our customers for their feedback and support in this first year of reporting. We know there is room for improvement, both in our climate alignment score and in the data collection process itself, but that is why we wanted to be part of the Poseidon Principles for Marine Insurance. This is a journey we are on to learn and improve, and together with our clients, I am confident we will make the necessary progress.**

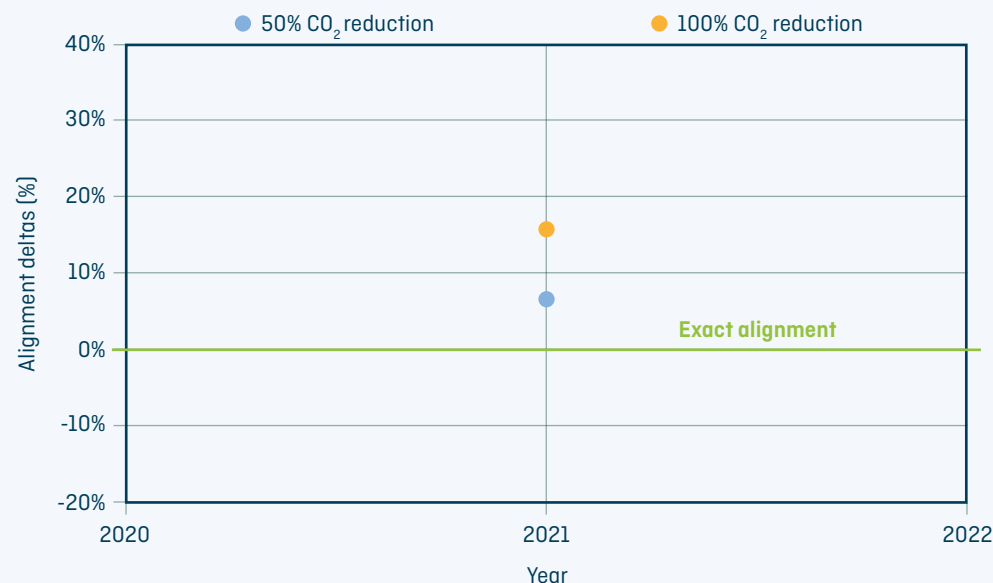
Rolf Thore Roppestad, Chief Executive Officer



#### Portfolio climate alignment scores

50% CO<sub>2</sub> reduction: **8.3%**

100% CO<sub>2</sub> reduction: **16.6%**





# Hellenic Hull Management

Founding Signatory as of December 2021



## What are your key takeaways from your climate alignment score?

Transparency is our utmost priority in every aspect of our business activities. Our first climate alignment score indicates that we should work together with our clients to assist them in this transition. Our portfolio needs improvement with regard to IMO & 100% CO<sub>2</sub> reduction trajectories and we are here to provide a roadmap to our clients to meet climate efficiency of their fleet.

## How will the Poseidon Principles for Marine Insurance influence your business activities and decision-making in the future?

Since our company’s inception, we have strictly adopted sustainable underwriting criteria. Strengthening these efforts, the Poseidon Principles for Marine Insurance enable us to assess and disclose the climate alignment of our H&M portfolio, providing us with valuable insights.

As a founding member of the Poseidon Principles for Marine Insurance we transparently disclosed the climate alignment of our insured fleet for 2021, based on the two trajectories (IMO 2050 & 100% CO<sub>2</sub> reduction). The knowledge acquired in the reporting process enabled us to analyze these results with the aim of fine-tuning our sustainability strategy. Following an open data policy, we will share the data with our clients and launch an open dialogue on how to eliminate the climate related risks of our portfolio.

Ilias Tsakiris, Chief Executive Officer

### Portfolio climate alignment scores

50% CO<sub>2</sub> reduction: **11.6%**

100% CO<sub>2</sub> reduction: **16.4%**



## Navium Marine Limited

Founding Signatory as of March 2022



### What are your key takeaways from your climate alignment score?

It is clear that Navium has work to do with its clients to support the transition to net-zero emissions. Our climate alignment score focuses our commitment to this goal.

### How will the Poseidon Principles for Marine Insurance influence your business activities and decision-making in the future?

The Poseidon Principles for Marine Insurance align with Navium’s commitment to its ESG policy which covers the underwriting approach and strategy of the entire portfolio. These principles are helping reinforce our decision making on risks and allowing us to identify and improve on sustainable decisions.



Navium are thrilled to be involved in the Poseidon Principles for Marine Insurance initiative. We have enjoyed the process and the engagement with the other signatories and look forward to seeing positive movements in our climate alignment score in future years.

Oliver Clark, Deputy CUO



### Portfolio climate alignment scores

50% CO<sub>2</sub> reduction: **24.6%**

100% CO<sub>2</sub> reduction: **34.4%**



## Norwegian Hull Club

Founding Signatory as of December 2021



NORWEGIAN HULL CLUB

### What are your key takeaways from your climate alignment score?

The score is quite sensitive to errors in reporting and details in the applied methodology. We need full transparency on the individual vessels' global emissions for the following reasons:

1. Transparency will benefit maritime transport in general and the best vessels in particular, as all other modes of transportation (air, road, rail) have higher emissions.
2. Transparency will expose flaws in the reporting metrics, improve the quality of the reported data and reduce the administrative burden of everyone involved.
3. Transparency will foster academic research on how to reduce emissions. This might result in less focus on individual vessels and more focus on effects of congestion, using the optimal type of vessels (large/small, bulk/container), optimising ballast voyages, optimise the mix between land/air/sea transport, reduce the overall need of transport and increase focus on the emissions involved in building vessels.

### How will the Poseidon Principles for Marine Insurance influence your business activities and decision-making in the future?

We have always focused on vessel quality in our selection process. We started looking into emissions when this data became publicly available for vessels trading in Europe in 2019 and have recently also got access to emission estimates of vessels globally. Our approach to selection and pricing is risk-based, so emissions don't have a direct impact. Quality owners need to take part in the energy transition. Various emission metrics and investment in emission reducing technology is interesting information in measuring this quality-dimension. We insure a growing fleet of vessels using alternative fuels, including prototypes that involve unknown risks, and see this as an important contribution to the energy transition. Acknowledging the complexity of carbon accounting, carbon optimisation and the risk of taking wrong decisions based on a myopic perspective, initiatives like the Poseidon Principles for Marine Insurance help increasing insight until replaced by full transparency on vessel emissions.

[Link to institutional report](#)

→ [Go back to member list](#)



**By taking a pro-active approach, remaining curious and gaining knowledge, we aim to help our clients on their journeys towards zero emissions. We thank our claims lead clients participating in this year's reporting and hope such reporting will be replaced by full transparency on vessel emissions in the future.**

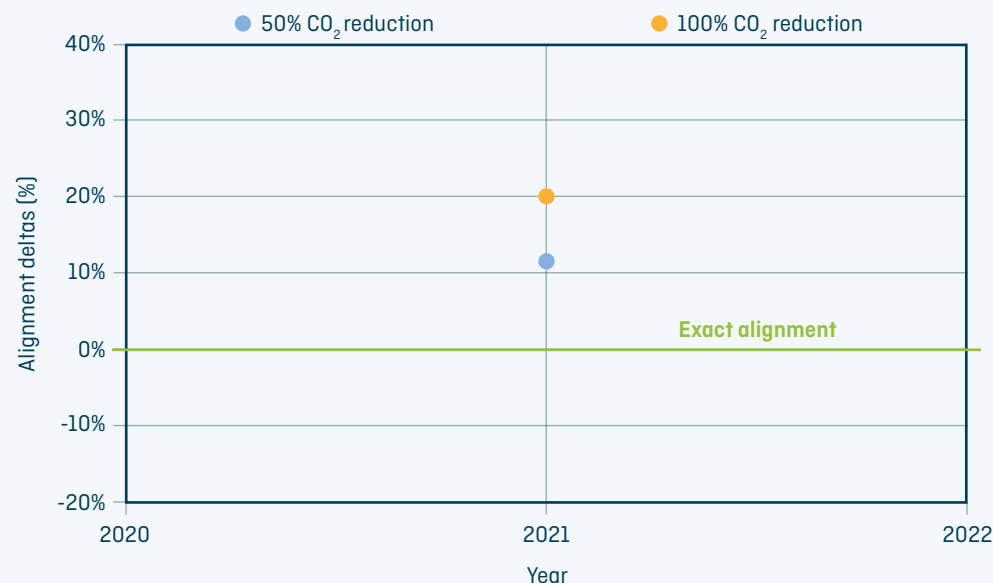
Hildegunn Nilssen, Communications Director



### Portfolio climate alignment scores

50% CO<sub>2</sub> reduction: **11.7%**

100% CO<sub>2</sub> reduction: **20.2%**



# SCOR



Founding Signatory as of December 2021

## What are your key takeaways from your climate alignment score?

Being our first reporting, our takeaways would be: the importance to understand the results and the impact of this scoring for SCOR, the shipping, and the world emissions.

## How will the Poseidon Principles for Marine Insurance influence your business activities and decision-making in the future?

The Poseidon Principles for Marine Insurance have confirmed the difficulty to collect information throughout the value chain. We have started to engage with our partners to foster more transparency that will support our own journey to Net Zero. Measures of CO<sub>2</sub> emissions will be considered in our underwriting analysis, pricing and guidelines and be part of our NZIA commitment.



**This is an essential first step towards net zero emissions and we are proud to be part of this journey.**

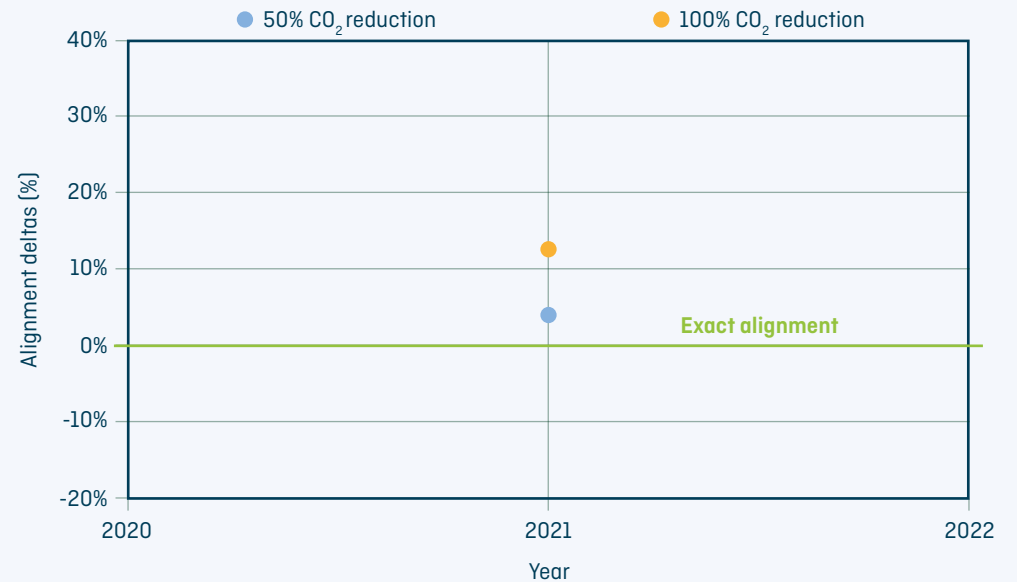
Sylvain Gauden, CUO Marine and Energy



### Portfolio climate alignment scores

50% CO<sub>2</sub> reduction: **4.2%**

100% CO<sub>2</sub> reduction: **12.1%**



## Swiss Re Corporate Solutions

Founding Signatory as of December 2021



### What are your key takeaways from your climate alignment score?

The results from the first reporting year provide us with an initial understanding of the climate alignment of both the 50% and 100% decarbonisation trajectories of our marine hull portfolio. This was made possible through the calculation of the carbon intensity of our shipping portfolio and the willingness of our insureds to disclose emission data of their vessels as officially reported to the International Maritime Organization.

The attained climate alignment scores show that there is room for improvement and close and transparent collaboration with customers and brokers is key to curbing emissions and navigating the pathway to net-zero shipping.

### How will the Poseidon Principles for Marine Insurance influence your business activities and decision-making in the future?

This exercise enables the establishment of an initial baseline that will allow us to deep dive into the carbon alignment of the fleets of our marine hull clients and, in the future, include these analysis in their overall assessment. We will make use of the scores to initiate constructive conversations with our clients, in order to promote and support the transition of the shipping industry to full decarbonisation.

Furthermore, this is an essential step towards setting future decarbonisation targets for the marine hull portfolio aligned with the NZIA protocol.

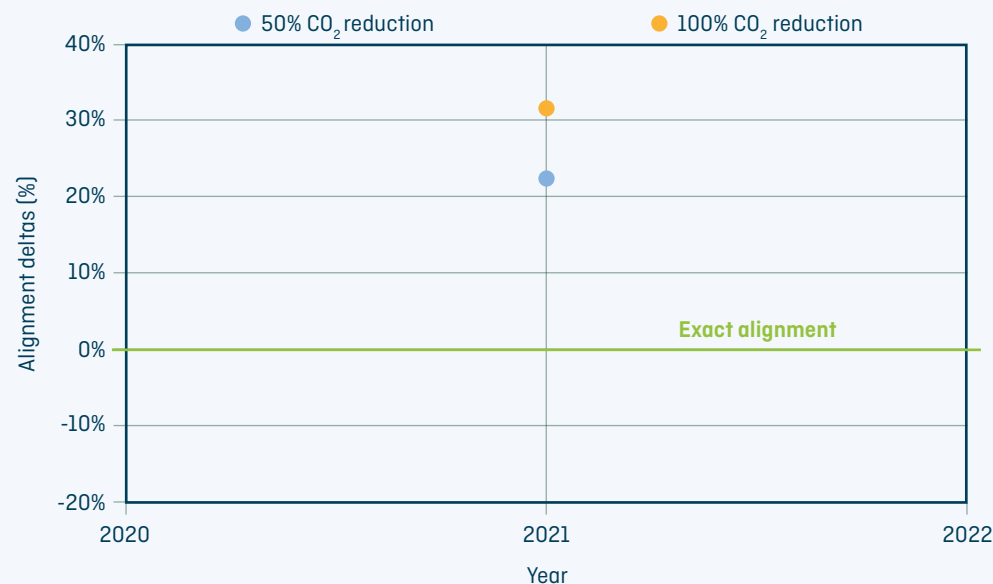
Swiss Re Corporate Solutions is one of the founding signatories of the Poseidon Principles for Marine Insurance, and, as such, pleased to disclose the outcomes of the first reporting year. The Poseidon Principles for Marine Insurance prove that Marine insurers can play a vital role in supporting the shipping industry in its path to full decarbonisation up to 2050. We aim to build on our collaboration with our Marine Hull clients along their transition journey and to accelerate the reduction in shipping's total annual GHG emissions.

Andrea Cupido, Head Global Hull

#### Portfolio climate alignment scores

50% CO<sub>2</sub> reduction: **22.3%**

100% CO<sub>2</sub> reduction: **31.6%**





## Victor Insurance

Founding Signatory as of December 2021



### What are your key takeaways from your climate alignment score?

As a Founding Partner of the Poseidon Principles for Marine Insurance, this is the first time Victor has been able to assess the climate alignment score for our Marine Hull portfolio. As a new entrant into the Marine Hull market in 2021, this first year's score is based on a relatively small vessel count. Nevertheless, it provides a foundation for further consideration and assessment in 2022. What is already apparent, however, is the stronger climate alignment features of more modern and up to ships, especially those built since 2014.

### How will the Poseidon Principles for Marine Insurance influence your business activities and decision-making in the future?

Necessarily, the first year's climate alignment exercise is one whereby we are looking into the portfolio in arrears. The same pattern will be largely the case when we calculate our second annual score on the 2022 portfolio. Our next assessment will be based on a much larger portfolio of vessels and will provide a stronger basis for determining the impact on future decisions concerning the shape and size of our portfolio.

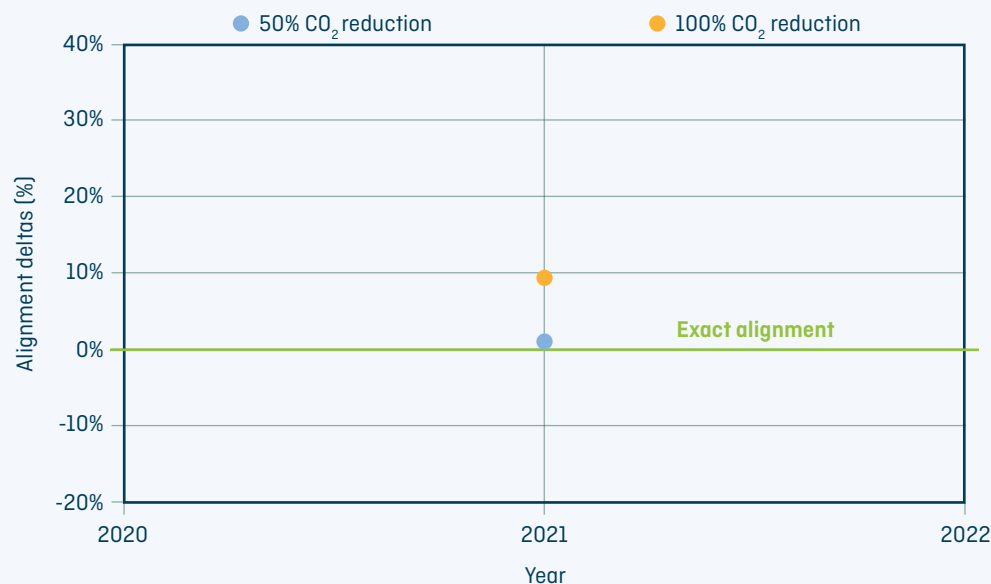
Victor is a new entrant into the Marine Hull sector, with our portfolio beginning only in 2021. Our underwriting philosophy is to use and deploy data at the heart of our decision making. We foresee that climate alignment will become a much more relevant central underwriting factor in our portfolio decisions over time. We are encouraged by the progress being made in the shipping industry to play its part in global decarbonisation.

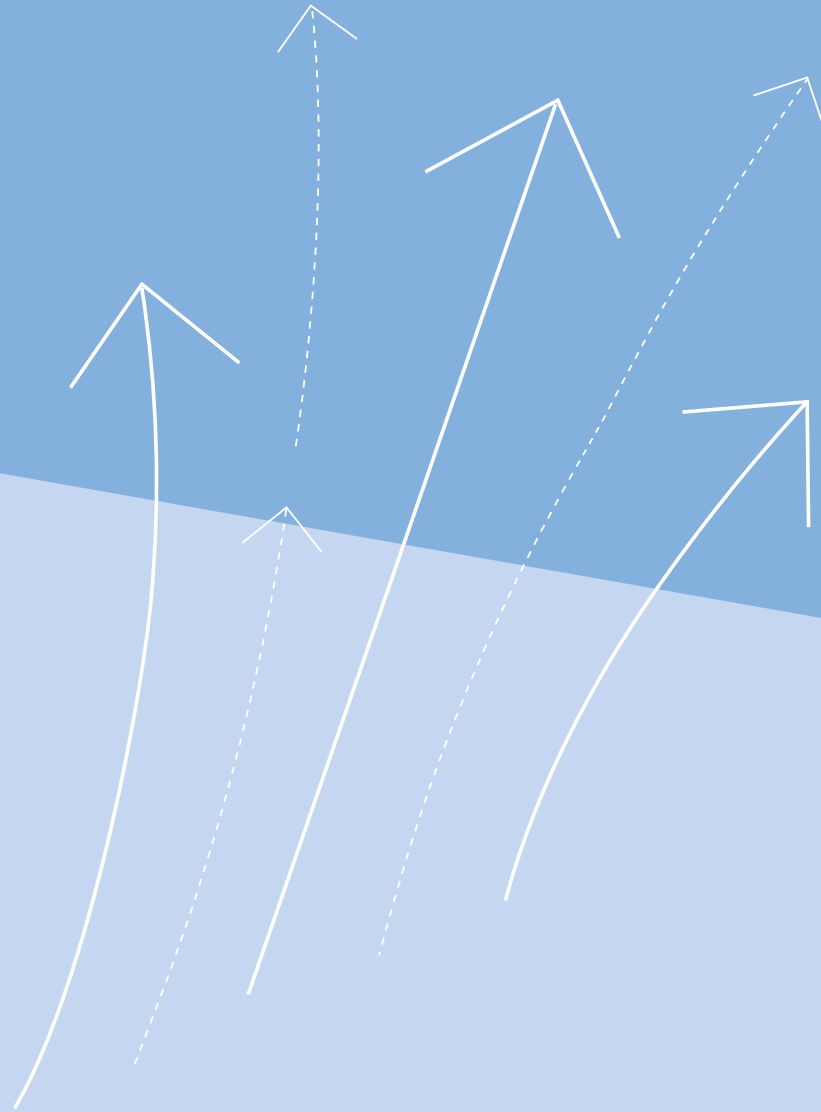
Richard Turner FCII, International Head of Marine

#### Portfolio climate alignment scores

50% CO<sub>2</sub> reduction: **1.9%**

100% CO<sub>2</sub> reduction: **9.8%**





# FULFILLING AFFILIATE MEMBER REQUIREMENTS

## Cambiaso Risso Group

Founding Affiliate member as of March 2022



### How your organisation expressed its support to the Poseidon Principles for Marine Insurance (from the chief executive or equivalent)?



**Corporate Social Responsibility is a must of our company philosophy. We feel that joining the Poseidon Principles for Marine Insurance will enhance Cambiaso Risso ESG strategy and will be a step forward to achieve our goals. On our side we promote with all our stakeholders accountability and emission transparency in the maritime industry and encourage environmentally friendly practices in the maritime value chain.**

Mauro Iguera, Chief Executive Officer



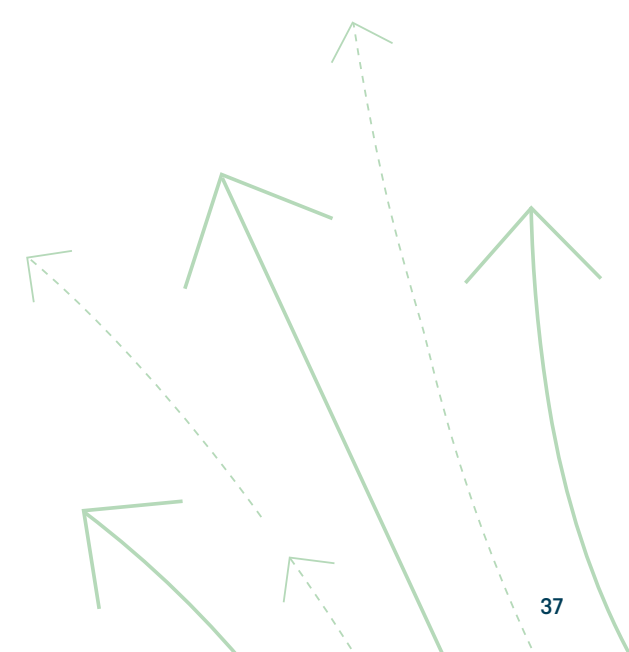
### What are the practical actions your organization has undertaken to support the Poseidon Principles for Marine Insurance and its Signatories?

In December 2022 Cambiaso Risso Group published its first Sustainability Report. ESG initiatives are the expression of CR commitment towards our stakeholders and the community where we live and we work. Our institutional communication through media, web, social media and events highlights our role as Affiliate member of the Poseidon Principles for Marine Insurance, sharing knowledge about the Assessment principle and climate alignment methodology and ensuring our stakeholders engage in the initiative with practical actions. The most of our communication activities details internal programs on sustainability and our business is today strictly oriented in advising clients make better decisions related to their sustainability-related challenges and help them to address and disclose their portfolio alignment with climate goals.

We also support underwriters in measuring and reporting emission data and climate alignment of their H&M portfolios.

### What are the concrete outcomes from these actions?

Sponsorship of SHAPING THE FUTURE OF SHIPPING (International Chamber of Shipping) 2021 GLASGOW COP26 CONFERENCE - 2022 LONDON



## The Nordic Association of Marine Insurers (Cefor)

Founding Affiliate member as of December 2021



### How your organisation expressed its support to the Poseidon Principles for Marine Insurance (from the chief executive or equivalent)?



**Cefor is committed to promoting a more sustainable ocean industry, and supports the transparency offered by the Poseidon Principles for Marine Insurance to foster dialogue towards this common goal.**

Helle Hammer, Managing Director

This quote was published under a separate section on the Cefor website along with links to information on the Poseidon Principles for Marine Insurance website (incl. standard clause, brief message to clients, etc.).

The section was first published on 24 June 2022 with later updates. Our Affiliate membership was announced in a news article on the Cefor website, shared on LinkedIn, in connection with the launch of the Poseidon Principles for Marine Insurance on 15 Dec 2021. The support of the Poseidon Principles for Marine Insurance was further affirmed in a separate section on sustainability in our Annual Report, published 7 April 2022. All texts have been authored by Managing Director Helle Hammer and are available in English only.

### What are the practical actions your organization has undertaken to support the Poseidon Principles for Marine Insurance and its Signatories?

Throughout the year we have engaged in discussions and information sharing about the Poseidon Principles for Marine Insurance with our sixteen members (both Signatories and those considering joining), facilitated three joint meetings with potential third-party providers of services to Signatories, and made information publicly available from our website. We have also informed about the Poseidon Principles for Marine Insurance in meetings and through presentations to other industry stakeholders, including shipowners' associations.

In the Cefor annual seminar, held in conjunction with our Annual General Meeting in Oslo, Norway, 7 April 2022, Patrizia Kern was invited to present the Principles to 180

participants from our sixteen member companies, thirteen broker firms, thirteen clients, four lawyer firms, and other invited guests. Information about the Poseidon Principles for Marine Insurance is also included in a lecture held by MD Helle Hammer to the 34 students in the Cefor Academy one-year part-time education programme for professionals within the marine insurance industry.

[Link to institutional report](#)

### What are the concrete outcomes from these actions?



Following our annual seminar in April, we received much positive feedback on how this had increased the participants' understanding of what the Poseidon Principles for Marine Insurance are all about. With a lot of misconceptions about double/'unnecessary' reporting requirements, there is a need to explain why, what, and how the Poseidon Principles for Marine Insurance will work. In our experience, this is best conveyed following a presentation or in a meeting with members/owners where questions can be openly addressed.

## COSCO SHIPPING Captive Insurance Co., Ltd.

Affiliate member as of September 2022



### How your organisation expressed its support to the Poseidon Principles for Marine Insurance (from the chief executive or equivalent)?



**We are delighted to be the first Asian marine hull insurance company to sign up for the Poseidon Principles for Marine Insurance. Joining the Poseidon Principles for Marine Insurance is aligned with Cosco Shipping Group and Cosco Shipping Captive's strategy towards green shipping and green finance. We are happy and motivated to work with all stakeholders to promote marine de-carbonization and marine industry's sustainable transition and growth.**

Zheng Xiaozhe, Chairman of the Board

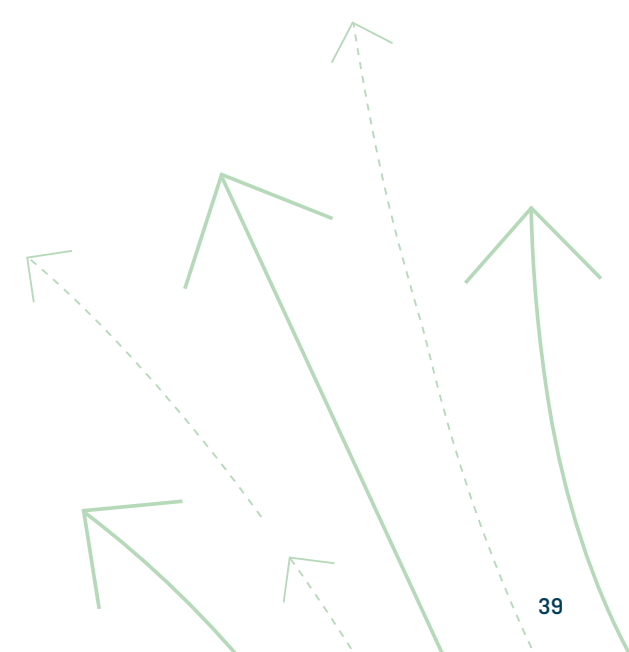


### What are the practical actions your organization has undertaken to support the Poseidon Principles for Marine Insurance and its Signatories?

After joining the Poseidon Principles for Marine Insurance, COSCO SHIPPING Captive shared the knowledge about the Principles internally, and submitted reports introducing the Poseidon Principles for Marine Insurance's concept and development trend to the senior management of the holding company. In a speech on November 12th at the International Marine Economy and Maritime Services Forum 2022 in Ningbo, China, Mr. Xiaozhe Zheng, Chairman of the Board, COSCO SHIPPING Captive Insurance, particularly mentioned the company joined the Poseidon Principles for Marine Insurance. At the same time, we promoted the initiative to the Shanghai Institute of Marine Insurance (SIMI), China domestic insurance companies and other institutions that operating marine line.

### What are the concrete outcomes from these actions?

COSCO SHIPPING Captive will introduce and discuss the concepts, principles and objectives of the Poseidon Principles for Marine Insurance with the insured, and conduct in-depth discussions with the ship owners on the design and future direction of new energy vessels.





## CTX Special Risks

Affiliate member as of September 2022



### How your organisation expressed its support to the Poseidon Principles for Marine Insurance (from the chief executive or equivalent)?



**I am pleased to confirm that our joining message on the Poseidon Principles for Marine Insurance website has been shared in English and Chinese through our weekly electronic circular read by some thousands of shipping industry professionals, but we know we need to do much more. One ambition is to take a leading role within the Poseidon Principles for Marine Insurance to mediate between ship owners and underwriters to ensure that reporting is practical for shipowners while at the same time allowing underwriters to spot and, eventually, reward best practice.**

Dominic Ng, Chief Executive Officer



### What are the practical actions your organization has undertaken to support the Poseidon Principles for Marine Insurance and its Signatories?

As an Affiliate member, we have displayed the Poseidon Principles for Marine Insurance logo on the splash page of our website with a link to the Poseidon Principles for Marine Insurance website.

We have included the Poseidon Principles for Marine Insurance logo on the front cover of our P&I Pre-Renewal Report.

We have asked all personnel to talk about CTX's commitment to the Poseidon Principles for Marine Insurance in meetings and specific reference as to whether or not the topic was discussed and how it was received is included in all meeting notes with clients and with underwriters.

We have presented our reasons for joining the Poseidon Principles for Marine Insurance as Affiliate members, in November 2022, at Hong Kong Maritime Week supporting a presentation by Gard.

### What are the concrete outcomes from these actions?

Too early to report meaningfully as we have only been promoting the principles for a little over two months at the time of reporting.



## EF Marine

Founding Affiliate member as of December 2021



### How your organisation expressed its support to the Poseidon Principles for Marine Insurance (from the chief executive or equivalent)?



**EF Marine as a provider of Fixed Premium P&I Insurance is proud to be the first Affiliate member from the P&I industry to join the Poseidon Principles for Marine Insurance. We take our role seriously in tackling sustainability issues arising from climate change and will work on embedding the Poseidon Principles for Marine Insurance in our business and encourage our clients to support the Principles to achieve the climate goals to prevent the catastrophic climate changes facing the future generations and the world. We will work as facilitators for providing guidance and advice to the insureds to minimise carbon emission and environmental impact and participating in this initiative is the first big step in this direction.**

Folkert Strengholt, Chief Executive Officer



This quote was shared on both Poseidon Principles for Marine Insurance and EF Marine LinkedIn accounts in November 2021. Our CEO reaffirms this commitment: "The Poseidon Principles for Marine Insurance are fully in line with our commitment to drive change and get to zero emissions".

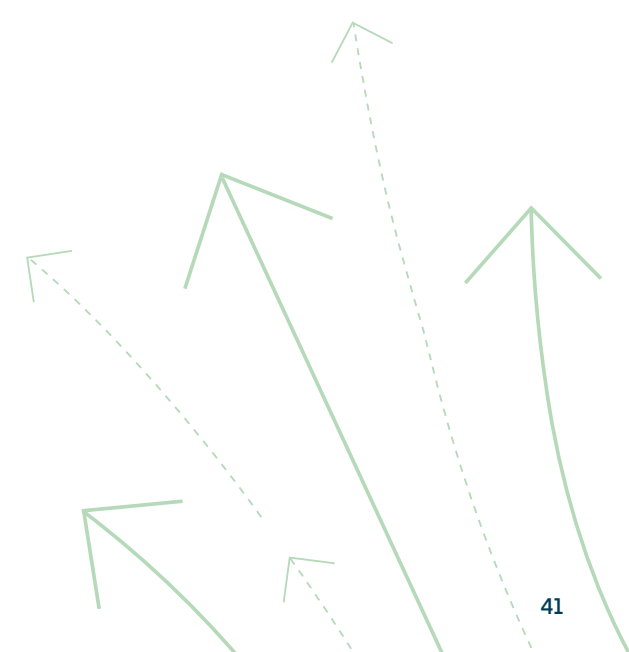
### What are the practical actions your organization has undertaken to support the Poseidon Principles for Marine Insurance and its Signatories?

All 18 staff are fully aware and supportive of EF Marine (EFM) being an Affiliate member. In their day-to-day work and where possible they are an ambassador of the Poseidon Principles for Marine Insurance. We have put the Poseidon Principles for Marine Insurance on our website and in our corporate brochure including an explanation of what it entails. We have informed our reinsurers (who are very supportive of this initiative) and also the brokers we deal with. It is also part of our communication when we speak to brokers and clients. Feedback we get are positive as all see there is a need for change so that our children can have a healthy living

environment. So we do very much our best to create a high level awareness with as many stakeholders as possible. For 2023 we intend to promote even more the initiative and also seek contact with other Affiliate members in order to see how we can support the Signatories further. In October 2022 our CEO was elected Vice-Chair of the Affiliate Members Committee.

### What are the concrete outcomes from these actions?

It is still early days to say what the quantitative outcome is. We can however say that it is well received in the market that EFM support this initiative and we hear for example from brokers that they are also considering to participate. That is good news. It will take some more time to give more feedback on this. It definitely strengthens our commitment to the journey we have started together. We sincerely hope for broad support of this initiative going forward and that as many as possible will contribute.



## Gallagher

Affiliate member as of September 2022



### **How your organisation expressed its support to the Poseidon Principles for Marine Insurance (from the chief executive or equivalent)?**

This quote was displayed when Gallagher joined the Poseidon Principles for Marine Insurance in September 2022



**Gallagher is proud to join the Poseidon Principles for Marine Insurance and is committed to working closely with clients, and other stakeholders within the marine insurance sector, to support the shipping industry's journey to achieving a net zero target.**

Andrew James, Executive Director, Marine



This support is renewed on the occasion of this first Annual Disclosure Report: "It is encouraging to see more underwriters and brokers sign up to the Poseidon Principles for Marine Insurance, working together will help the shipping industry move in a more sustainable direction. We hope to support the Signatories by raising awareness and highlighting the importance of GHG data with our clients."

### **What are the practical actions your organization has undertaken to support the Poseidon Principles for Marine Insurance and its Signatories?**

We are starting to highlight our involvement with the Poseidon Principles for Marine Insurance by speaking to our clients and underwriters about our role, what they can do to engage and how important consistent reporting is.

Individuals are encouraged to attend webinars and events relating to climate change and decarbonisation, the most recent one being "Launch of the Science Based Target Setting Guidance for the Maritime Transport Sector" in December 2022 which discussed the methodology of recording GHG data.

### **What are the concrete outcomes from these actions?**

There are members of the Hull Team who had not heard of the Poseidon Principles for Marine Insurance until the 'Town Hall' we had with about 30 people from the team in November. Now everyone is aware of the initiative and should be able to explain the reason behind it to clients and underwriters. As a minimum, the team now knows that if any stakeholders ask about the Poseidon Principles for Marine Insurance they can ask the Operations Team for more information. Our internal process for how renewal slips are generated will mandate that the Poseidon Principles for Marine Insurance clause is included, so that the broker has to raise it with their clients.



## Lochain Patrick Insurance Brokers Limited

Affiliate member as of September 2022



### How your organisation expressed its support to the Poseidon Principles for Marine Insurance (from the chief executive or equivalent)?



**The maritime sector is a key facilitator of global trade and commerce and we at Lochain Patrick understand the importance of addressing the climate impacts of the shipping industry. We believe that the introduction of the Poseidon Principles for Marine Insurance is a key initiative in the drive towards decarbonisation. We look forward to working with our clients and Insurers to implement and integrate effective and transparent standards and procedures to reflect our commitment to embedding the Poseidon Principles for Marine Insurance into our corporate philosophy and strategic development objectives.**

Andrew Hills, Managing Director

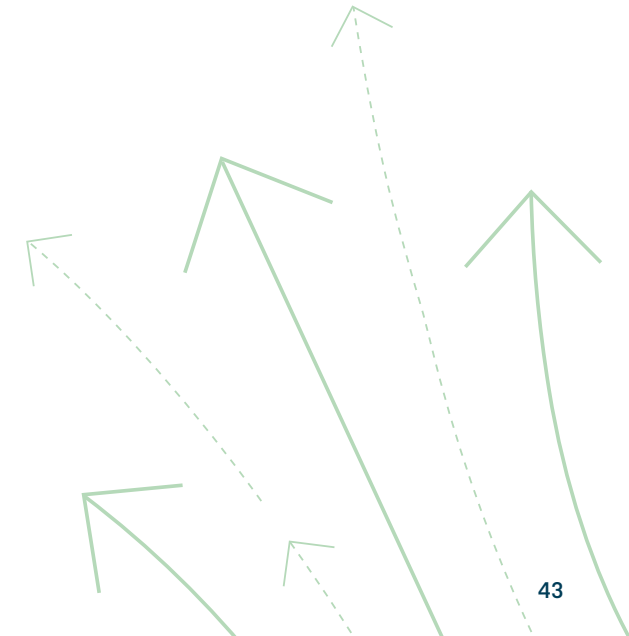


### What are the practical actions your organization has undertaken to support the Poseidon Principles for Marine Insurance and its Signatories?

Lochain Patrick Insurance Brokers have a dedicated ESG and climate alignment team that are committed to ensuring our obligations and corporate objectives in this area are being met. Our team of Marine brokers are in regular contact with our clients regarding this matter to ensure that continued dialogue and understanding of this initiative is at the forefront of our ongoing relationship. In addition, we are also engaging with a third-party vendor to potentially provide system functionality which allows us to obtain vessel emission data at source.

### What are the concrete outcomes from these actions?

We have increased engagement and dialogue with our clients which has led to an improvement in information sharing and understanding of the data required to ensure we can comply with our ongoing reporting requirements.





## Lockton Marine

Founding Affiliate member as of April 2022



### How your organisation expressed its support to the Poseidon Principles for Marine Insurance (from the chief executive or equivalent)?

Lockton Marine is committed to becoming part of the solution to climate change and the associated challenges impacting our clients and business partners.

The following commitment was stated upon Lockton's signature as a founding Affiliate member in April 2022. These words were subsequently included in an explainer document that was circulated across our global practice, to clients and to webinar participants in May. We recommit to the same on the event of this first climate alignment report:



**The international shipping industry is embarking on the single largest energy transition in modern times, and the only way of achieving this is together. The Poseidon Principles for Marine Insurance represent an important development in cross-party dialogue through the provision of a carbon reporting standard for insurers alongside a net-zero target. Lockton is proud to be a part of this work and I look forward to contributing our expertise in support of this initiative and our clients' journeys towards a decarbonised future.**

Alistair Rivers, Global Head



### What are the practical actions your organization has undertaken to support the Poseidon Principles for Marine Insurance and its Signatories?

We are playing our part in educating our teams and clients, as well as acting as a key convener of industry expertise around the subject.

- May 2022 – Decarbonising the Shipping Industry webinar, 250 registrations across 12 countries. Capturing everything from the recent launch of the Poseidon Principles for Marine Insurance, through to the latest views shipowners have on sustainable ship design and financing – the discussion provided insights from key industry leaders into the different challenges and priorities of achieving net

zero and decarbonising the industry. Panelists included representatives from the Poseidon Principles, the International Group of P&I Clubs, Gard, RENA, COFCO, CONFITARMA and GNV

- May 2022 – Publication of Poseidon Principles for Marine Insurance explainer document (developed in conjunction with the Secretariat)
- Sep 2022 – Internal Practice Memo circulated regarding data collection process, including a reminder on requirements, timeline, the Standard Covenant Clause and issues of client confidentiality

### What are the concrete outcomes from these actions?

Our Poseidon Principles for Marine Insurance commitment has encouraged our leadership team to interrogate our own role in the shipping industry's decarbonisation challenge and to review how we should operate as a responsible broker in the maritime sector. We offer three insights:

- Beyond awareness raising of the Principles' purpose and methodology, we see the opportunity to make carbon reduction planning / implementation of clearer strategic advantage to our clients e.g. to create a new market standard in risk presentation which includes ESG pathway information in addition to operational carbon intensity measures
- The Poseidon group of members must partner with each other, with clients and with third parties across carbon management to innovate bespoke insurance products / arrangements that will help to navigate the risks and cost exposures of the transition to net zero
- We see the potential for the Poseidon Principles for Marine Insurance's transparency principle to evolve beyond carbon measurement towards the protection of the wider maritime environment.

## WTW

Founding Affiliate member as of December 2021



### How your organisation expressed its support to the Poseidon Principles for Marine Insurance (from the chief executive or equivalent)?



**WTW is proud to be a founding Affiliate member of the Poseidon Principles for Marine Insurance. There will be enormous challenges for the maritime industry in its carbon transition, but we are strongly committed to support this work. We similarly expect that the broader marine insurance community will see the value in encouraging the innovative efforts that are being undertaken in this area. As Affiliate members, we can positively influence accelerated change, to the benefit of the shipping industry. We actively encourage all relevant participants in the marine insurance sector to join this initiative.**

Ben Abraham, Global Head of Marine

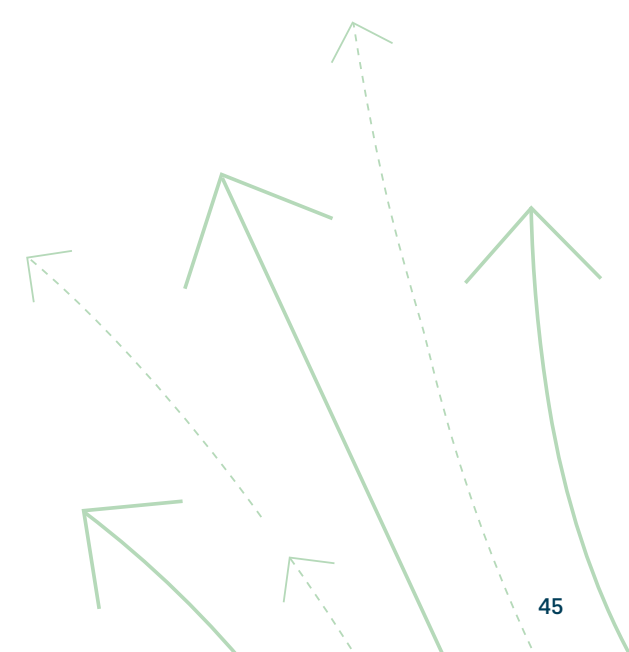


### What are the practical actions your organization has undertaken to support the Poseidon Principles for Marine Insurance and its Signatories?

Externally we have used the reach of our social media following to set out the WTW commitment to the Poseidon Principles for Marine Insurance. Internally, at each townhall meeting of our global marine group (of over 600 professionals) the team is reminded of the importance of this initiative and the opportunity to encourage engagement across the industry. As an Affiliate member, we actively support our clients with the understanding of how this impacts their business and to expand their understanding of the value of this initiative.

### What are the concrete outcomes from these actions?

Ship owners and insurers better understanding the scope and potential benefit of the principles by outlining the value and dispelling myths and concerns.



# Key terms

**AER** stand for Annual Efficiency Ratio. This is a carbon intensity measure used in the shipping sector that represents the total operational emissions generated to complete one unit of transport work, which is measured in unit grams of CO<sub>2</sub> per deadweight tonnage-nautical miles (gCO<sub>2</sub>/DWT-nm). The IMO Data Collection System (IMO DCS) enables the calculation of the AER, using the parameters of fuel consumption, distance travelled and deadweight at maximum summer draught (DWT).

**Affiliate members** are stakeholders which support and contribute to the insurance ecosystem, but whose current business activities fall out of the reporting scope. Affiliate membership is open to organizations including insurance brokers and collective groups (such as insurance associations, captives, unions and P&I Clubs).

**Carbon intensity** is the representation of the total operational emissions generated to satisfy a supply of transport work (grams of CO<sub>2</sub> per tonne-nautical mile [gCO<sub>2</sub> / tnm]). The Poseidon Principles for Marine Insurance use the AER metric for this calculation.

**CII** stands for Carbon Intensity Indicator. This is a rating system that the International Maritime Organization (IMO) developed, that measures how efficiently a ship transports goods or passengers and is given in grams of CO<sub>2</sub> emitted per cargo-carrying capacity and nautical mile. This will be a mandatory measure under MARPOL Annex VI, which comes into force in 2023, and will impact all cargo, RoPax and cruise vessels above 5,000 gross tonnage (GT) trading internationally.

**Claims leader / leader** is the insurance company which has a leader position, and which leads in claims decisions.

**Climate alignment** is the degree to which a vessel, product, or portfolio's carbon intensity is in line with a decarbonisation trajectory that meets the IMO ambition of reducing total annual GHG emissions by at least 50% by 2050 based on 2008 levels, or a 100% CO<sub>2</sub> reduction target to support the Paris Agreement.

**Decarbonisation trajectory** is a representation of how many grams of CO<sub>2</sub> a single ship can emit to move one tonne of goods one nautical mile (gCO<sub>2</sub>/tnm) over a time horizon. The Poseidon Principles for Marine Insurance Secretariat provides two global decarbonisation trajectories as part of the annual reporting requirements. One trajectory with 50% CO<sub>2</sub> reduction in absolute carbon emissions by 2050 (the "50% CO<sub>2</sub> reduction trajectory"), and the other with 100% CO<sub>2</sub> reduction in absolute carbon emissions by 2050 ("the "100% CO<sub>2</sub> reduction trajectory").

**Follower** is the insurance company which has a follower position, and which follows the decisions of the leader/claims leader.

**GHG** stands for greenhouse gas.

**Hull & Machinery (H&M) insurance** – covers against damage to ship hull and machinery.

**IMO** is the International Maritime Organization, a specialized agency of the United Nations, and the global standard-setting authority for the safety, security, and environmental performance of international shipping.

**IMO DCS** is the IMO's MARPOL Annex VI Data Collection System for Fuel Consumption.

**IMO's Initial Strategy's Level of Ambition 3** is aimed at the international shipping to peak its GHG emissions as soon as possible and to reduce the total annual GHG emissions by at least 50% by 2050 compared to 2008 (baseline year), whilst pursuing efforts towards phasing them out as called for in the Vision as a point on a pathway of CO<sub>2</sub> emissions reduction consistent with the Paris Agreement temperature goals.

**MARPOL** (The International Convention for the Prevention of Pollution from Ships) is the main international convention covering prevention of pollution of the marine environment by ships from operational or accidental causes. The MARPOL Convention was adopted on 2 November 1973 at IMO.

**MEPC** stands for IMO's Marine Environment Protection Committee.

**Net Zero Insurance Alliance (NZIA)**, brings together 29 insurers and reinsurers who have committed to transition their insurance and reinsurance underwriting portfolios to net-zero greenhouse gas emissions by 2050, consistent with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100, in order to contribute to the implementation of the Paris Agreement on Climate Change.

**Policy**, for hull & machinery coverage, refers to one unit of a marine insurance product transaction or deal that covers physical damage to vessels.

**Signatory** is a marine insurer with Hull & Machinery policies, that has sent a formal declaration to the Secretariat, has had that declaration accepted and has had that declaration announced.

**Technical Guidance** is the fundamental document of the Poseidon Principles for Marine Insurance describing the principles and the methodology, accessible on the Poseidon Principles for Marine Insurance website.

**United Nations Environment Programme Finance Initiative (UNEP FI)'s Principles for Sustainable Insurance (PSI)** were established by the United Nations Environment Programme Finance Initiative in 2012. They serve as a global framework for the insurance industry to address environmental, social, and governance risks and opportunities.







# Acknowledgements

The Poseidon Principles for Marine Insurance were developed in an effort spearheaded by global shipping insurers, leading industry players – brokers, shipowners and classification societies – as well as the Global Maritime Forum, Swiss Re Corporate Solutions, Swiss Re Institute, and University College London Energy Institute and UMAS. The drafting group included Gard, Cefor, Willis Towers Watson, Mærsk, Star Bulk, and Lloyd’s Register. The Net Zero Insurance Alliance and IUMI were regularly consulted. Legal advice was provided by Watson Farley & Williams.

The Annual Disclosure Report 2022 was developed in close collaboration between:

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## Disclaimer

The Poseidon Principles for Marine Insurance are a global framework for assessing and disclosing the climate alignment of insurers' hull and machinery portfolios. The Poseidon Principles for Marine Insurance and its members are committed to complying with all applicable laws, rules and regulations. These include, among others, antitrust and other laws, rules and regulations, which may impose restrictions on the information that may be exchanged as well as on the types of collaborative engagement that may be carried out between the Poseidon Principles for Marine Insurance members. Accordingly, the Poseidon Principles for Marine Insurance does not and will not recommend nor instruct its members to:

1. adopt specific measures to assess and achieve the targets pertaining to the climate alignment of insurers' hull and machinery portfolios;
2. discuss or reach agreement(s) on individual measures pertaining to the climate alignment of insurers' hull and machinery portfolios;
3. exchange any competitively-sensitive information relating to their respective businesses with other Poseidon Principles for Marine Insurance members.

For the avoidance of doubt, Poseidon Principles for Marine Insurance members are under no obligation to continue their relationship with the Poseidon Principles for Marine Insurance and, while this document may propose general measures and best practices on how to assess and disclose climate alignment of insurers' hull and machinery portfolios, Poseidon Principles for Marine Insurance members shall, at all times, each remain free to determine and implement their respective strategies independently and unilaterally.

The Poseidon Principles for Marine Insurance does not and will not establish any strict requirement directly or indirectly related to Poseidon Principles for Marine Insurance members' underwriting criteria. This is without prejudice to the individual Poseidon Principles for Marine Insurance members' freedom to establish unilaterally their own underwriting criteria, including exclusionary criteria, in a manner aligned with their own climate alignment of hull and machinery portfolios. Similarly individual members are and will be free to set their climate alignment measures as part of their membership to the Poseidon Principles for Marine Insurance independently, unilaterally and based on their own unique circumstances.

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