



# 2013 Sustainability Report

*Charting a Course to the Future*





# A Message From Our President

Welcome to Algoma's first *Sustainability Report*. Following the publication of our inaugural *Environmental Report* in 2011, we have broadened the scope of our reporting to include all aspects of our sustainability performance.

The first and most important of these additional aspects is safety. Safety is our top priority at Algoma, and we work very hard to provide a safe and secure working environment for each and every one of our over 2,000 employees. Our goal is zero workplace injuries, an achievement that many of our individual vessels and workplaces have reached and that our company has been trending toward in the last five years.



**Greg Wight**  
President and CEO  
Algoma Central Corporation

After an outstanding result in 2011, workplace injuries saw a slight increase in 2012, but we are confident that our performance will stay strong as we continue to work to strengthen our safety culture even further.

We also take great pride in the contributions that our employees make to the communities in which they live and work. The many examples of employee and company giving and community support that are highlighted within this report demonstrate our collective commitment to social responsibility.

Environmental sustainability is of course also of great importance to us. Our goals in this area are strongly linked to our fleet renewal program and investment in innovation. In 2011, we took delivery of the first entirely new vessel to be added to the Canadian lakes fleet since 1983, the *Algoma Mariner*, and started construction of eight new *Equinox Class*

vessels in 2012. The first of these vessels, named the *Algoma Equinox* as the flagship for this new class, was launched in December 2012. These vessels will be game-changing in terms of both increased efficiency and improved environmental performance.

In particular, we responded to the global focus on air emissions and greenhouse gases by designing our new vessels to be the most fuel-efficient ships operating in the Great Lakes. To deal with contaminant emissions, all eight *Equinox Class* vessels are being equipped with exhaust gas scrubbers, which will remove 97% of sulphur oxide emissions. While there may be limited opportunity to apply scrubbers to many of our older vessels, the operation of this equipment on the *Equinox* vessels will allow Algoma to meet stringent new emission standards in a commercially responsible manner that avoids excessive increases in transportation costs to the industries we serve.

The issue of ballast water management regulations is the most significant regulatory challenge facing the marine industry. Domestic ship owners are faced with the requirement to install ballast water treatment systems on many vessels, even while regulators admit that no technology is yet available that will function in the unique environmental conditions of Great Lakes water or within the operational constraints of these vessels, designed for short sea shipping.

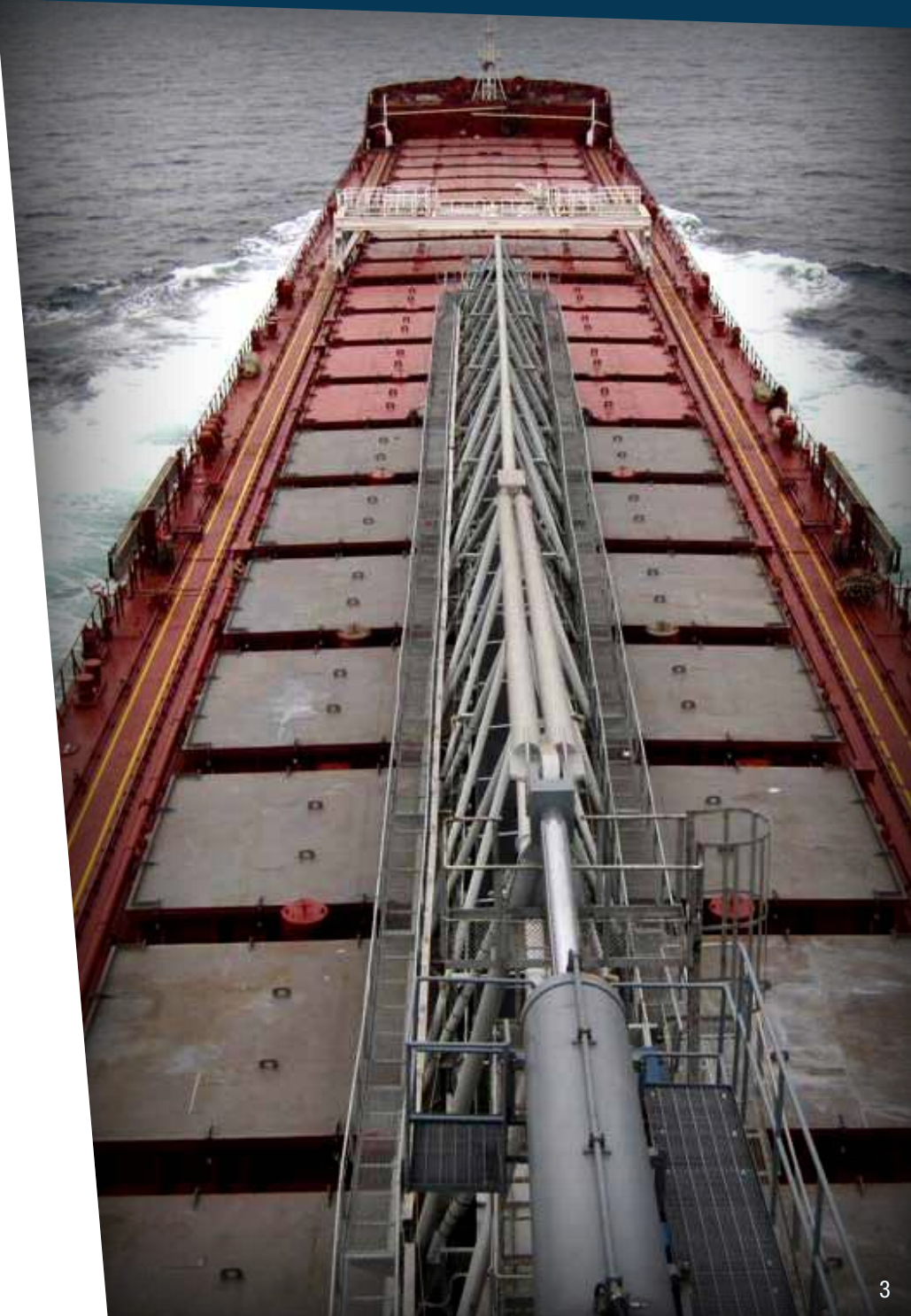
We acknowledge the serious environmental and economic harm that has been caused by the past introduction of aquatic invasive species due to global shipping, but the good news is that no new aquatic invasive species has been detected in the Great Lakes since 2006. Regulations for domestic vessels need to take this into account and must be practical, achievable and uniform. Algoma is contributing to policy discussion around this issue and looks forward to collaborative development of an appropriate and sustainable solution for the domestic marine industry in the Great Lakes region.

We recognize that to be truly sustainable, we also have a responsibility to continue to provide value to our customers, to maintain long-term profitability and to increase shareholder value. Key to achieving these goals has been integrating operations excellence, the common thread through all of our sustainability efforts, into all facets of the company, examples of which you will see within this report.

Marine transportation is the most sustainable way of moving cargo, as was confirmed by the recent study *Environmental and Social Impacts of Marine Transport in the Great Lakes—St. Lawrence Seaway Region*. But we know that we must continue to improve our performance and are continually looking for ways to do so. We have a long and proud history as a successful Canadian company and are making significant investments to ensure the continued success and well-being of our company, our employees and the customers we serve.

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# About This Report

This first *Sustainability Report* prepared by Algoma Central Corporation describes our 2012 performance on a range of environmental and social responsibility indicators. We also report on our governance structure and economic performance. The reader is referred to the *Algoma 2012 Annual Report* for additional financial data if required.

The Global Reporting Initiative's G3.1 sustainability reporting guidelines were used as a guide in developing and preparing this report. External assurance has not been sought for this report but will be considered for future reports.

Economic and safety data are reported as consolidated for all of the Corporation's operating units. Environmental emissions data are generally limited to the domestic fleet of vessels (dry-bulk and tankers), and do not include data or information for the ocean fleet or the real estate division. Emissions inventories were calculated using industry standard methodologies, i.e. volume of fuel consumed and fuel type or engine specific emissions factors for greenhouse gas and NOx emissions, and fuel sulphur content for SOx emissions.

Where available, we have provided comparative data for five years. Economic data are only provided for 2011 and 2012; prior years' financial data are available and described in historic annual reports.

Reporting frequency is anticipated to be bi-annual.

Questions or comments on this report's content should be directed to:

**Mira Hube**  
Director, Environment

**Algoma Central Corporation**  
63 Church Street, Suite 600  
St. Catharines, Ontario, Canada  
L3R 2C4  
mira.hube@algonet.com



# Company Profile

## HISTORY

From its incorporation as Algoma Central Railway in 1899 to its recent ship-building expansion project started in 2010, Algoma Central Corporation has grown and prospered. Initially formed to construct a railway in the Sault Ste. Marie, Ontario, area for the transport of iron ore and timber, Algoma purchased four steam vessels in 1900 and the Algoma Central fleet was born.

Although initially a small fleet, Algoma has grown to become the largest domestic marine shipping company operating in the Great Lakes and Canadian East Coast region. Several significant events have led to the current fleet configuration. In 1997, Algoma acquired an interest in Marbulk Canada Inc. in order to broaden its international interests in dry-bulk shipping, which later led to the formation of Algoma Shipping Ltd. Entry into the product tanker market took place in 1998, with

the acquisition of five product tankers from Imperial Oil Limited, which Algoma subsequently upgraded with double hulls and other improvements. In 2011, the domestic dry-bulk vessels owned by Upper Lakes Group were acquired and two new vessels constructed by Algoma, bringing the number of domestic vessels to thirty-two.

Algoma Central Corporation became a public company in 1959. Algoma Ship Repair was founded in 1965 and has since become the largest ship repair company in the Great Lakes region. In 1972 Algoma entered the commercial real estate industry with the formation of Algoma Central Properties.

Today, Algoma has its executive offices in St. Catharines, Ontario, and comprises four operating segments: domestic dry-bulk, product tankers, ocean shipping and real estate, with annual operating revenues in excess of \$560 million.

## 2012 FINANCIAL HIGHLIGHTS

| ALL AMOUNTS IN C\$ MILLIONS                 |       |
|---|-------|
| REVENUES                                    | \$560 |
| NET EARNINGS                                | \$44  |
| INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT | \$76  |
| TOTAL ASSETS                                | \$884 |
| SHAREHOLDERS' EQUITY                        | \$499 |





## OUR OPERATIONS

### *Domestic Shipping*

- 6 standard gearless dry-bulk carriers
- 19 conveyor-style long-boom self-unloaders
- 7 product tankers
- 8 new dry-bulk carriers under construction (6 owned by Algoma; 2 owned by the Canadian Wheat Board and managed by Algoma)
- Operations primarily in the Great Lakes and St. Lawrence region
- Dry-bulk commodities — grain, iron ore, salt, aggregates, coal and others
- Tanker fleet — petroleum products within the lakes and to and from Atlantic Canada

### *Ocean Shipping*

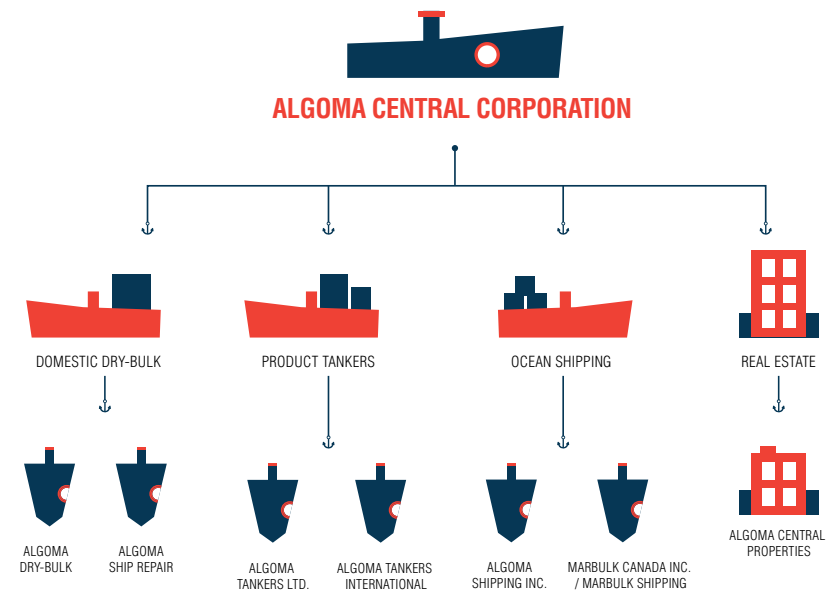
- Direct ownership of two ocean-going self-unloading vessels and a product tanker
- Joint interest in four ocean-going self-unloaders
- Offices in Bermuda, Barbados and the United States
- Markets centred in North and South America, with activities worldwide
- Commodities include coal, aggregates, gypsum, salt, iron ore and petroleum products
- Vessel management and maintenance for the ocean fleet is outsourced to leading global ship management companies, which have implemented environmental and safety management systems on all managed vessels

### *Algoma Ship Repair*

- “Top-side” ship-repair company based in Port Colborne, Ontario
- Specializes in major vessel refits, planned maintenance and emergency ship-repair services

### *Algoma Central Properties*

- Owns and manages over 1 million square feet of commercial real estate
- Properties in St. Catharines, Waterloo and Sault Ste. Marie, Ontario



# Corporate Governance

Algoma follows all corporate governance standards and has adopted clear and transparent policies and practices to guide the Corporation. Responsibility for corporate governance ultimately falls to the Board of Directors, which consists of nine directors (eight independent and one non-independent) and convenes the following four committees:

- **Executive Committee**, responsible for reviewing major issues and making recommendations to the Board.
- **Audit Committee**, responsible for the overall quality of financial disclosure by Algoma and for monitoring compliance by the Corporation with all applicable legal requirements in this connection. The committee also assumes responsibility for ensuring the integrity of the external audit process and to act as an independent liaison between external auditors and the Corporation, and for administering the policy regarding employee complaints on accounting and auditing matters using a process that allows for confidential employee submissions.
- **Environment, Health and Safety Committee**, responsible for oversight of Environment, Health and Safety risk management.
- **Corporate Governance Committee**, responsible for Board governance matters, effectiveness of the Board, compensation of directors and senior management and oversight of the Corporation's pension and other post-employment benefit plans.

Sustainability is a key focus of the Environment, Health and Safety Committee of the Board. Improvement plans and results achieved across the Corporation are reviewed semi-annually by this committee.



*Algoma offices in St. Catharines, Ontario*



## CODE OF CONDUCT

Algoma's Code of Conduct reflects our commitment to honesty, integrity and ethical conduct. It applies to all Algoma directors, officers and employees and includes the following commitments in summary:

### *Company Values*

All directors, officers and employees are expected to act in accordance with our values of teamwork, integrity, leadership, responsibility and respect.

### *Compliance with Laws, Regulations and Company Policies*

We will comply with all applicable laws and regulations and company policies as we undertake our duties for the company.

### *Confidentiality of Information*

Directors, officers and employees hold company information in strict confidence. Algoma respects the privacy of employee information.

### *Conflicts of Interest*

Directors, officers and employees must not use their positions for personal gain.

### *Company Assets*

Company physical and financial assets will be safeguarded.

### *Respect in the Workplace*

All employees have the right to a safe and respectful work environment.

### *Fair Dealing*

Directors, officers and employees are expected to deal fairly with fellow employees and stakeholders.

### *Duty to Report*

Any breaches should be reported to the Vice-President Human Resources, the CFO or the CEO. Employees reporting in good faith are protected from adverse consequences.

All employees and members of the Board of Directors are required to acknowledge reviewing and to comply with the Code of Conduct Policy each year and are expected to act in a manner consistent with these commitments.





## THE POLICIES THAT GUIDE US

As a publicly traded corporation that owns both federally and provincially regulated entities, Algoma is subject to many varied regulations and statutes. In addition to our Code of Conduct, the following key policies are in place as part of our corporate governance framework and commitment to compliance:

- Corporate Disclosure Policy
- Employee Complaint on Auditing and Accounting Matters
- Insider Trading Policy
- Employment Equity Policy
- Respect in the Workplace Policy
- Health and Safety Policy
- Environmental Policy

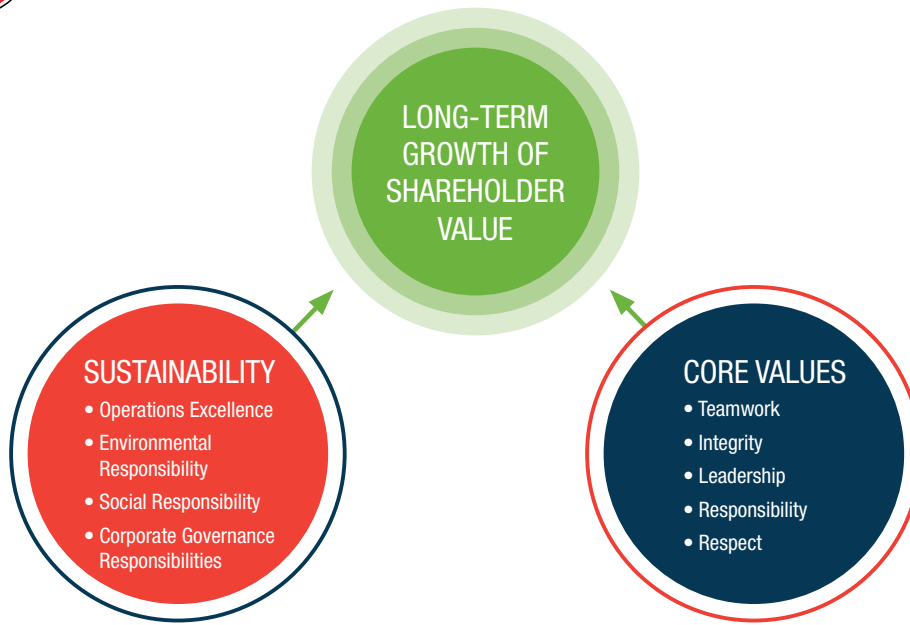
## STAKEHOLDER ENGAGEMENT

Algoma is actively engaged with external stakeholders. The company maintains an investor relations program and also takes an active role in industry associations, in particular, the Canadian Shipowners Association, the Canadian Chamber of Marine Commerce and Green Marine. We also maintain close relations with regulators on matters related to the marine sector in order to play a role in the formation of good public policy and to maintain engagement in issues and concerns that may affect the company and the industry.



## AWARDS RECEIVED

- Named one of Canada's 50 Best Managed Companies for 2012
- Ranked sixth in Marine Money 2012 annual rankings of 84 global publicly traded marine shipping companies (ranked fifth in 2011)
- St. Catharines – Thorold Chamber of Commerce 2011 “Business of the Year” award



# Sustainability Strategy

Sustainability, along with our core values, is a key defining element of Algoma's Corporate Vision:

*"Continual growth of long-term shareholder value while operating in a sustainable manner and always being governed by our core values."*

Sustainability is expressed at Algoma by the four main tenets of Operations Excellence, Environmental Responsibility, Social Responsibility and Corporate Governance. These concepts are integrated into our strategic planning and day-to-day operations. This means that we think about how to be environmentally responsible, safe and "operationally excellent" when planning, whether it be for the future or for the day's activities, and when carrying out our tasks – pretty much during everything we do. Key to doing this is embedding our sustainability concepts into our policies, procedures and strategic planning, and the company's management system processes. It also means supporting our employees and communities in the fundraising activities and community-building efforts that they care about. These activities are an important part of the sustainability strategy at Algoma.

Key to our sustainability efforts is fleet renewal. We have invested hundreds of millions of dollars in new ship construction and technological improvements for our existing fleet of vessels with the aim of a modern, environmentally efficient fleet that will provide our employees with safe and sustainable jobs and our customers with top-quality service.

To facilitate our sustainability efforts and to further strengthen our commitment to continued improvement in environmental, safety and quality performance, the Algoma Integrated Management System (IMS) is certified to the ISO 9001:2008 standard for Quality Management Systems, the ISO 14001:2004 Environmental Management System (EMS) standard and the International Maritime Organization's (IMO) International Safety Management (ISM) Code.

## OPERATIONS EXCELLENCE

“Operations Excellence” is a fundamental component of Algoma’s sustainability strategy. In addition to being socially and environmentally responsible, we have an obligation to our customers in the steel, mining, agriculture, construction, petroleum and other essential industries to provide and maintain efficient and reliable marine transportation services. We think of operations excellence as the compass for our vision. It is expressed through our operating mantra of: “Don’t Hurt—Don’t Spill—Don’t Damage,” a straightforward message that is delivered continually, is embedded into our management systems and training programs, and is a key focus of both our shipboard and shore-side employees. Focusing on operations excellence helps us to reduce incidents, safeguard cargoes and ensure that our employees remain safe and company assets are maintained in peak condition.

There are many examples of operations excellence as practiced by our employees, from those vessels that have achieved the Algoma Safety Flag Award (exemplifying “Don’t Hurt – Don’t Spill – Don’t Damage”) to the many suggestions for improvement provided by employees. Operations excellence is recognized throughout the company as a valuable aspiration.

### EXAMPLES OF OPERATIONS EXCELLENCE RECOGNIZED IN OPERATIONS EXCELLENCE NEWS FLASHES IN 2012:

|  |   |
|--|---|
| ALGOMA DISCOVERY                       | Timely response and emergency evacuation for ill crew member      |
| ALGOSEA                                | Gold Safety Flag Award, <i>June 2011 to June 2012</i>             |
| ALGOMA MARINER                         | Hammock fund-raiser for the United Way                            |
| ALGOCANADA                             | Gold Safety Flag Award, <i>July 2011 to July 2012</i>             |
| ALGOSCOTIA                             | Gold Safety Flag Award, <i>August 2008 to August 2012</i>         |
| ALGOLAKE, ALGOSCOTIA, ALGOMA TRANSPORT | Provided a positive learning experience for Cadets                |
| RADCLIFFE R. LATIMER                   | Emergency response by the vessel to a fire at a customer facility |
| ALGOMA MONTREALAIS                     | Identification of fuel savings opportunities                      |
| CAPTAIN HENRY JACKMAN                  | Prudent seamanship to facilitate teen’s cross lake swim           |
| ALGOWAY                                | Improvement suggestion for line handling at dolphin docks         |
| ALGOMA SPIRIT                          | Excellence in response to a marine medical emergency              |





## MARINE SHIPPING AS A SUSTAINABLE TRANSPORTATION OPTION

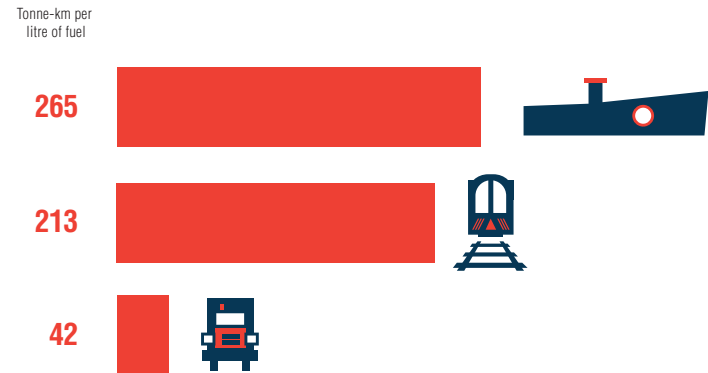
A recent study\* assessed the potential environmental and social impacts that could occur if cargo carried by marine vessels on the Great Lakes—St. Lawrence Seaway (GLSLS) navigation system shifted to road and/or rail modes of transport. The study, conducted by transportation sector consultants and guided by a steering committee whose members included Transport Canada and the World Wildlife Fund, concluded that seaway-size vessels such as those owned by Algoma operating in the GLSLS in 2010 were on average 1.2 times more fuel-efficient than rail and over six times more fuel-efficient than trucks on a tonne-kilometre basis (i.e. the amount of fuel required to move one tonne of cargo one kilometre). Expressed in terms of greenhouse gas emissions intensity, rail and truck modes produce 22% and 450% more greenhouse gases, respectively, than seaway-size marine vessels to move the same amount of cargo.

The study also projected future performance of each mode post-2016 based on upcoming regulatory changes and predicted that marine will be even more fuel-efficient, primarily based on the introduction of new, more energy-efficient Canadian vessels into lakes trade that commenced in 2012 and engine retrofits in both the U.S. and Canadian domestic fleets. These fleet renewals, which were in large part stimulated by the recent repeal of the Canadian 25% import duty on new vessels, will significantly improve the efficiency of the lakes fleet.

Marine transport has a negligible impact on congestion delays in the GLSLS region according to the study. The potential traffic that would be created on highways and railways in the region if the cargo transported by the combined Canadian and U.S. GLSLS vessels was shifted to trucks or rail would be an additional 7.1 million truck trips or 3.0 million railcar trips. To move the cross-border cargo by truck would also require an extra 1.9 million border crossings per year. Increased levels of urban congestion, delays for the travelling public and an increase in infrastructure maintenance costs would also result.

\*Source: *Environmental and Social Impacts of Marine Transport in the Great Lakes -St. Lawrence Seaway Region, Research and Traffic Group, 2013.*

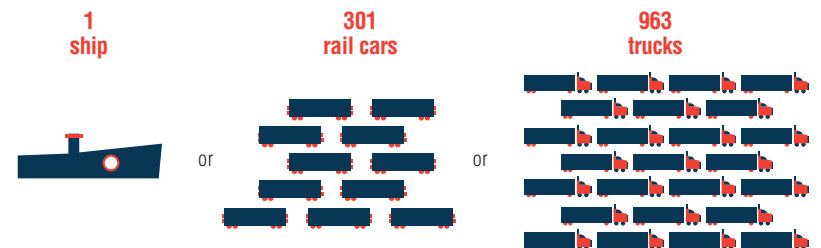
### Energy Efficiency Comparison – Great Lakes Seaway—Size Fleet Compared to Rail and Truck (2010)



### Energy Efficiency Comparison – Great Lakes Seaway—Size Fleet Compared with Rail and Truck (Post-2016 renewal of all modes)



To move 30,000 tonnes of cargo with a Great Lakes Seaway—Size vessel:



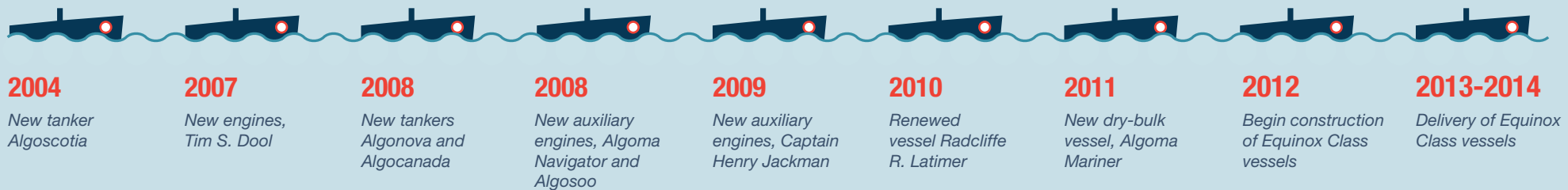
## FLEET RENEWAL PROGRAM

Algoma has invested significantly in modernizing our existing fleet, beginning in 2004 with our domestic tanker fleet and more recently embarking upon a major dry-bulk fleet renewal program.

Fleet renewal was initiated with the introduction of new double-hull product tankers in 2004 (*Algoscotia*) and 2008 (*Algocanada* and *Algonova*) and the upgrading of the existing tanker fleet to double hull standards. In 2007 through 2009 main and/or auxiliary engines on several of our dry-bulk vessels were replaced with more efficient and cleaner-burning engines. In 2007, the *Tim S. Dool* received a new main engine and generators. In 2008 and 2009, new auxiliary engines were installed on the *Algoma Navigator*, the *Algosoo* and the *Captain Henry Jackman*.

In 2010, the *Radcliffe R. Latimer* (then named the *Algobay*), a coastal-class self-unloader incorporating a new forebody, engine and generator as well as new self-unloading and navigation equipment, entered the Algoma fleet. Finally, the *Algoma Mariner*, a newly constructed coastal-class self-unloader, entered the fleet in mid 2011.

Starting in the second half of 2013 many of our older dry-bulk vessels will be replaced by our new *Equinox Class* vessels. Developed by Algoma together with a team of world-class designers, architects, engineers and researchers, these state-of-the-art vessels balance hull form, power and speed with optimal operating performance and environmental efficiency, thereby reducing fuel consumption, air emissions and other environmental impacts. Safety, ergonomics and crew comfort were also a key focus during the design stage of the vessel. We look forward to the significant contributions that these new vessels will make to achieving our overall sustainability goals.





# Social Responsibility

## OUR MOST IMPORTANT ASSET — OUR EMPLOYEES

At Algoma, we recognize and value our employees as crucial to the success of the company. We maintain a comprehensive employee health and welfare program and dedicate significant resources to providing a safe working environment. Programs and policies are also in place to enhance our commitment to a supportive, responsive work place in which each employee has the opportunity to excel.

## EMPLOYMENT PRACTICES AND POLICIES

Inclusion, diversity and respect are important at Algoma, and these values are reflected in our Employment Equity and Respect in the Workplace policies. We are committed to the fair and equitable treatment of all employees, and to equity and respect of diversity in the hiring process.

We also believe that all employees have the right to work in a safe environment that fosters respect for each employee and is free from discrimination or harassment. Since 2010, Violence in the Workplace training, which highlights these beliefs, has been provided to more than 1,300 Algoma employees.



## EMPLOYEE ENGAGEMENT AND RETENTION

We believe that it is important for employees to be informed, engaged and recognized. We communicate with employees regularly through various means, including our semi-annual Bear Facts newsletter, the Algoma website, and quarterly financial results notifications. We also issue Operations Excellence news flashes featuring employee achievements, improvements in skill level, training designations and good deeds. These news flashes are posted publicly on all ships, in our offices and on the corporate website so that employees are fully recognized and celebrated by their peers.

Employee meetings are held regularly, whether it be weekly Operations “Don’t Hurt – Don’t Spill – Don’t Damage” meetings, quarterly meetings for shore-based staff or annual meetings with senior vessel staff held during the winter lay-up period when the majority of our vessels are not operating. In 2011, following the acquisition of Upper Lakes Shipping, the Algoma executive team believed it was critical to connect with our 1,000-plus shipboard employees and address the impact of the acquisition on our employees. In the span of approximately four weeks, the company’s “One Vision, One Purpose, One Team” message was delivered on each of the company’s 33 vessels. There was at least one member of the executive management team in attendance to discuss the company’s sustainability plans at each of the presentations, held just prior to each ship’s embarking on the first voyage of the season. In fact, “Fit-out” meetings were found to be a very valuable communication opportunity and are now a standard practice at the beginning of each operating season.

Algoma has a strong track record when it comes to employee retention. The average length of tenure of its shore-based employees and shipboard managers is 16 years, with over 30% of the staff having over 20 years of service.

Our non-management shipboard employees, as well as the hourly employees of Algoma Ship Repair and the Delta Hotel in Sault Ste. Marie, are unionized and engage in collective bargaining. We believe we offer fair and reasonable compensation packages that include, among other things, pension plans and health benefits.

## ASSISTANCE PROGRAMS

An additional support offered to all of our employees is an Employee Assistance Program, providing confidential assistance to employees and their families when services such as family counselling, addiction counselling, mental health assistance or other help is needed in times of difficulty. The Employee Assistance Program can also provide resource support during major life changes, for example times such as when starting a family or dealing with child or elder care issues.

In late 2012, we launched an Employee Share Purchase Program that provides all employees with the opportunity to purchase Algoma shares through payroll deductions. We believe that owning shares will more closely connect employees to the company and enable them to benefit from the success that they help to create.

### ALGOMA SCHOLARSHIP PROGRAM

Since its inception in 1993, the Algoma Scholarship Program has awarded close to \$400,000 in educational scholarships to more than 200 children of Algoma employees to support their post-secondary education.



## BEAR BUCKS AWARDS PROGRAM

Through Algoma's own awards program, employees can earn Bear Bucks for meeting Operations Excellence standards. Employees may redeem their Bear Bucks at our on-line "Bear Store" for company-branded items or donate the cash value to one of the company's charity programs.

## TRAINING AND DEVELOPMENT

Algoma recognizes skills development as integral to our success and works to ensure that all personnel are adequately experienced and trained, and provided with continuing education and professional development.

Among the many disciplines in which Algoma staff have specialized expertise are navigation, deck and cargo operations, engineering, health and safety, finance, environment, human resources, naval architecture, marketing, traffic/logistics, quality assurance, property management and administrative support.

We also understand the importance of supporting emerging professionals in skilled marine services and work closely with the marine colleges to become an employer of choice to support the marine schools' programs by providing a significant number of berths for students. On an annual basis, Algoma's cadet program provides the opportunity for approximately 75 to 80 students pursuing a career in marine navigation or engineering to gain valuable practical experience and required sea-time for their marine certification. Because of the varied composition and size of its fleet, Algoma is able to provide these cadets with varied learning experience as well as opportunities for employment upon graduation.



# Enriching Our Communities

## ECONOMIC CONTRIBUTION

In 2012, Algoma contributed over \$560 million to Canada's economy, including wages and salaries, tax payments, payments to suppliers and contractors and dividends. We also contributed over \$309,000 in charitable donations and sponsorships.

## 2012 ECONOMIC INDICATORS (C\$ MILLIONS)

|   |       |
|---|-------|
| REVENUES                                    | \$560 |
| OPERATING COSTS, EXCLUDING DEPRECIATION     | \$438 |
| TOTAL COMPENSATION (WAGES AND BENEFITS)     | \$137 |
| INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT | \$76  |
| INTEREST AND DIVIDENDS PAID                 | \$22  |
| INCOME TAX EXPENSE                          | \$19  |

## OPERATIONS EXCELLENCE IN ACTION — GIVING

In 2012, a ship-board employee was recognized in an Operations Excellence News Flash for his outstanding personal contribution to the United Way. This employee donated two hammocks to the United Way, which he hand-crafted over an estimated 115 hours of personal time, using beads from discarded car seats, wood from old vessels and rope from used ship lines that was untwisted, washed, dried and checked for defects before use. The sale of these works of art raised \$5,306 for the United Way.

According to a recent study, the marine industry in the Great Lakes—St. Lawrence region creates 227,000 jobs in Canada and the United States, produces approximately \$35 billion in business revenues, generates \$14 billion in wages and contributes \$4.6 billion in taxes. Roughly 100 million people live and work in the eight U.S. states and two Canadian provinces of the region, which accounts for 55% of North America's manufacturing activity and about 50% of all North American retail sales.

*Source: The Economic Impacts of the Great Lakes—St. Lawrence Seaway System, Martin Associates, 2011.*





## CHARITABLE DONATIONS AND SPONSORSHIPS

Algoma participates in and financially supports a number of social programs in communities across Canada where our employees live and work, including:

- **United Way.** Ship and office employees contribute to their community of choice through a payroll deduction program that Algoma matches. Algoma was awarded the Corporation of the Year award by United Way of St. Catharines and District for 2011.
- **CIBC Run for the Cure, Canadian Breast Cancer Foundation.** For six consecutive years (2007 through 2012), Algoma has been the top corporate fundraising team in the Niagara Region and has been awarded the CIBC Corporate Spirit Award.
- **Canadian Red Cross.** In 2010, Algoma received the “Thank you for Giving the Gift of Hope” for our efforts in aiding victims of the Haiti Earthquake.
- **Alzheimer Society of Niagara Region.** Algoma participates in the annual Coffee Break fundraiser.
- **Annual Algoma Golf Tournament in conjunction with the Rotary Club of St. Catharines.** Since it was first held in 2000, this tournament has raised over \$500,000 and the funds distributed to several beneficiaries, including the Niagara Health System Hospital Campaign and Niagara Children’s Centre.

Since 2008, Algoma has contributed over \$1.5 million in donations for these and other causes.

Algoma employees are encouraged to participate in fundraising activities of their choosing. The company generally matches the funds raised by individual efforts.



## BACKPACKS FOR KIDS

For the past several years, Algoma St. Catharines office employees have spent a work day in August packing backpacks with donated school supplies for families in need in the Niagara region as part of the United Way Day of Caring. In 2012, Algoma’s team of 40 volunteers filled and delivered over 2,300 backpacks.



# Safety Management

## THE ROAD TO ZERO

At Algoma, we believe that zero workplace lost-time injuries can be achieved — in fact, it has been achieved by many of our vessels. We continue to enhance our worker safety practices and programs, which have been instituted in all business segments, with the goal of achieving zero personal-injury incidents throughout the Corporation.

To support our safety efforts, a formal safety management system is embedded within our Integrated Management System (IMS), which includes quality, safety and the environment. Safety management principles from the International Safety Management Code were first introduced into our system in 1995 and continue to be integral to the IMS.

The safety management system includes many tools that are promoted and implemented throughout the company. Some examples of our risk management tools:

- **Stop and Think.** Designed for everyday tasks and meant to be used as a last-minute risk assessment, the Stop and Think Tool asks employees to “identify, access and control” hazards before they undertake a task.
- **Job Safety Analysis.** Designed for non-routine tasks, this tool asks employees to complete a brief worksheet identifying the steps of the task, their associated hazards and risk-mitigation steps for each.
- **Jobs/Hazard ID Program.** Employees observe a task and identify “safe” and “at-risk” activities within the task for discussion, recording and statistical analysis.
- **Formal Risk Assessment.** For larger, more complex activities, a small group of trained employees defines a scenario, identifies the risks and associated control measures and quantifies the risk. Results of the analysis may trigger a change to the management system to improve safety outcomes.
- **Root Cause Analysis (RCA).** RCA is an integral part of our IMS and is used during near-miss, incident and audit-finding investigations to get to the root of the failure and implement effective corrective or preventive action.

## FOCUS ON NEAR-MISS REPORTING

Algoma believes that an effective near-miss reporting program will reduce the frequency and severity of personal injuries within our operations. For this reason, we are focusing our efforts on improving near-miss reporting. This includes communicating consistent safety messaging and introducing a Hazard Identification Program. In addition to the hands-on experience and discussion that the program provides, the collected data are analyzed for adverse trends, which can then be corrected company-wide.





## SAFETY TRAINING

Algoma's Integrated Management System includes requirements for certification of officers and crews, shipboard DVD training, simulator training and training on shipboard equipment and systems, including competency training. We also provide hands-on shipboard training where external trainers travel on the ships delivering safety and environmental training to shipboard employees.

New for 2013 is the Algoma Fundamentals of Safety (AFOS), a broad-based education program designed to provide our employees with skills, knowledge, and the desire to lead our workforce in achieving an injury-free and incident-free environment. The program is designed to be delivered in 18 different modules to all employees by line managers to ensure that safety fundamentals are understood by all company employees in all areas of our business.

Our commitment to safety is also communicated to employees consistently throughout the year, through the company's Health and Safety Policy and by the President and other senior management personnel during company meetings. It is also highlighted on board vessels during "fit-out" meetings prior to the sailing season and safety stand-down meetings held on board during the year.

## SHIPBOARD AND SHORE AUDITS

Algoma employs a rigorous audit process, including self-assessments and internal and external audits in which trained and experienced auditors verify compliance with the various standards to which the IMS has been developed. These include the International Safety Management Code, ISO 9001 (Quality), ISO 14001 (Environment), Tanker Management Self Assessment, Ship Inspection Report Programme (SIRE) and Bridge Resource Management standards.

## CADET SAFETY AWARENESS TRAINING

Since 2008, Algoma has provided safety awareness and risk management training to cadets in four marine schools across Canada. This training is not part of the regular curriculum provided by the schools. Algoma provides the opportunity for all students to attend this training free of charge regardless of whether they are employed on Algoma's vessels or not.



## SAFETY PERFORMANCE

The total number of lost-time injuries for all Algoma business units steadily decreased from 2008 to 2012, with half the number of injuries in 2011 compared with 2008. While there was a slight increase in the number of injuries in 2012 over 2011, the number of injuries in 2012 (29) remained below the five-year average of 35. The overall trend over the five-year period has been downward, with an average annual reduction of 10.1%. Lost-time injury frequency has also generally trended downward during this time-frame.

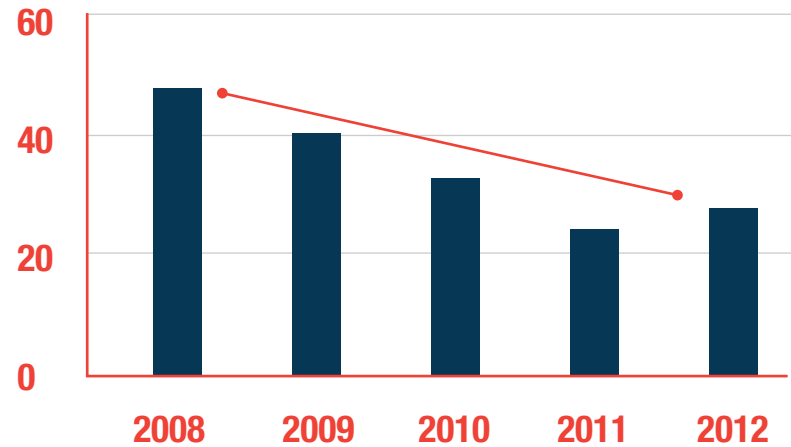
The outstanding performance of zero lost-time injuries was achieved in 2011 by our fleet of seven domestic product tankers, and in 2012 by 23 vessels in our combined domestic fleet (dry-bulk and tankers), demonstrating that this is an attainable goal. This was a very significant accomplishment, and all employees involved are commended and congratulated for their efforts.

### SAFETY FLAG PROGRAM

Algoma has a Safety Flag program in which ships' crews are recognized for operations excellence (no lost-time injuries, no spills to water and no damage). They fly the "Safety First – First in Safety" flag proudly during qualifying periods.

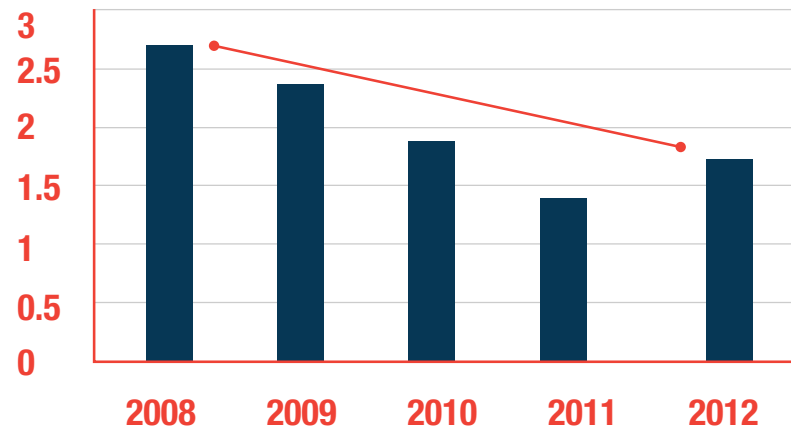


## LOST-TIME INJURIES<sup>1</sup>



<sup>1</sup> Number of Lost-Time Injuries, total for all Business Units (Algoma Central Corporation, Algoma Tankers Limited, Algoma Central Properties, Algoma Shipping Inc. and Algoma Ship Repair)

## LOST-TIME INJURIES FREQUENCY<sup>1</sup>



<sup>1</sup> Lost-Time Frequency per 200,000 Hours Worked, all business units (Algoma Central Corporation, Algoma Tankers Limited, Algoma Central Properties, Algoma Shipping Inc. and Algoma Ship Repair).



# Environmental Responsibility

## COMMITTED TO IMPROVEMENT

Algoma continues to be committed to improving our environmental performance and reducing our environmental footprint throughout all operating divisions. The company's Environmental Policy reflects these commitments, as does the ISO 14001-certified environmental management system implemented throughout the dry-bulk and tanker fleet divisions. Environmental initiatives are regularly reviewed and discussed at the senior management and board levels as part of the strategic planning process.



## GREEN MARINE

Algoma is a member of Green Marine, a voluntary improvement program for North American ship owners, ports and terminals, aimed at continual improvement and transparency in reporting. Since entry of the domestic division into the program as one of the original participants, performance in the Green Marine subject areas has steadily improved and consistently exceeded the industry benchmark.

### GREEN MARINE SCORES (LOWEST OF 1 TO HIGHEST OF 5)

| YEAR             | 2008 | 2009 | 2010 | 2011 | 2012 |
|------------------|------|------|------|------|------|
| ALGOMA SCORE*    | 2.55 | 3.27 | 3.33 | 4.00 | 4.00 |
| INDUSTRY AVERAGE | 2.50 | 2.90 | 2.90 | 3.20 | 3.20 |

\* Average of Algoma's (dry-bulk and tanker fleets) score in each of: Air Emissions (SOx and NOx), GHGs, Cargo Residues, Oily Waters and Aquatic Invasive Species.

In addition to the improvement programs undertaken as a Green Marine participant, Algoma's environmental initiatives include the following:

- Reducing greenhouse gas and other air-pollutant emissions through a combination of energy conservation measures, fuel management and technological innovations.
- Reducing waste primarily through increased recycling.
- Reducing the potential for oil and lubricant releases to the environment by implementing equipment upgrades and phasing in of environmentally preferable lubricants in underwater and deck equipment.





## AIR POLLUTANTS

Reducing contaminant air emissions and greenhouse gases is a major priority at Algoma. In line with North American Emission Control Area requirements to reduce sulphur oxide (SOx) emissions, we have implemented a plan to reduce our fleet sulphur emissions in a phased approach through a combination of fuel sulphur management, installation of exhaust gas scrubbers, better fuel-efficiency for new vessels and switching to low-sulphur diesel fuel where necessary. As a result of these measures, we will see a dramatic reduction in SOx emissions over the next seven years (2013 through 2020).

Total SOx and CO2 emissions have fluctuated with changes in business activity since 2008, while emissions intensity has remained relatively constant over the last five-years.

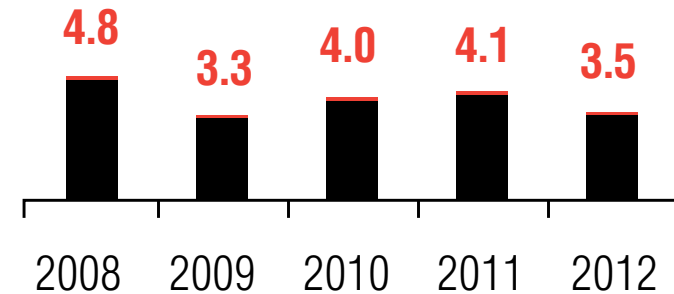
Nitrogen oxide (NOx) emissions intensity from our domestic fleet has also remained relatively constant since 2008. Future NOx emissions reductions will result from engine replacements and fleet renewal.

## GREENHOUSE GASES

The first step in reducing greenhouse gas emissions from any marine fleet is reducing fuel consumption. To that end, we have tracked emissions since 2005 and have implemented energy-efficiency measures where feasible on our vessels. The majority of our vessels employ waste heat recovery systems, such as exhaust gas economizers. A comprehensive energy audit was conducted on one of our domestic vessels in 2012 with the objective of identifying feasible energy conservation measures applicable to this and other sister vessels. The results of this work are being analyzed and will be implemented once the review is complete.

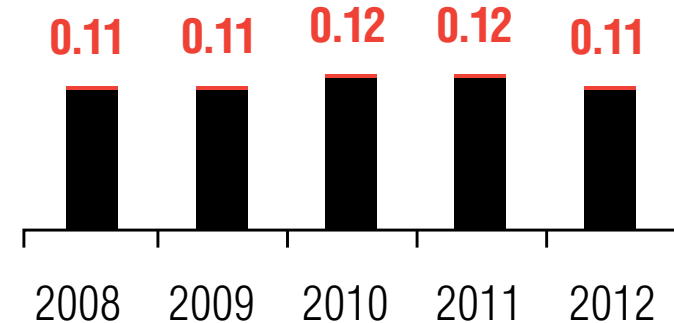
We continue to be committed to energy management while also recognizing that many of the operational and technical fuel-reduction measures referenced by the International Maritime Organization for the global fleet are not feasible for or applicable to older vessels or vessels operating in a short sea shipping environment. Our greenhouse gas reduction goals are therefore closely tied to the improved efficiencies that will be realized with our new domestic vessels. Overall, the GHG intensity of Algoma's domestic fleet has remained relatively static since we began analyzing fleet-wide data in 2005, but we expect to see a downward trend as we continue to replace older vessels with new, more energy-efficient builds.

### TOTAL SOx EMISSIONS\* (thousands of tonnes)



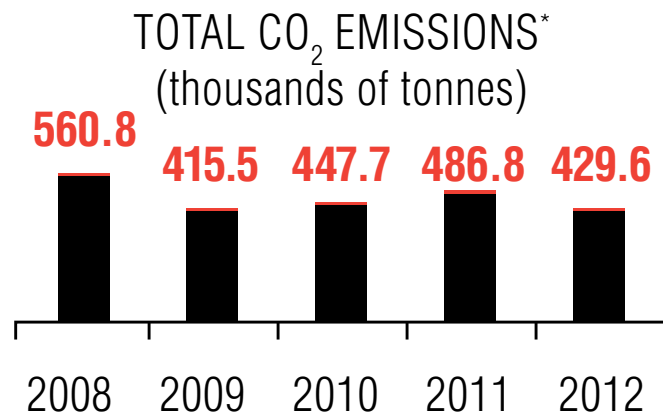
\*Emissions for domestic fleet (dry-bulk and tankers).

### SOx EMISSIONS INTENSITY\* (g/T-km)

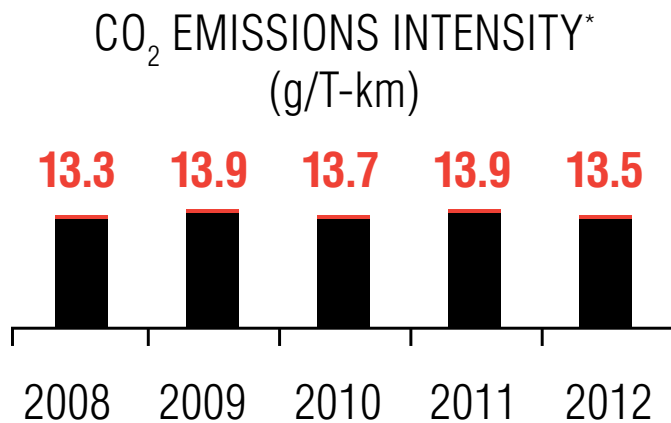


\*Emissions per tonne of cargo carried one kilometre for domestic fleet.





\*CO<sub>2</sub> equivalent emissions for Algoma domestic fleet (dry-bulk and tankers).



\*CO<sub>2</sub> equivalent emissions per tonne of cargo carried one kilometre for Algoma domestic fleet (dry bulk and tankers).

## FLEET AVERAGING — AN ALTERNATIVE COMPLIANCE SOLUTION FOR THE NORTH AMERICAN EMISSION CONTROL AREA (ECA)

The North American ECA came into force on August 1, 2012, for coastal waters on the East and West Coasts of North America (out to 200 nautical miles) and the internal waters of the Great Lakes. Great Lakes waters, although not part of the official ECA, have been treated as such in U.S. and Canadian regulations.

The allowable sulphur content in marine fuels used by ships in the ECA is capped at 1% until the end of 2014, at which point it is further reduced to 0.1%. The lower limit will necessitate the use of marine diesel fuel, technology such as exhaust gas scrubbers or some other fuel or equipment solution.

After Canada and the United States announced their intention in 2010 to designate the ECA, Canadian Shipowners Association members, including Algoma, began to develop a unique plan to best achieve the required reductions. The Canadian domestic fleet spends 100% of its time in the ECA, compared with ocean vessels that operate in the ECA for only part of the time and can use higher sulphur (up to 3.5%) and less expensive fuels when operating on the high seas. Therefore, there was a need to define the most sustainable way in which to achieve the dramatic SO<sub>x</sub> reductions required by the ECA requirements without inducing a shift of cargoes to other less environmentally friendly modes of transportation such as rail and truck. The solution, Fuel Sulphur Fleet Averaging, is a good example of industry/government collaboration to arrive at an alternative, sustainable solution.

Accepted and adopted by Transport Canada, Fleet Averaging will allow domestic ship owners to reduce emissions in a phased and flexible approach while achieving the same, or better, environmental benefits as those targeted by the U.S. EPA's air emissions rules. As part of our plan, Algoma is installing exhaust gas scrubbers on all new Equinox Class vessels. We believe this represents both an environmentally and commercially responsible method of reducing our air emissions.

## RECYCLING AND WASTE REDUCTION

Algoma led the way in the Great Lakes region on recycling of wastes from vessels, implementing a full recycling program on board our vessels in 2010. The majority of vessels in the domestic fleet now collect recyclables on board for distribution ashore to various recycling end users. Over 1,200 cubic yards of material (consisting of paper, cardboard, plastic, glass, cans and organics) were recycled through this program in each of 2010, 2011 and 2012.

### 2012 Recycling Statistics for the domestic fleet:

- Cardboard 13,480 kilograms
- Recyclables (cans, bottles, plastics, paper) 23,950 kilograms
- Scrap Steel 53,830 kilograms
- Scrap Wood 19,610 kilograms

For 2012, this represents savings equivalent to 317 mature trees and 736 cubic yards of landfill space.



## OIL POLLUTION PREVENTION

To reduce the risk of oil pollution, we are continuing our program within the domestic fleet of phasing in biodegradable/environmentally preferable lubricants in underwater and deck equipment and replacing, where possible, hydraulic equipment with non-oil containing equipment. Since 2010, new water-lubricated stern tubes have been installed on five Algoma vessels at a cost of more than \$2 million. Very few of our existing vessels continue to employ oil-lubricated stern tubes, and those that do utilize a fully biodegradable product. Stern tubes on all new Equinox Class vessels will be water-lubricated.

Our plans include continuing this replacement program and continuing to transition to environmentally preferable lubricants in all equipment that could pose a risk of oil pollution, where operationally and technically feasible. Safety of our employees and the vessel is paramount, however, and therefore lubricant substitution in critical navigation or safety equipment is always approached carefully.

Consistent with our improvement goals in the area of bilge water management, new state-of-the-art oily water separators have been installed on the majority (12) of the older existing vessels in the dry-bulk fleet, and upgrades have been implemented on the remainder of the existing vessels where necessary. All newer vessels and all domestic tankers have implemented integrated bilge water treatment systems in line with IMO guidelines to reduce the amount of bilge water generated requiring treatment.

## BALLAST WATER MANAGEMENT

Algoma is committed to complying with all ballast water management requirements and best practices in an effort to mitigate any impacts with respect to aquatic invasive species related to our operations. We closely monitor developments in both science and technology in this area and are working with stakeholders in an effort to develop a risk-proportionate and achievable approach to ballast water management for the domestic fleets operating in the Great Lakes — St. Lawrence and Canadian East Coast regions.

There remain many unresolved issues in application of ballast water management requirements domestically and globally. Navigation of this regulatory landscape by ship owners continues to be a challenging task.

As noted in our *2011 Environmental Report*, Algoma has been active in ongoing efforts to advance understanding of the invasive species issue as it relates to the domestic fleets operating in the Great Lakes — St. Lawrence region. We continue to actively participate as a member of the Great Lakes Ballast Water Collaborative, and to voluntarily provide access to vessels for ballast water sampling by Canada's Department of Fisheries and Oceans' invasive species program.

We also continue to investigate viable treatment options, both for our domestic and international vessels. These investigations have led us to conclude however, as have various U.S. regulatory agencies, that there are no ballast water treatment systems currently available that are able to meet U.S. approval requirements or the operational requirements that are unique to our domestic vessels.



## ENVIRONMENTAL INITIATIVES AT ALGOMA CENTRAL PROPERTIES

### *Energy Conservation*

Saving energy is an important initiative at the buildings owned and managed by Algoma Properties. Opportunities are continually evaluated and implemented and include installation of energy-efficient T8 fluorescent tubes or high efficiency/long life LED bulbs, motion sensors in common areas of office towers (washrooms, electrical rooms) and timers on non-essential lighting, installation of HVAC control systems and upgrading of heating systems where feasible.

### *The Three R's*

Algoma Central Properties is also committed to recycling as part of waste reduction and has implemented programs to collect and recycle fine paper, cardboard, glass, metal and wooden skids. In 2012 Algoma's St. Catharines office properties and rental locations diverted 46 tonnes of recycling from landfill. This saved an equivalent of 2144 cubic yards of landfill space and, if converted into energy, would be enough energy to power 58,710 households for one day. In addition, the amount of cardboard recycled (42 tonnes) is equivalent to 714 trees. A recent e-waste initiative held at the corporate offices in St. Catharines resulted in 5.1 tonnes of e-waste being diverted for proper recycling.

Algoma's cleaning contractor at its St. Catharines properties is certified "with honours" for its Quality Assurance and Green Building services by the Cleaning Industry Management Standards (CIMS). CIMS is a division of the International Sanitary Supply Association (ISSA) and is the only standard specific to the cleaning industry in Canada and the U.S.



### STATION MALL AND STATION TOWER OFFICES

Examples of conservation and other measures that have been put in place at Algoma's Station Mall and Station Tower Office Building in Sault Ste. Marie include the following:

- To reduce energy use, the mall building is completely dark overnight, with the exception of security lighting on the main floor and parking lot/perimeter lights.
- Electric boilers were upgraded to gas.
- T8s/electronic ballast have been installed to replace all fluorescent lighting.
- Washroom auto faucets and energy-efficient hand driers have been installed in most areas.
- Green cleaning chemicals were adopted in 2008
- An HVAC control system was installed in the common area and tenant space in Station Mall in 1997; 70% of all units are on the system and remaining units are on programmable thermostats.



# Greening Our Fleet

## A NEW GENERATION OF ENVIRONMENTALLY EFFICIENT GREAT LAKES VESSELS

### *Algoma Mariner*

The first entirely new vessel in the Canadian lakes fleet since 1983, the *M/V Algoma Mariner* entered into operation in 2011. This vessel employs state-of-the-art equipment, both in the engine room and on the deck and bridge. The vessel has a number of environmental and technical improvements and a 25% improved fuel efficiency compared with older vessels.



### *Radcliffe R. Latimer*

The *Radcliffe R. Latimer* was originally constructed as the *Algobay* in Collingwood Shipyard in 1978. After nearly 30 years of service in the Algoma fleet, the vessel underwent a major renewal, with a new forebody, engine and generators and new self-unloading and navigation equipment. It returned to service in 2010 and was renamed the *Radcliffe R. Latimer* in 2012, in recognition of Mr. Radcliffe R. Latimer, former Chairman of the Algoma Board of Directors.

## EQUINOX CLASS

Consistent with our commitment to sustainability, Algoma is introducing a series of new vessels to our existing dry-bulk fleet starting in mid-2013. The new vessels — called the *Equinox Class* — include both self-unloaders and gearless bulk carriers and will significantly reduce the environmental footprint of our Great Lakes dry-bulk fleet. These ships have been designed with high-efficiency hulls that will require less horsepower while carrying more cargo and therefore reduce fuel consumption and carbon emissions by approximately 45% per tonne-kilometre of cargo carried as compared with our older vessels.

### *The Equinox Class vessels feature a number of environmental improvements:*

- The innovative hull form reduces power requirements and vessel wake.
- A large-diameter, slow-turning propeller promotes efficient propulsion.
- The fully electronic slow-speed engine uses less fuel and is smokeless.
- The vessel is fitted with an exhaust gas-cleaning scrubber to clean all operational exhausts.
- The advanced membrane technology sewage treatment system meets the most stringent discharge rules.

- Water-saver technology installed on all domestic water outlets is designed to reduce water consumption.
- A vacuum wastewater system reduces sewage production by 70%.
- The automated cargo-hold cleaning system reduces manual labour and saves water.
- Oily wastes in the engine room are minimized through design and management.
- The vessel has water-lubricated bearings installed at the tail shaft and rudder instead of oil-lubricated systems.
- No lubricating or fuel oil tanks are in direct contact with the exterior hull.
- Electric deck winches have been installed rather than traditional hydraulic winches, which can leak.
- Modern variable frequency drive (VFD) electric motors have been installed to save power.
- LED lighting is used wherever practical, with high efficiency fluorescents elsewhere.
- The integrated alarm and monitoring system will enable monitoring and recording of power produced and fuel consumed.
- Self-unloading vessels are fitted with a fully enclosed discharge boom to minimize dust discharge to the environment.
- Noise pollution is minimized through the use of vibration compensators, resilient mounting of equipment and acoustic insulation.





## WORKING TOWARD INNOVATIVE AND SUSTAINABLE SOLUTIONS

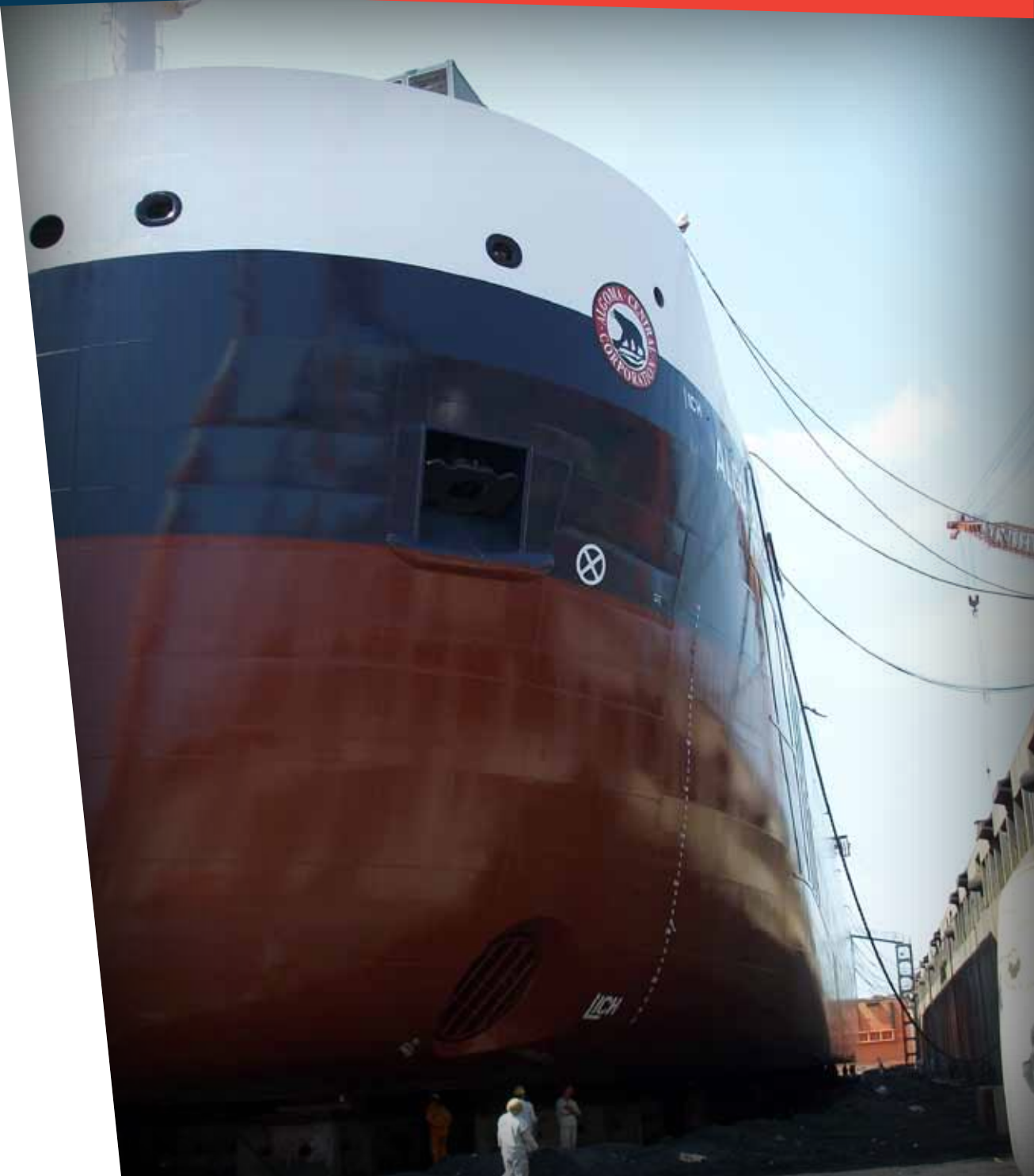
### *Exhaust Gas Scrubbers*

Exhaust gas scrubbers are being installed on Algoma's new *Equinox Class* vessels. The scrubbers are designed to clean the exhaust gases of the vessels' main and auxiliary engines as well as the oil-fired boiler. The scrubbers will enable the new vessels to meet the new Emission Control Area sulphur limits established by the International Maritime Organization (IMO) and adopted by Canada and the United States for the Great Lakes and coastal waters.

The Wärtsilä scrubber concept works with fresh water recirculating in a closed-loop system. Sulphur oxides that are washed out of the exhaust are neutralized and a small amount of scrubbing water continuously extracted and treated. The on-board water treatment unit removes captured contaminants such as particulate matter. Treated wastewater will meet all Transport Canada and United States Environmental Protection Agency (NPDES Vessel General Permit) discharge requirements, in accordance with the 2009 IMO Guidelines for Exhaust Gas Cleaning Systems (MEPC.184(59)).

These scrubbers will remove at least 97% of sulphur oxide emissions generated by vessel engines.

The installation of scrubber units on our *Equinox Class* vessels supports our stated strategic objective of improving the efficiency of our fleet while reducing our environmental footprint.



# SUMMARY OF PERFORMANCE DATA

| INDICATOR   | UNITS                     | 2008              | 2009              | 2010                      | 2011      | 2012                      |
|---|---------------------------|-------------------|-------------------|---------------------------|-----------|---------------------------|
| <b>ENVIRONMENT</b>                                    |                           |                   |                   |                           |           |                           |
| Green Marine score (average of 5 issues) <sup>1</sup> | 1 (lowest) to 5 (highest) | 2.55              | 3.27              | 3.33                      | 4.00      | 4.00                      |
| Greenhouse Gas Emissions (GHGs) <sup>1</sup>          | Metric tonnes             | 560.8             | 415.5             | 447.7                     | 486.8     | 429.6                     |
|   | Grams/tonne-km            | 13.32             | 13.90             | 13.66                     | 13.89     | 13.45                     |
| Sulphur Oxide Emissions (SOx) <sup>1</sup>            | Metric tonnes             | 4.8               | 3.3               | 4.0                       | 4.1       | 3.5                       |
|   | Grams/tonne-km            | 0.11              | 0.11              | 0.12                      | 0.12      | 0.11                      |
| Nitrogen Oxide Emissions (NOx) <sup>1</sup>           | Metric tonnes             | 13.7              | 10.1              | 10.8                      | 11.8      | 10.5                      |
|   | Grams/tonne-km            | 0.32              | 0.34              | 0.33                      | 0.34      | 0.33                      |
| Average fuel sulphur content <sup>1</sup>             | % Sulphur                 | 1.39              | 1.36              | 1.44                      | 1.35      | 1.30                      |
| Spills/leaks (major) <sup>2</sup>                     | Number                    | 0                 | 1                 | 0                         | 0         | 0                         |
| Spills/leaks (minor) <sup>2</sup>                     | Number                    | 1                 | 1                 | 11                        | 11        | 9                         |
| Recyclables <sup>1</sup>                              | Volume, m <sup>3</sup>    | N/A               | N/A               | 1,275                     | 1,571     | 1,245                     |
| Fines/Violations <sup>3</sup>                         | Number/\$ Amount          | 0                 | 0                 | 1 / \$32,000 <sup>4</sup> | 0         | 2 / \$83,000 <sup>5</sup> |
| <b>SAFETY</b>   |                           |                   |                   |                           |           |                           |
| Lost-time injury frequency                            | Per 200,000 person/hrs    | 2.73              | 2.37              | 1.89                      | 1.38      | 1.72                      |
| Lost-time injuries                                    | Number                    | 48                | 41                | 33                        | 24        | 29                        |
| Fatalities  | Number                    | 1                 | 0                 | 0                         | 0         | 0                         |
| <b>ECONOMIC</b>                                       |                           |                   |                   |                           |           |                           |
| Revenue   | C\$1,000,000              | See Annual Report | See Annual Report | See Annual Report         | \$583     | \$560                     |
| Net earnings  | C\$1,000,000              | See Annual Report | See Annual Report | See Annual Report         | \$69      | \$44                      |
| Donations & sponsorships                              | C\$                       | \$344,156         | \$308,983         | \$355,904                 | \$257,839 | \$309,000                 |

<sup>1</sup> Domestic dry-bulk and tanker fleet only <sup>2</sup> Minor spill is defined as <10 liters. Most of the reported spills/leaks consisted of only a sheen. <sup>3</sup> All business units (Algoma Central Corporation, Algoma Tankers Limited, Algoma Central Properties, Algoma Shipping Inc. and Algoma Ship Repair). <sup>4</sup> \$32,000 Canada Shipping Act fine assessed against the vessel management firm Seaway Marine Transport related to delayed reporting of a stern tube lubricant leak. <sup>5</sup> \$75,000 Canada Shipping Act fine assessed against the vessel management firm Seaway Marine Transport related to the 2008 fatality on the Algoisle; \$8,000 fine assessed by the United States Coast Guard against the vessel management firm related to a 2011 inspection finding on the Honourable Henry Jackman.



# Global Reporting Initiative Content

This report has been prepared using the Global Reporting Initiative G3.1 Checklist and the GRI Logistics and Transportation Sector Supplement Pilot Version 1.0 as guides. Cross-reference to the G3.1 checklist Level C applicable items is given in the table below.

| DISCLOSURES                   | DESCRIPTION  | CROSS-REFERENCE              |
|-------------------------------|--|------------------------------|
| <b>STRATEGY AND ANALYSIS</b>  |  |                              |
| 1.1                           | Statement from the CEO   | President's Message, Page 2  |
| 1.2                           | Description of key impacts, risks and opportunities                                    | President's Message, Page 2  |
| <b>ORGANIZATIONAL PROFILE</b> |  |                              |
| 2.1                           | Name of the organization   | Company Profile, Page 5      |
| 2.2                           | Primary brands, products and/or services   | Company Profile, Page 5      |
| 2.3                           | Operational structure of the organization  | Company Profile, Page 5      |
| 2.4                           | Location of the organization's headquarters  | Company Profile, Page 5      |
| 2.5                           | Number of countries where the organization operates                                    | Company Profile, Page 5      |
| 2.6                           | Nature of ownership and legal form   | 2012 Annual Report           |
| 2.7                           | Markets served   | Company Profile, Page 5      |
| 2.8                           | Scale of the reporting organization  | 2012 Annual Report           |
| 2.9                           | Significant changes during the reporting period regarding size, structure or ownership | 2012 Annual Report           |
| 2.10                          | Awards received in the reporting period  | Corporate Governance, page 7 |
| <b>REPORT PARAMETERS</b>      |  |                              |
| 3.1                           | Reporting period (e.g., fiscal/calendar year)  | About This Report, page 4    |
| 3.2                           | Date of most recent previous report (if any)   | About This Report, page 4    |
| 3.3                           | Reporting cycle (annual, biennial, etc.)   | About This Report, page 4    |
| 3.4                           | Contact point for questions regarding the report                                       | About This Report, page 4    |
| 3.5                           | Process for defining report content  | About This Report, page 4    |
| 3.6                           | Boundary of the report   | About This Report, page 4    |



| DISCLOSURES | DESCRIPTION   | CROSS-REFERENCE           |
|-------------|---|---------------------------|
| 3.7         | Specific limitations on the report scope or boundary  | About This Report, Page 4 |
| 3.9         | Data measurement techniques and the bases of calculations   | About This Report, Page 4 |
| 3.10        | Explanation of the effects of any restatements of information   | N/A                       |
| 3.11        | Significant changes from previous reporting periods in the scope, boundary or measure methods applied in the report | N/A                       |
| 3.12        | Table identifying the location of the Standard Disclosures in the report  | Herein                    |
| 3.13        | Policy and current practice with regard to seeking external assurance for the report                                | About This Report, Page 4 |

#### GOVERNANCE, COMMITMENTS AND ENGAGEMENT

|      |  |                              |
|------|--|------------------------------|
| 4.1  | Governance structure of the organization   | Corporate Governance, Page 7 |
| 4.2  | Indication of whether the Chair of the highest governance body is also an executive officer                      | Corporate Governance, Page 7 |
| 4.3  | Number and gender of members of the highest governance body that are independent and/or non-executive members    | Corporate Governance, Page 7 |
| 4.4  | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body | Corporate Governance, Page 7 |
| 4.14 | List of stakeholders groups engaged by the organization  | Corporate Governance, Page 7 |
| 4.15 | Basis for identification and selection of stakeholders with whom to engage                                       | Corporate Governance, Page 7 |

#### PERFORMANCE INDICATORS

|  |   |
|--|---|
| Economic Indicators                                | Corporate Governance, Page 7 and 2012 Annual Report |
| Social – Labour Practices and Decent Work          | Our Employees, Pages 14-16                          |
| Social – Community Indicators                      | Enriching our Communities, Pages 17-18              |
| Social – Occupational Health and Safety Indicators | Safety, Pages 19-21                                 |
| Environmental Performance Indicators               | Environmental Responsibility, Pages 22-27           |

