

Seafarers Engagement

Contents

1	What is the Seafarers Engagement Programme about?	3
2	Why is this an issue?	3
3	How does this engagement programme compare to other type of engagement?	3
4	What are some of the challenges to solving this issue?	3
5	What we have done so far?	4
6	What can do you do?	4
7	Appendix 1 - Letter to Airlines - Example	5
8	Appendix 2 - Letter to Charterers - Example	6
9	Appendix 3 - Letter to Shipping Companies - Example	7
10	Appendix 4 - Letter to United Nations	8
11	Appendix 4 - Financial Times Article	9
12	Fidelity Website Article	10

1 What is the Seafarers Engagement Programme about?

As a result of the COVID-19 crisis, restrictions on travel and trade were closing off ports and cancelling flights. This has resulted in hundreds of thousands of maritime workers stranded at sea, as many countries have prohibited seafarers from disembarking when they reach ports, which means no shore leave and no crew changes.

According to International Transport Workers' Federation (ITF), there are an estimated 400,000 seafarers (roughly 30% of the global seafarer population) trapped working aboard vessels, and another 400,000 facing financial ruin as many have not been able to return to work.

Seafarers are subject to Seafarers Employment Agreements, which according to current regulations, stipulate that a seafarer should not serve on board a vessel without leave for more than 11 months. Most shipping companies self-impose 9 months because studies have shown productivity and safety consciousness drops significantly after extended contracts.

Today, Intercargo estimates that Seafarer Employment Agreements has expired for an estimated 35-40% of seafarers currently on ships. Of these, 10% had served between 12-17 months with many seafarers have been working for over 15 straight months.

2 Why is this an issue?

It represents both an investment risk as well as a social (humanitarian) risk, because....

- International shipping is the lifeblood of the global economy, responsible for 90% of world trade.
- From our everyday goods (e.g. household products, produce, etc.) to commodities such as oil to power our cars and coal to generate electricity, seafarers steer ships so that we can still live our lives without worrying about shortages in essential goods.
- The physical and mental stress of seafarers, whose economic situations are poor to start with and who have little political leverage to change their situation, is a great concern, as deteriorating conditions could threaten the safe handling of cargos and the continuation of shipping services. This is both important from a social standpoint and investment standpoint as from an investment standpoint this has significant value implication through the shipping supply chain

3 How does this engagement programme compare to other type of engagement?

Many ESG engagements happen ex-post, i.e. after a major accident has occurred. This is an engagement where we were able to identify an issue early enough to work with other stakeholders to arrive at a solution before a major accident materialises. Given many of the cargos are hazardous, a major event could lead to significant economic, social and environmental damage and it is in everyone's interest to prevent that from happening.

4 What are some of the challenges to solving this issue?

- The biggest **logistical** challenge is that many ports are closed to seafarers due to concerns around COVID infection. The lack of flights to transport these seafarers back home between shipping destinations and crew source countries has added to the difficulty
- The biggest **political** challenge is the failure to recognize these seafarers as "essential workers" which would greatly reduce the logistical issues (e.g. visas)
- The biggest **economic** challenge is that to mitigate the logistical and political challenge, many responsible shipowners have resorted to chartering flights (e.g. \$40K for 11 seafarers from London to Gibraltar, hotel expenses after arriving in Gibraltar hotel for 9 days after arrival) which is clearly not sustainable for shipowners that are enduring losses with their core businesses.
- **Push back** - Cargo owners are, in some cases, unwilling to deviate from traditional routes to facilitate crew changes due to added costs + time spent
- **No Voice** - Most seafarers' economic situations are poor, so they don't have a lot of political leverage.

5 What have we done so far?

- We have launched a mass email campaign targeting our portfolio companies engaged in shipping business and those benefiting from the services (cargo owners like BHP for example) to ask for their immediate attention on this issue and work collaboratively with shipping companies by being flexible with route deviation to facilitate crew change. We have also urged them to lobby governments to label these seafarers as “essential workers”
- We have launched a media campaign on the back of our letter advocacy to raise universal attention and again as a first step to call for govt recognition of seafarers as “essential workers”. At the moment, the issue is only covered by trade journals in the shipping industry
- We are writing a joint investor letter to the United Nations, highlighting the issue and asking for action

6 What can you do to help?

1. Engage with us on the issue. We would like the opportunity to speak to you about why this is a critical issue
2. Understand what implications shipping and the outlined supply risks have for the companies you own
3. Sign our investor letter to the United Nations
4. As a letter signatory, be vocal about this issue and why it's important
5. Engage with your portfolio companies on this issue.

7 Appendix 1 - Letter to Airlines - Example

Dear Chairman XXX,

Fidelity International (FIL) is a global institutional investor with over US\$550 billion in total client assets and is a long-term investor in the Company.

We are writing to seek your active participation in the international efforts to alleviate and resolve a humanitarian crisis in the shipping industry. According to the International Transport Workers' Federation (ITF), there are currently around 300,000 seafarers trapped aboard vessels. Due to COVID-19, many countries have prohibited seafarers from disembarking when they reach ports, posing severe obstacles to the conduct of crew changes. The lack of flights has also made repatriating seafarers home a logistical and economic challenge for shipowners. As a result, some seafarers have already been working for over 15 months, much longer than the industry norm and regulatory limit. Experts have cited elevated mental risks from isolation and time away from families.

This is a multi-faceted and complex issue and the persistence of the problem is proof that the shipping industry is unable to resolve it without the support from other key stakeholders such as governments and charterers. As the provider of the primary means of transportation for seafarer repatriation, airline companies such as yourself makes a critical piece of the solution. We fully understand the airline industry is also facing unprecedented challenges and flight scheduling is mostly a function of commercial demand. We do not believe the sole responsibility lies with airline companies, but there is little hope for a real solution without your active involvement. The participation from airline industry representatives in the International Maritime Organization's consultation has contributed to the creation of the 12-step plan, which is an important first step but a first step only. We sincerely hope you would continue to work with all the stakeholders in the efforts to bring seafarers home in a way that is safe for them, their families and without posing an additional health risk to the broader society.

We have separately reached out to the top ship owners and charterers in our portfolios with the aim of highlighting the need for continued collaboration from all stakeholders to come up with a solution urgently. We hope to have your support in our effort to raise awareness for the much-deserving seafarers who have played as essential a role in sustaining our way of life as have your airline staff during this difficult time.

We thank you for your time in reading our letter. Please do not hesitate to let us know if we could further help the cause in any manner.

Sincerely yours,

8 Appendix 2 - Letter to Charterers - Example

Dear Chairman XXX,

Fidelity International (FIL) is a global institutional investor with over US\$550 billion in total client assets and is a long-term investor in the Company.

We are writing to draw your urgent attention to a humanitarian crisis in the shipping industry, which requires the collaboration of key stakeholders such as yourself to resolve. According to the International Transport Workers' Federation (ITF), currently around 300,000 seafarers are trapped aboard vessels. Due to COVID-19, many countries have prohibited seafarers from disembarking when they reach ports, posing severe obstacles to conduct crew changes. The lack of flights has also made repatriating seafarers home a logistical and economic challenge for shipowners. As a result, some seafarers have already been working for over 15 months, much longer than the industry norm and regulatory limit. Experts have cited elevated mental risks from isolation and time away from families, making it not only a humanitarian crisis but also a key risk to the safe handling of your cargoes.

Given the complexity of the issue, an effective solution can only be found through the collaboration of all key stakeholders, from governments and airline companies to ship owners and charterers. As a significant client to the shipping companies, the Company is well regarded by the shipping industry and can lead the way in the international efforts to address this issue. As a first step, we believe these seafarers need to be recognized as "essential workers" by governments across the world and we ask you to use your influence in ways you consider appropriate to garner their acknowledgement and validation of this status. We also ask for your continued commitment to work with your shipping partners in these difficult times including, to the extent possible, accommodating deviations in routes and sharing the burden of additional costs that would facilitate the repatriation of these seafarers.

By no means do we consider that we know how to solve this crisis better than the immediate players and stakeholders of the shipping ecosystem. We do, however, believe that an effective solution calls for nothing short of a multi-lateral collaboration across borders. To that end, we have reached out to our relevant portfolio companies with which we have had a long-term relationship to urgently review the situation and, to the extent possible, assist in the efforts of reuniting seafarers with their families in a way that is safe for them, their families and without posing an additional health risk to the broader society.

We thank you for your time in reading our letter. Please do not hesitate to let us know if we could further help the cause in any manner.

Sincerely yours,

9 Appendix 3 - Letter to Shipping Companies - Example

For the attention of Mr. XXX, Chairman of the Board

Dear Chairman XXX,

Fidelity International (FIL) is a global institutional investor with over US\$550 billion in total client assets and is a long-term investor in the Company.

Firstly, we want to express our deep gratitude and appreciation to you and your team of seafarers who are playing an essential role in sustaining our way of life in this difficult time through your service at sea. It has come to our attention that you and your peers are facing severe challenges in repatriating existing crews in a timely and safe manner. We have been doing a lot of listening to learn about the existing crew change crisis and we believe we have a part to play as an investor to elevate awareness to stakeholders along the value chain.

We would like you to know that we have reached out to charterers and airline companies in which we have large holdings in order to bring this to their attention. We have stated our desire for the charterers to support the seafarers by being flexible in route deviations and sharing the financial burden of repatriation where possible, and for the airlines to play an active role in the efforts to work out a solution whereby the financial burden is shared equitably amongst all affected participants. We have also urged them to use their influence in ways they consider appropriate to garner governments' attention to the status of seafarers as "essential workers", which is the critical first step needed to reach an effective solution.

We thank you for your efforts so far in doing the right thing by your crew members. We hope our outreach could contribute to building a stronger momentum in addressing the issue and that you will, with the collaboration of a wider range of stakeholders going forward, continue to do your best in bringing the seafarers back home safely.

We greatly appreciate your time in reading our letter. Please do not hesitate to let us know if we could further help the cause in any manner.

Sincerely yours,

10 Appendix 4 - Letter to United Nations

Dear Mr. Guterres,

Enabling critical crew changes on sea transportation to protect global supply chains and seafarers' health and safety

We write as a group of international investors representing US\$[] trillion of assets under management. Collectively, we are invested in every part of the shipping transportation value chain, including ship owners, logistics providers, management companies and charterers.

It is clear for some time now that a significant humanitarian crisis is underway at sea, with strict national movement restrictions impacting the ability of existing crews aboard commercial vessels to disembark and replacement crews to take their place. As of late September 2020, it is estimated that over 400,000 seafarers remain stranded at sea, many of them past the expiry of their fixed-term contracts and beyond the maximum continuous service period permitted by international maritime convention. A further 400,000 seafarers remain ashore waiting to relieve them, often with little or no pay. The International Chamber of Shipping has estimated that the number of seafarers affected could soon reach one million if this issue is not addressed urgently.

This issue is presenting significant health and safety concerns to the already elevated mental and physical stress seafarers are facing and has the potential to result in major safety risks when exhausted seafarers handle dangerous or perishable cargoes. The environmental consequences of a serious maritime accident involving these cargoes could be catastrophic for our oceans and our security.

As investors, it is clear that this is no longer solely a shipping industry problem nor a crisis that the shipping industry can resolve on their own. Shipping is responsible for 90% of global trade and holds the key not just to a global economic recovery from the devastation of COVID-19, but to maintaining our current way of life.

We recognise that any solution here has to be premised on a multi-lateral approach aimed at facilitating seafarer movement while protecting local communities from re-infection risk. As investors, we acknowledge our responsibility with regard to the companies of which we are lenders or owners to raise our concerns and seek constructive responses. However, this is not sufficient of itself and governments must also classify seafarers as the "key workers" they surely are to enable them to continue to perform their essential services in a safe and secure manner. We are encouraged that a handful of countries have begun to do so, although many more are needed to follow through if we are to find a global solution to this crisis.

In consultation with key marine organisations such as the International Labor Organization and the International Transport Workers' Federation, we have identified the clear need for the following measures to be put into effect:

- Calling for the official designation of seafarers as "key workers" and the establishment of systematic processes to enable safe crew changes such as safe corridors and testing regimes
- Raising awareness, through a targeted publicity campaign, of the scale and risks that this crisis is already creating for seafarers and sustainable supply chains
- Sharing the International Maritime Organization's (IMO) 12-step protocol with relevant entities to facilitate universal implementation
- Ensuring seafarers should not spend more than the legal maximum of 11 months on board and limiting any unavoidable crew contract extension
- Urging charterers, especially those that charter vessels on a frequent basis, to be flexible with route deviation requests from shipping companies to facilitate crew change and to consider financial support for the costs of crew repatriation

The signatories will engage our relevant portfolio companies to communicate our expectations around these measures. We believe that the sustainability of the maritime industry and the humane treatment of seafarers affects all investors as well as our portfolio companies that depend on these workers.

We will continue to support your efforts in calling on governments to take immediate action and to preserve the long-term sustainability of our global supply chains.

Yours sincerely,

Jenn-Hui Tan, Global Head of Stewardship & Sustainable Investing, Fidelity International

11 Appendix 4 - Financial Times Article

[Link to FT Article](#)

Fidelity warns of supply chain risks due to stranded seafarers

Investment group says unfolding crisis of crews stuck at sea must be addressed



Transport Workers' Federation (Tf) says there are about 300,000 seafarers trapped aboard vessels © Tim Rux/Bloomberg

Attracta Mooney SEPTEMBER 13 2020



Be the first to know about every new Coronavirus story

Get instant email alerts



Fidelity International, the \$566bn asset manager, has called on companies and governments to urgently address an unfolding crisis in global supply chains as hundreds of thousands of ship workers remain stranded at sea because of the pandemic.

The investment house is contacting 30 companies, including shipowners, airlines and groups that charter ships, to raise concerns about the conditions facing seafarers.

Many countries have [prohibited](#) seafarers from disembarking during the pandemic, which Fidelity said was putting the health and safety of workers at risk and piling [pressure](#) on global supply chains.

Jenn-Hui Tan, global head of stewardship and sustainable investing at Fidelity, said an estimated 90 per cent of world trade relies on shipping, providing a vital service for businesses and consumers. He said seafarers should be classified as essential workers and allowed to disembark.

“Governments must act before we see more people die, or worse — a major maritime disaster

“Seafarers provide an essential service. Our food, our energy, so much of our trade we wouldn't have without seafarers,” he said.

Stephen Cotton, Transport Workers' Federation

Workers on merchant ships often work

12 Fidelity Website Article

Boosting sea legs

The Covid-19 pandemic has left hundreds of thousands of maritime workers stranded at sea. Fidelity International is acting fast to sound the alarm on an issue of global humanitarian concern and a potential supply-chain disaster in the making.

This spring, as the Covid-19 crisis deepened, Fidelity International's Hong Kong-based shipping analyst Terence Tsai started hearing about disruptions to global maritime activity.

Restrictions on travel and trade were closing off ports and cancelling flights, causing severe delays to the ordinary rotation of cargo vessel crews between their ships and home ports. Tsai soon saw it was not just a liability for the commercial shipping sector but also a brewing humanitarian crisis for the hundreds of thousands of seafarers who are the engine of global trade.

A trickle of stories turned into a flood. One European captain of an Asian dry bulk vessel was stuck at sea for months, forced to miss his son's funeral. Another captain sailed astray of his chartered course to protest the lack of disembarking arrangements for his crew, stranded at sea beyond their contracts. Today, an estimated 300,000 seafarers around the world remain stuck aboard their vessels, prohibited from disembarking at port or unable to secure flights home, while another 300,000 face financial ruin due to prolonged periods of being unable to return to work.

An active engagement

Prompted by Tsai's concerns, Fidelity's global team of experts in sustainable investing recently launched a campaign to raise awareness over the wellbeing of seafarers. As part of a global engagement with industry and associated stakeholders, we are reaching out to an initial group of about 30 firms across the shipping, cargo, airline and retail industries, as well as issuing a call to governments to prioritise action on the issue.

"If no one does anything, it's just a matter of time before something disastrous happens," says Flora Wang, Director, Sustainable Investing.

Seafarers are vital to the global supply chain - especially during the COVID-19 pandemic - as they ensure the uninterrupted global delivery of a vast array of goods, from dry bulk cargoes like edible grains or iron ore, to energy inputs like oil and gas, to a broad range of consumer products. Yet COVID-related restrictions on movement or port arrivals coupled with the drastic reduction of flights has meant that some seafarers have been forced to work for 15 months or more away from their families, way beyond both the industry standard of nine months for a stint and the regulatory limit of 11 months. These long periods of isolation are raising mental and physical health hazards, and putting into question their ability to ensure the safe handling of cargo.

Spotlighting a key issue

So far, Fidelity has engaged a range of stakeholders including shipping companies, airlines, and oil & gas producers. Many of them have reacted positively about the need to take action on behalf of seafarers. One large shipping company replied to say its chairman felt very grateful for the awareness campaign and pledged to make "all kinds of efforts to solve this crew change problem."

The chairman of another large shipping firm in which Fidelity holds a substantial interest replied:

"We really appreciate that you as a large and responsible investor care about the work that our seafarers do to keep the world supplied during these challenging times ... Our seafarers have demonstrated extraordinary loyalty and patience and they will be grateful to have a major shareholder who not only cares but is also willing to lend support to help solve this problem."

Cutting through red tape

Part of the issue comes down to how commercial seafarers have been classified through the outbreak. Countries have relied on shipping to cope with lockdowns under COVID, yet seafarers are not widely recognized by governments as so-called 'essential workers' or 'key workers' who would generally be granted exceptional rights to disembark in a port. This is a major issue that has prohibited merchant seamen from returning home. Most recently, in a Sept. 11 statement, United Nations agencies including the International Maritime Organization jointly urged governments to treat seafarers as key workers and resolve this humanitarian crisis.

"A key-worker label will help ensure seafarers are exempted from travel restrictions and are able to board and disembark at different ports," says Fidelity analyst Terence Tsai. "It would help to remove a multitude of roadblocks, including visa restrictions and constantly changing local customs rules."

Calling attention to the issue

Surprisingly, until very recently there had been little discussion in the investment community about the issue of the wellbeing of seafarers, despite both the humanitarian concerns and general operational risks it posed to shipping companies.

“With about 90 per cent of global trade done by sea, seafarers are the lifeline for keeping our economies open,” says Tsai.

For an asset manager like Fidelity, lobbying to improve the conditions of seafarers makes sense from an investment perspective too. The performance of some of the companies held by our funds will ultimately be linked to the safety of cargos being handled by seafarers. Ensuring that the rights and interests of seafarers are represented helps lower the operational risks to the sectors involved and allows global trade to continue in a sustainable way.

Fidelity’s awareness campaign isn’t intended to offer prescriptive answers to this complex problem; instead it aims to help prompt stakeholders across the supply chain to work together to find the best solution. As we navigate through the COVID crisis, it becomes even more crucial to take an active role in engaging with the companies in which we invest.

Disclaimer

This document may not be reproduced or circulated without prior permission. This document is intended only for persons or entity to which it is addressed. Fidelity International refers to the group of companies which form the global investment management organisation that provides information on products and services in designated jurisdictions outside of North America. This communication is not directed at, and must not be acted upon by persons inside the United States. Fidelity only gives information about its own products and services and does not provide investment advice based on individual circumstances, other than when specifically stipulated by an appropriately authorised firm, in a formal communication with the client. Fidelity, Fidelity International, the Fidelity International logo and F symbol are registered trademarks of FIL Limited. Third party trademark, copyright and other intellectual property rights are and remain the property of their respective owners.

The information presented in this document is for information only. It is a general disclosure on the investment approach and should not be considered as (i) investment advice, (ii) an endorsement or recommendation in a financial product or service, (iii) an offer to sell or a solicitation of an offer to purchase any securities or other financial instruments. Unless otherwise stated all views expressed are those of Fidelity International.

Europe

Issued by: FIL Pensions Management (authorised and regulated by the Financial Conduct Authority in UK), FIL (Luxembourg) S.A. (authorised and supervised by the CSSF, Commission de Surveillance du Secteur Financier), FIL Investment Switzerland AG and at FIL Gestion, authorised and supervised by the AMF (Autorité des Marchés Financiers) N°GP03-004, 21 Avenue Kléber, 75016 Paris.

For German Wholesale clients issued by FIL Investments Services GmbH, Kastanienhöhe 1, 61476 Kronberg im Taunus. For German Institutional clients issued by FIL (Luxembourg) S.A., 2a, rue Albert Borschette BP 2174 L-1021 Luxembourg, Zweigniederlassung Deutschland: FIL (Luxembourg) S.A. - Germany Branch, Kastanienhöhe 1, 61476 Kronberg im Taunus. For German Pension clients issued by FIL Finance Services GmbH, Kastanienhöhe 1, 61476 Kronberg im Taunus.

Issued by: FIL Gestion, authorised and supervised by the AMF (Autorité des Marchés Financiers) N°GP03-004, 21 Avenue Kléber, 75016 Paris.

Asia and Australia

In Hong Kong, this material is issued by FIL Investment Management (Hong Kong) Limited and it has not been reviewed by the Securities and Future Commission.

FIL Investment Management (Singapore) Limited (Co. Reg. No: 199006300E) is the legal representative of Fidelity International in Singapore.

FIL Asset Management (Korea) Limited is the legal representative of Fidelity International in Korea.

In Taiwan, independently operated by Fidelity Securities Investment Trust Co. (Taiwan) Limited 11F, No.68, Zhongxiao East Road, Section 5, Taipei 110, Taiwan, R.O.C. Customer Service Number: 0800-00-991. FIL Securities Investment Trust Co. (Taiwan) Limited is 100% owned subsidiary of FIL Limited in Taiwan.

In Australia, this material issued in Australia by Fidelity Responsible Entity (Australia) Limited ABN 33 148 059 009, AFSL No. 409340 ("Fidelity Australia").

In China, Fidelity is authorised to manage or distribute private investment fund products on a private placement basis, or to provide investment management service to institutions in the mainland China solely through its Wholly Foreign Owned Enterprise in China - FIL Investment Management (Shanghai) Company Limited.

In Japan, all rights concerning this material except quotations are held by issuers, and should by no means be used or copied partially or wholly for any purpose without permission. FIL Investments (Japan) Limited ("FIJ") is registered by Director of Kanto Local Financial Bureau as Financial Instruments Firm #388. FIJ is the legal representative of Fidelity International in Japan.

CEM20UK0826