Clarkson PLC

Smarter decisions. Powered by intelligence.

2020 Annual Report

Contents

Overview

Our purpose at Clarksons	1
At a glance	GF
Purpose in action	2

Strategic report

Chair's review	14
Chief Executive Officer's review	16
Financial review	18
Business review, including:	
– Broking	20
– Financial	32
– Support	36
– Research	40
Our markets	44
Our strategy	52
Our stakeholders	54
Our business model	56
Our impact	58
Key performance indicators	69
Risk management	70
Compliance statements, including:	79
– Section 172(1) statement	79

Corporate governance

Chair's introduction to corporate governance	80
Code compliance	81
Board of Directors	82
Governance, including:	86
– Nomination Committee report	92
– Audit and Risk Committee report	100
Directors' remuneration report	106
Directors' report	122
Directors' responsibilities statement	126
Independent auditors' report	127

Financial statements

Consolidated income statement	134
Consolidated statement of comprehensive income	134
Consolidated balance sheet	135
Consolidated statement of changes in equity	136
Consolidated cash flow statement	137
Notes to the consolidated financial statements	138
Parent Company balance sheet	172
Parent Company statement of changes in equity	173
Parent Company cash flow statement	174
Notes to the Parent Company financial statements	175

Other information

Glossary	192
Five-year financial summary	195
Principal trading offices	196

People imagery in this report has been taken by the Clarksons team during these unprecedented times.

Financial highlights

Revenue*

£358.2m

2019: £363.0m

Underlying profit before taxation*^

£44.7m

2019: £49.3m

Reported loss before taxation

£16.4m

2019: £0.2m profit

Dividend per share

79p

2019: 78p

* Classed as a key performance indicator. Refer to page 69 for further detail.
^ Classed as an Alternative Performance Measure. See below for further detail.

Forward-looking statements

Certain statements in this annual report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. The Group undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Alternative performance measures (APMs)

Clarksons uses APMs as key financial indicators to assess the underlying performance of the Group. Management considers the APMs used by the Group to better reflect business performance and provide useful information. Our APMs include underlying profit before taxation and underlying earnings per share.

An explanation and reconciliation of the term 'underlying' and related calculations are included within the Financial review on page 18.

Employees, offices and countries

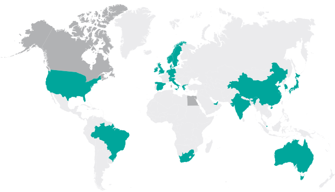
Information related to employees, offices and countries where we operate is at 31 December 2020 unless otherwise stated.

For more information please visit

www.clarksons.com

We enable smarter, cleaner global trade by empowering our clients and our people to make better informed decisions using our market-leading technology and intelligence; and in doing so, meet the demands of the world's rapidly evolving maritime, offshore, trade and energy markets.

At a glance



Broking

Our broking services are unrivalled – in terms of the number and calibre of our brokers, our breadth of market coverage, geographical spread and depth of intelligence resources.

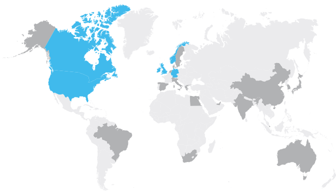
Share of revenue

79%

Services
- Dry cargo
- Containers
- Tankers
- Specialised products
- Gas
- LNG
- Sale and purchase
- Offshore
- Renewables
- Futures

Number of employees

1,191



Financial

From full investment banking services to project finance and the arrangement of dedicated finance solutions for the shipping, offshore and natural resources markets, we help our clients fund transactions and conclude deals that would often be impossible via other more traditional routes.

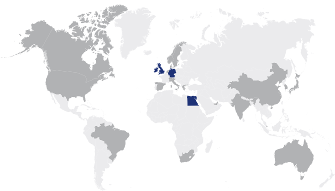
Share of revenue

9%

Services
- Securities
- Project finance
- Structured asset finance

Number of employees

95



Support

Our teams provide the highest levels of support with 24/7 attendance at a wide range of strategically located ports in the UK and Egypt, offering port services support, agency, freight forwarding, supplies and tools for the marine and offshore industries.

Share of revenue

7%

Services
- Agency
- Gibb Group
- Stevedoring

Number of employees

261

Research

Clarksons Research is the market leader in providing timely and authoritative intelligence on all aspects of shipping. We provide data on over 160,000 vessels, 30,000 machinery models, 47,000 companies and 900 shipyards, as well as extensive trade and commercial data and around 200,000 time series.

Share of revenue

5%

Services
- Digital
- Services
- Reports

Number of employees

126

1 culture

23 countries

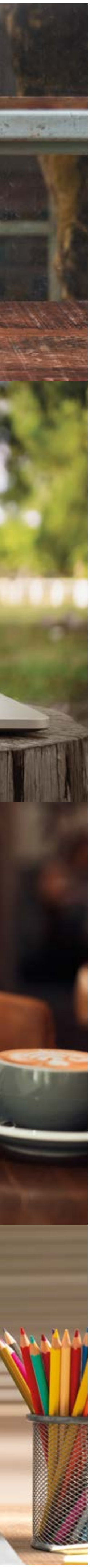
53 offices

169 year history

1,673 employees

Purpose in action

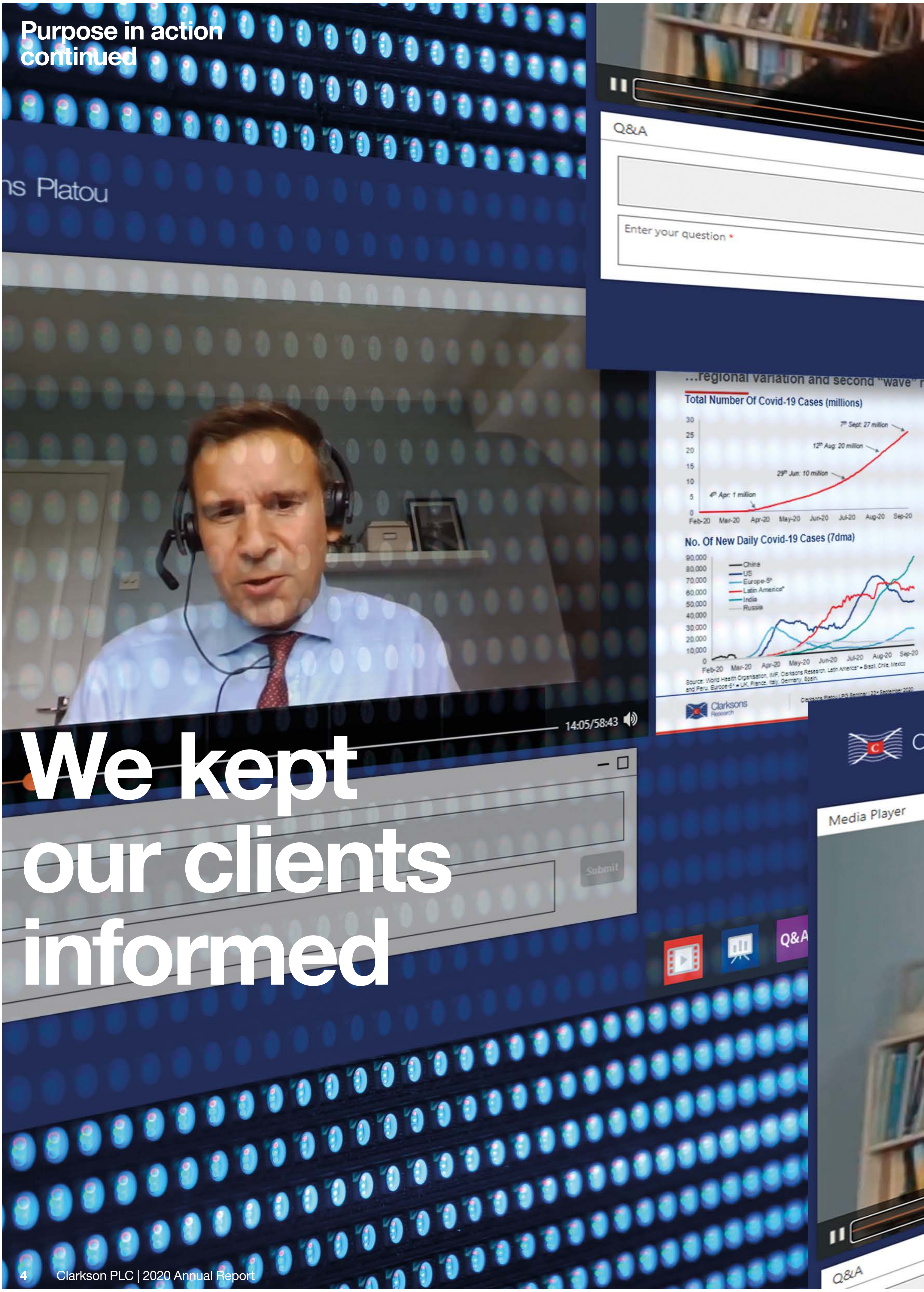
To those of us that work here, Clarksons is more than just a job. Our culture is something that continues to attract new talent, retain existing employees and set us apart from others in the industry. Teamwork and collaboration are at the heart of our culture, driving close working relationships that enable us to pull together and continue to deliver for our clients.

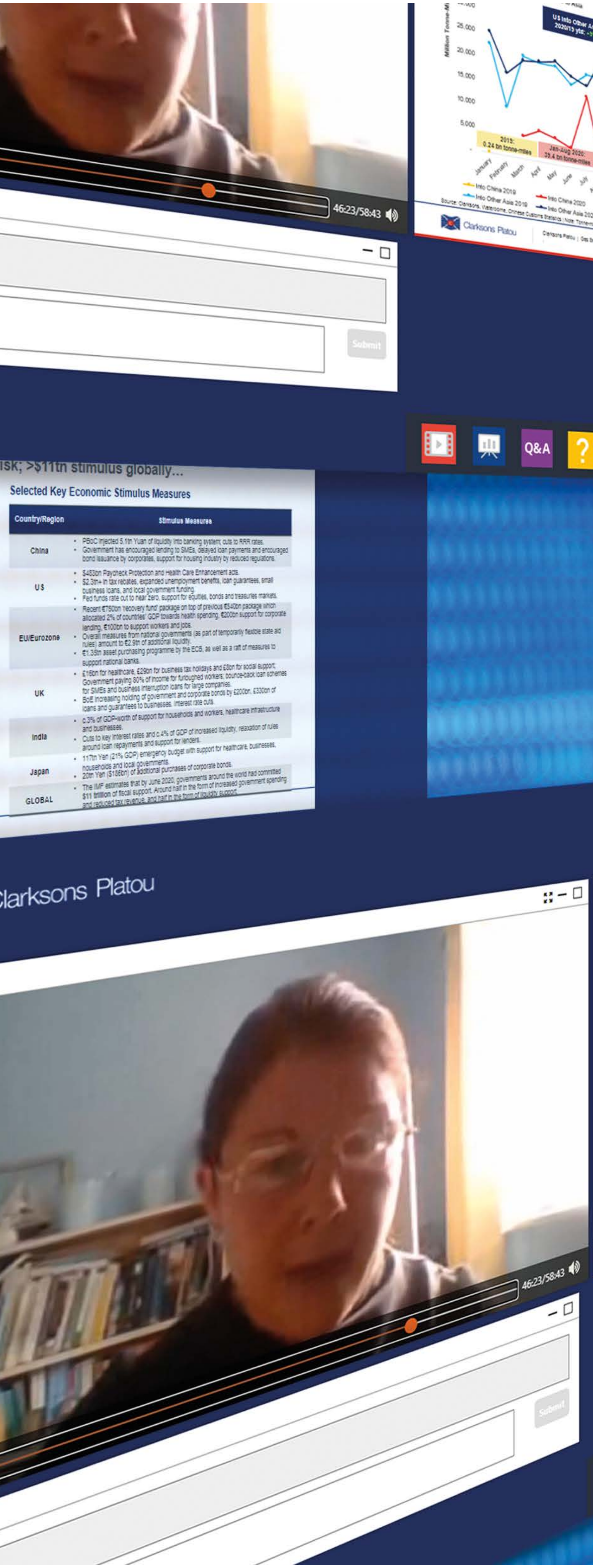


Delivering for our clients, no matter what, is a fundamental ingredient of earning their trust. Regardless of the challenges in 2020, the global Clarksons team worked seamlessly together to support our clients.

#oneclarksons

We kept our clients informed

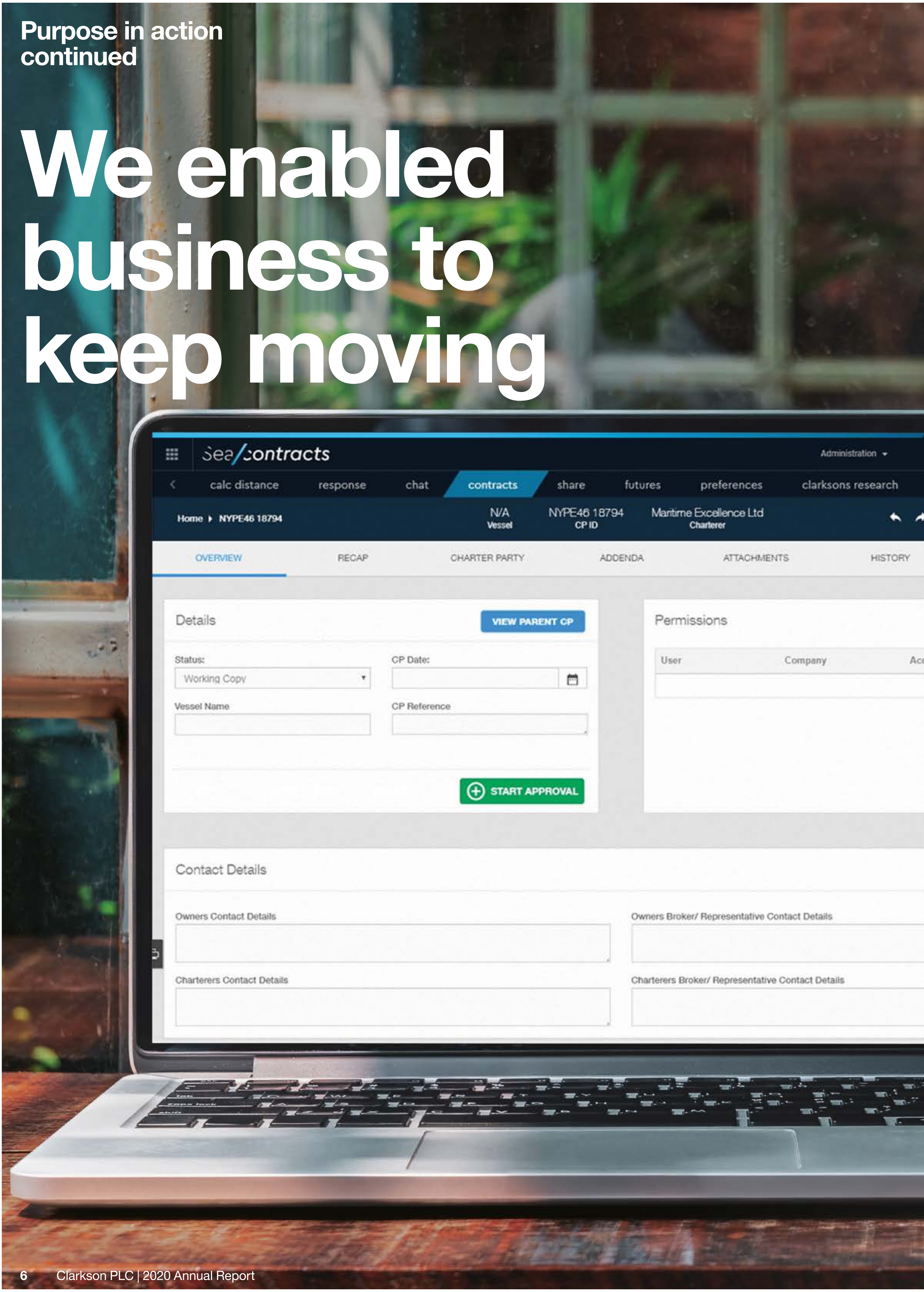


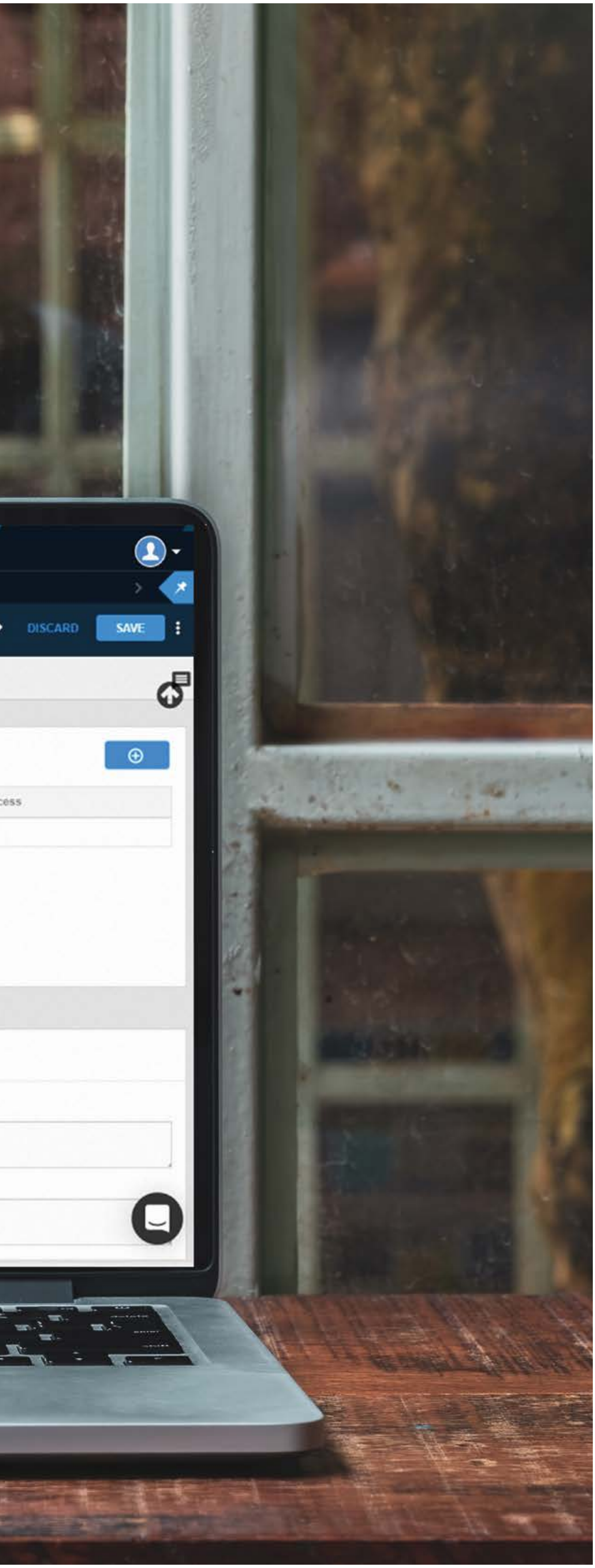


Our teams created regular and bespoke reports, hosted interactive webinars and kept in close virtual contact 24/7 throughout 2020, ensuring our clients were up-to-date with fast-moving global changes and the impact of these on shipping markets, thus enabling them to make the right decisions at the right time.

#smarterdecisions

We enabled business to keep moving

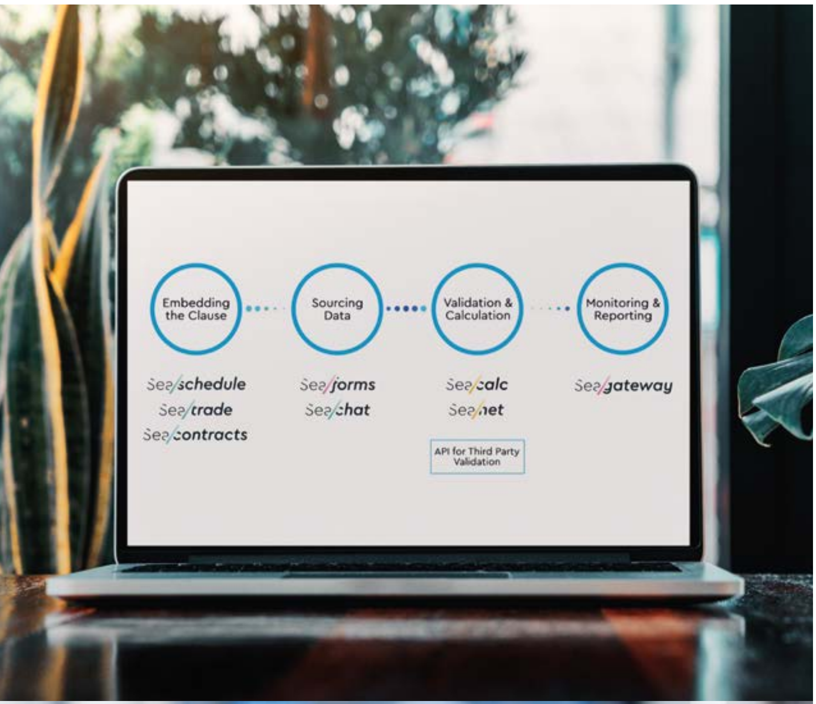


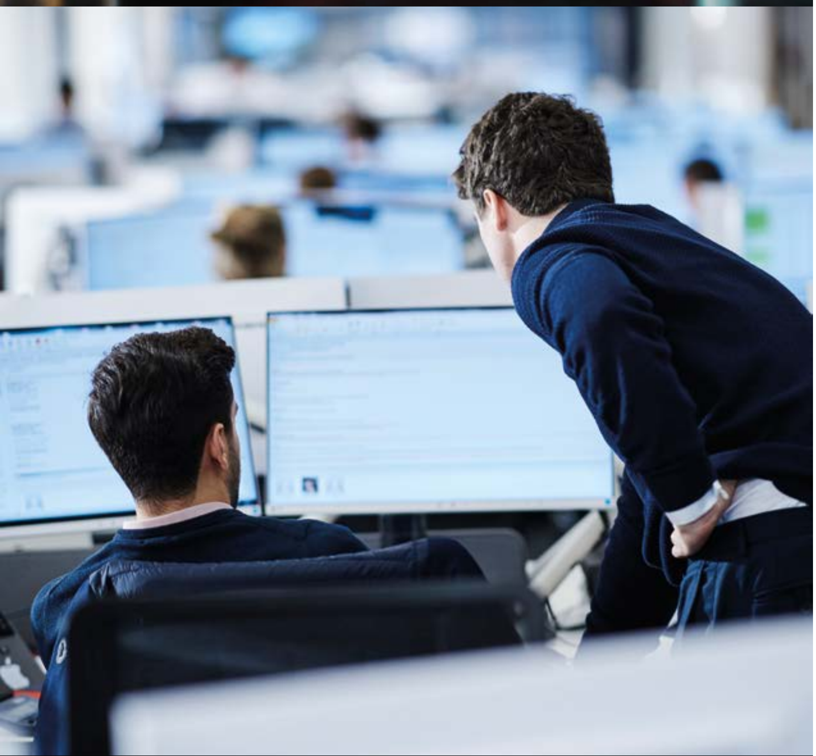


Sea/contracts enables digitised production, management and approval of charter party agreements, together with electronic signatures and access anywhere anytime. Our clients no longer need to physically print and courier documents around the world for agreement and signatures to be captured.

#poweredbyintelligence

We focused on helping the industry meet sustainability targets





We expanded our services to help clients navigate the decarbonisation of their business. Our technology offering helps clients to calculate their carbon output, allowing them to make cleaner voyage decisions. We established a carbon emissions broking desk to enable clients to offset their CO_2 footprint.

#smarterdecisions

We supported growth in renewable energy

Our global teams support clients through our specialist knowledge and consultancy regarding the construction, installation and maintenance of offshore wind farms and renewables projects.

We provide market intelligence and analytics, broking of newbuildings, conversions and chartering for offshore renewables assets, port services, logistics and supplies, and financing for offshore energy developers.

#smarterdecisions

We supported our people to help our communities globally

More than ever, 2020 was the year in which the Clarksons team pulled together. We enabled our staff to take decisions that would help to keep our business moving, keep staff connected and motivated, and, where possible, to donate our time and resources to those in need. In these exceptional times, our extraordinary people have achieved extraordinary things.

#smarterdecisions

Exceptional performance in the most challenging conditions.
Sir Bill Thomas
Chair

Overview
In what has been, without doubt, the most globally disruptive and challenging time in living memory, I have been deeply impressed with the exceptional response of the entire Clarksons team. Colleagues have risen to the challenge of providing each other and their clients with excellent support and service throughout the COVID-19 pandemic. Clarksons works hard to remain the market leader, with the best teams, technology, research, insights and information flows. However, in the face of the huge challenges we have faced in 2020, our major focus has been on keeping our people safe and the global delivery of a first-class service across all our offices by every member of the Clarksons team.

Given the circumstances, to have delivered a strong set of underlying results that were both cash-generative and exceeded market consensus, is a testament to our robust business model and the quality of our team.

Whilst the most pressing issue for the business has been the impact of COVID-19, the accelerating importance of sustainability and the green transition has also been a major area of focus. Clarksons continues to play a key role as an agent of change in the environmental agenda. This year we have again expanded our capabilities in execution, financing, data and support of the renewables industry. Within shipping we are working with charterers and owners, service providers and industry bodies to drive change through lower emissions of greenhouse gases powered by cleaner energy.

The rapid transition to remote working has expedited the rollout of our **Sea/** products to clients as it became apparent that the pandemic was going to impact working practices globally. **Sea/** provides a highly efficient and compliant platform to enable our clients to manage their risk, monitor their fleet performance and transact globally, regardless of their location.

Results
Underlying profit before taxation was £44.7m (2019: £49.3m).

Maritime capital markets and energy demand have been severely affected by events during this challenging time and consequently, in keeping with many businesses, the Board determined that it would be appropriate to take a goodwill impairment charge relating to securities and offshore of £60.6m (2019: £47.5m). I should however stress that this is a consequence of exceptional market change, is a non-cash item, and will have no impact on distributable reserves or the Company's capacity to pay dividends.

Consequently, reported loss before taxation was £16.4m (2019: £0.2m profit before taxation). Underlying basic earnings per share was 106.0p (2019: 118.8p). The reported basic loss per share was 95.2p (2019: 42.4p).

Free cash resources as at 31 December 2020 were £81.1m (2019: £68.7m).

Dividend

In March 2020, the Board announced that it had deferred its decision on the amount and timing of the 2019 final dividend to give the business the time it needed to assess the financial impact of COVID-19. The Company has clearly risen to the challenges presented and its robust cash position gave the Board confidence to announce in August that the Company would pay the equivalent of the 2019 final dividend of 53p per share as an interim dividend on 21 September 2020 and a further interim dividend for 2020 of 25p per share (2019: 25p per share) on 11 December 2020.

In recognition of the importance of Clarksons' progressive dividend policy, the Company is increasing its dividend for the 18th consecutive year. The Board is recommending a final dividend of 54p (2019: 53p). Combined with the interim dividend in respect of 2020 results of 25p (2019: 25p), the resulting full year dividend in respect of 2020 results is 79p (2019: 78p). The dividend will be payable on 28 May 2021 to shareholders on the register on 14 May 2021, subject to shareholder approval.

People

It has become even clearer over the past year that a business like Clarksons relies wholly on the quality of its people, and how they come together as a team. In 2020 the Clarksons team performed at the highest level and found new strengths by working even closer together across the Group. At a time when we have all had our own personal challenges, our global offices have continued to provide remote support at the very highest levels to our clients when they have needed us the most. Not only have we supported our clients, but the team has ensured that we supported each other, the shipping community and the local communities that are home to Clarksons' offices around the world. Our CSR Committee has organised a wide range of fundraising and community-focused activities helping those in need and has established a registered charity, The Clarkson Foundation.

I thank all our colleagues in the Clarksons team for their exceptional efforts through this challenging period.

Board

We were delighted to welcome Laurence Hollingworth as an independent Non-Executive Director during this period. Laurence joined the Board in July as a member of the Remuneration Committee and Audit and Risk Committee, and brings extensive experience in the capital markets and a strong understanding of the broking environment following a 37-year career in stockbroking. The Board and management of Clarksons have already benefited from the strategic perspectives and insights that he has brought to the business. In October we welcomed Sue Harris to the Board as an independent Non-Executive Director. Sue serves as a member of the Remuneration Committee and is Chair of the Audit and Risk Committee, succeeding Marie-Louise Clayton, who retired from the Board on 31 January 2021. Sue has held a number of senior executive positions at FTSE 100 businesses and non-executive roles across a broad range of sectors, and brings significant financial, risk management and listed company experience to the Board.

On behalf of the Clarksons team, I would like to thank Marie-Louise for her valuable contribution during her four years on the Board and wish her continued success in the future.

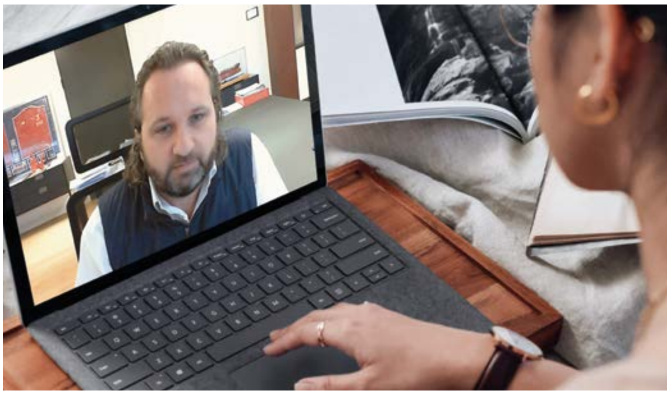
Outlook

Until the worst of the COVID-19 pandemic has passed, its longer-term impact on the global economy remains uncertain. However, we are confident that government stimulus, the energy transition, the widespread desire for the world to return to normality, and the pent-up demand for travel will ensure that when a sustained recovery begins, the effects will be positively felt in the world of shipping.

We start 2021 with a stronger forward order book and firmer freight rates in a number of verticals, but sterling has strengthened against the US dollar creating an additional headwind, particularly within Broking, and the global COVID-19 pandemic, whilst improving, remains unresolved. The expected recovery in demand is now unlikely to gather momentum until later in the year and thus in 2021 we believe our results will revert to being second half weighted.

As such, the Board remains confident in both the outlook for the shipping, offshore and renewables markets and, indeed, in the Group itself.

Sir Bill Thomas
Chair
5 March 2021



An astounding commitment to 'business as usual'.
Andi Case
Chief Executive Officer

This year has presented very challenging circumstances for everyone at Clarksons, with volatile markets and the COVID-19 pandemic causing severe disruption to both the way business is done and everyday lives. Despite this disruption, I am pleased to report that the business has continued to perform well, characterised by the delivery of a strong underlying performance for the full year and a forward order book going into 2021 which is larger than at the same time last year.

A review of 2020

During 2020, our teams have had to adapt to unfamiliar working practices, but our investment in tools for trade has helped us deliver a market-leading service and diverse offering, demonstrating how robust the Clarksons business model is, even against the harshest of market backdrops.

Undoubtedly, one of the key reasons for this strong financial and operational performance has been the outstanding response to the COVID-19 pandemic from all our employees, who have continued to deliver a first-class service to our clients during these troubling times. I would like to thank everyone at Clarksons, across every facet of the business, for their contribution during this difficult period and for stepping up to meet the challenge. Our people are our core asset, and this year above all has demonstrated the importance to our clients of their unique market insight, advice and execution in the most critical of times.

2020 has been a truly unprecedented year full of new challenges and, whilst in many ways productive for the Company, it has been extremely hard on colleagues and their families, especially those who have suffered from illness and from the premature loss of our colleagues and friends Peter Richards, Patrick Curry, Rob Byrne, John Milner, Hossam El Sayed Abdo Ibrahim and Essam Bella. We once again send our condolences to their families. I am also sad to report that we lost an ex-Chairman, Tony Klima, who passed away in January and is fondly remembered by many at Clarksons and the shipping industry at large.

It is against this backdrop that we are particularly proud of the outstanding advance in sustainable community engagement led by our CSR Committee. During 2020, the Group was involved in a range of initiatives which gave rise to donations being made to charity from staff, their families and the Company. Overall, these initiatives raised more than £350,000. Our catering team, whilst providing meals for the few staff that have used the London office, have also produced 19,000 meals for the homeless in London, and we have established The Clarkson Foundation, a charitable foundation which will be the fulcrum for future giving.

Throughout 2020, we supported our staff and their families through the challenges of the pandemic, ensured that all our offices were COVID-19 safe, and facilitated staff working from home for a significant proportion of the year, ensuring that all had the requisite technology to be able to continue with as little disruption as possible. The Company took no government loans, no staff were furloughed, all suppliers were paid in good time and the 2019 final dividend, while initially deferred, was paid as an interim dividend in September 2020, maintaining our 18-year progressive dividend policy.

Once again, thank you to all our colleagues.

The performance of the Broking division during 2020 has been excellent, despite the backdrop of a global pandemic and severe disruption to energy demand throughout the year. The teams adapted very quickly to the new working conditions, reporting profits before taxation of £55.4m (2019: £55.5m), driven by excellent performances across most market segments but stand-out performances from the tanker, gas, sale and purchase and futures divisions.

Elsewhere, the Financial division had a mixed year. Our project finance teams, principally transacting within Norwegian real estate, had another successful year increasing profits compared to 2019. Clarksons Platou Securities, however, had a very challenging year, due to the pandemic and negative investor sentiment towards global trade and the impact on the shipping and oil services capital markets. As announced at the interim results, we undertook a strategic review at the end of 2019 to identify areas within the division where we could improve efficiencies and reduce costs, which we implemented during the first half of the year.

Our Research capabilities have been in high demand this year, positively impacted by the pandemic as clients sought out Clarksons' unparalleled insights to help guide them in their decision-making, albeit this was in part offset by a reduction in income from valuations due to a fall in asset and capital market transactions by our clients. With an expanding portfolio of products, and a significant broadening into data around the green transition, we are confident that 2021 should see resurgent growth in this business.

Our innovative **Sea/** suite of technology modules has seen heightened interest from clients throughout the year, with disrupted working practices providing many opportunities for new business. The offering of enhanced analytics combined with an increased level of execution, risk control, audit, compliance, efficiency, communication and data integrity has led to the Maritech team winning several new large corporate clients during the year. The rollout to these clients gained significant pace in the final quarter of 2020 and early 2021, and the value proposition in pre-trade and at-trade decisions, execution and communication is now becoming evident to the industry.

The performance of the Support division was impacted heavily by the wider macro environment and the negative impact on oil price and energy demand from the pandemic in the first half. However, I am pleased to report a significant recovery across all areas of this business in the second half, led by our increasingly strong position servicing the offshore renewables industry.

2021 and beyond

We have for some time talked about the multi-cyclical nature of the maritime markets. Whilst overall, these markets have been oversupplied, there has more recently been an increased shortening of the supply of ships. The shock to demand from the pandemic has meant the impact of this shortening has not yet been properly reflected in the markets. In 2021, we have already seen stronger rates in a number of sectors, and even if not sustained in the short term, we are clearly no longer in markets saturated by excess tonnage.

This change in the underlying economics comes at a time when both increased regulation and corporate desire is very focused on reducing carbon and other greenhouse gases (GHG). There are no immediate solutions to the eradication of GHGs but clear targets have been set by the IMO and the industry itself, some by 2030 and more still by 2050, and there are very significant steps that will be made towards this green transition.

The green transition is now one of the Group's key areas of strategic focus and Clarksons has made sure to invest into its market-leading teams to support this growing area of the business. As clients target a reduced carbon footprint, Clarksons has established a carbon emissions broking desk; strengthened our position in gas markets; expanded our renewables broking teams around the world; continued to lead in consultancy and execution of alternate fuelled newbuilding of vessels; arranged finance across many exciting renewables projects; initiated a research database of analytics covering the green transition; extended our already strong support teams to service offshore wind projects; and developed **Sea/** solutions for the capture and analysis of emissions data. As the industry takes material steps to reduce GHGs, our growing involvement in this space at all levels of the business shows that Clarksons seeks to play its part at the forefront of shipping's green transition.

Whilst the shipping industry has had to face several stiff tests over this past year, Clarksons has continued to perform well as a business. We expect the Broking division to continue to perform well in 2021, whilst the new opportunities arising as a result of the green transition, an insatiable appetite by clients for data and analysis, and the increased awareness of digitisation and technology mean the fundamental medium-term business outlook for the Group remains strong.

We remain confident that with the strength of our revenue generation, the depth of our balance sheet, our first-rate employees and our best-in-class client service, Clarksons is well positioned to benefit from the expected economic and global trade recovery post COVID-19.

Andi Case
Chief Executive Officer
5 March 2021

Financial review

Our robust business model enabled us to deliver underlying profit, generate cash, increase our forward order book and continue our 18-year progressive dividend policy.

Jeff Woyda
Chief Financial Officer & Chief Operating Officer

Revenue
£358.2m
2019: £363.0m

Underlying profit before taxation
£44.7m
2019: £49.3m

Reported loss before taxation
£16.4m
2019: £0.2m profit

Dividend per share
79p
2019: 78p

Segmental summary

Broking	2020 £m	2019 £m	2018 £m
Revenue	**282.6**	283.0	251.7
Underlying profit	**55.4**	55.5	44.0

Financial	2020 £m	2019 £m	2018 £m
Revenue	**33.9**	35.5	46.1
Underlying profit	**2.5**	3.3	8.0

Support	2020 £m	2019 £m	2018 £m
Revenue	**24.9**	27.7	23.9
Underlying profit	**1.7**	3.1	2.3

Research	2020 £m	2019 £m	2018 £m
Revenue	**16.8**	16.8	15.9
Underlying profit	**5.6**	5.4	5.0

Results

The Group generated revenue of £358.2m (2019: £363.0m) and incurred underlying administrative expenses of £298.5m (2019: £298.2m). The majority of revenue and a significant proportion of expenses are denominated in currencies other than sterling.

Underlying profit before taxation was £44.7m (2019: £49.3m). The term 'underlying' excludes the impact of exceptional items and acquisition related costs, which are shown separately on the face of the income statement. Management separates these items due to their nature and size and believes this provides further useful information, in addition to statutory measures, to assist readers of the annual report to understand the results for the year.

	2020 £m	2019 £m
Underlying profit before taxation	**44.7**	49.3
Exceptional items	**(60.6)**	(47.5)
Acquisition related costs	**(0.5)**	(1.6)
Reported (loss)/profit before taxation	**(16.4)**	0.2

Exceptional items

The Board reviewed the need for a non-cash impairment relating to the acquisition of RS Platou ASA. The Board determined that an impairment charge, relating to goodwill attributable to securities and offshore broking following continued challenging trading conditions in these markets, amounting to £60.6m (2019: £47.5m) was required.

Acquisition related costs

Acquisition related costs include £0.3m of amortisation of intangibles and £0.2m of cash and share-based payments spread over employee service periods. We estimate acquisition related costs for 2021 to be £0.5m, assuming no further acquisitions are made.

Taxation

The Group's underlying effective tax rate was 21.3% (2019: 23.1%), reflecting the broad international operations of the Group and lower disallowable costs in 2020 due to the pandemic.

Earnings per share

Underlying basic earnings per share was 106.0p (2019: 118.8p), calculated as underlying profit after taxation divided by the weighted average number of ordinary shares in issue during the year. The reported basic loss per share was 95.2p (2019: 42.4p).

Forward order book (FOB)

The Group earns some of its commissions on contracts where the duration extends beyond the current year. Where this is the case, amounts that are able to be invoiced during the current financial year are recognised as revenue accordingly. Those amounts which are not yet invoiced, and therefore not recognised as revenue, are held in the FOB. In challenging markets, such amounts may be cancelled or deferred into later periods.

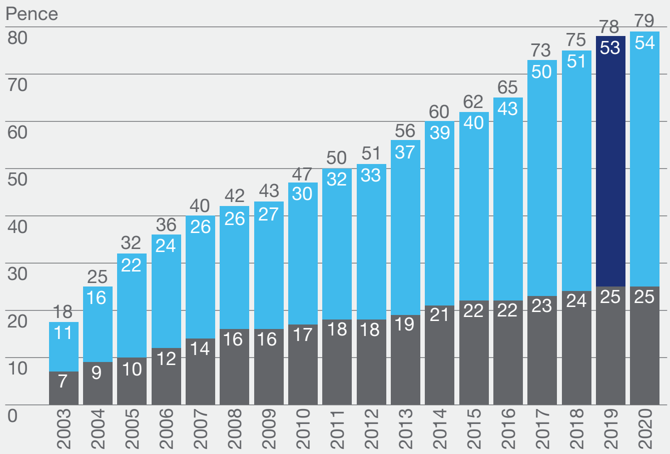
The Directors review the FOB at the year-end and only publish the FOB items which will, in their view, be invoiced in the following 12 months. At 31 December 2020, this estimate was 3% higher than the prior year at US$116m (31 December 2019: US$113m).

Dividend

As announced on 27 March 2020, the Board deferred the decision on the amount and timing of the 2019 final dividend to protect the Company until the impact of COVID-19 on the business became clearer. The robust performance and cash position of the Company meant that the Board decided to pay the equivalent of the 2019 final dividend of 53p per share as an interim dividend on 21 September 2020 to shareholders on the register on 4 September 2020.

The Board is recommending a final dividend in respect of 2020 of 54p (2019: 53p) which, subject to shareholder approval, will be paid on 28 May 2021 to shareholders on the register at the close of business on 14 May 2021.

Dividend per share



Final
Interim
Deferred 2019 final dividend paid as 2020 interim dividend

Together with the interim dividend in respect of 2020 of 25p (2019: 25p), this would give a total dividend of 79p for 2020, an increase of 1% on 2019 (2019: 78p). In taking its decision, the Board took into consideration the Group's 2020 performance, balance sheet strength, ability to generate cash and FOB.

This increased dividend represents the 18th consecutive year that the Board has raised the dividend.

Foreign exchange

The average sterling exchange rate during 2020 was US$1.29 (2019: US$1.28). At 31 December 2020, the spot rate was US$1.37 (2019: US$1.32).

Cash and borrowings

The Group ended the year with cash balances of £173.4m (2019: £175.7m) and a further £22.8m (2019: £2.5m) held in short-term deposit accounts, classified as current investments on the balance sheet.

Net cash and available funds, being cash balances after the deduction of accrued bonuses, at 31 December 2020 were £95.4m (2019: £84.7m). The Board uses this figure as a better representation of the net cash available to the business, since bonuses are typically paid after the year-end, hence an element of the year-end cash balance is earmarked for this purpose. It should be noted that accrued bonuses include amounts relating to the current year and amounts held back from previous years which will be payable in the future.

A further measure used by the Board in taking decisions over capital allocation is free cash resources, which deducts monies held by regulated entities from the net cash and available funds figure. Free cash resources at 31 December 2020 were £81.1m (2019: £68.7m).

In addition to the free cash resources above, the Group has a strong balance sheet and has consistently generated an underlying operating profit and good cash inflow. Management has stress tested a range of scenarios, modelling different assumptions with respect to the Group's cash resources, and as a result continues to adopt the going concern basis in preparing the financial statements. See pages 77 and 78 for further details.

Balance sheet

Net assets at 31 December 2020 were £328.4m (2019: £380.6m). The reduction in net assets arises principally as a consequence of the non-cash impairment identified on page 18; this impairment has had no effect on distributable reserves as it is offset against the merger reserve which arose on the initial acquisition. The balance sheet remains strong, with net current assets and investments exceeding non-current liabilities (excluding pension provisions and lease liabilities as accounted for under IFRS 16) by £95.0m (2019: £93.7m).

The overall loss allowance for trade receivables was £12.3m (2019: £14.2m).

The Group's pension schemes have a combined surplus before deferred tax of £12.0m (2019: £11.0m).

Jeff Woyda
Chief Financial Officer & Chief Operating Officer
5 March 2021

Read more
Key performance indicators
on page 69.

Broking

The performance of the Broking segment during 2020 has been excellent.

Share of revenue: 79%

Services

- Dry cargo
- Containers
- Tankers
- Specialised products
- Gas
- LNG
- Sale and purchase
- Offshore
- Renewables
- Futures

Revenue

£282.6m

2019: £283.0m

Segment underlying profit

£55.4m

2019: £55.5m

Forward order book for 2021

US$116m

2019: US$113m

Employees

1,191

2019: 1,122

Dry cargo

The Baltic Dry Index (BDI) suffered a 21% year-on-year decline in 2020.

COVID-19 and its impact on trade and industries dominated the year with dry cargo witnessing the largest ever downturn in coal seaborne trade. China's V-shaped economic recovery, however, led to the restocking of many commodities which stimulated bulker seaborne demand and supported freight rates which recovered strongly by mid-year. Heightened political tension between Beijing and Canberra, together with Chinese import quota limitations, impacted Australian coal cargoes, causing extraordinary waiting times at Chinese coal ports and deviation from traditional trade routes.

Although seaborne trade by weight declined by 2.1%, tonne-mile demand continued to grow, albeit at a slow 0.5%, as many Atlantic-originated cargoes normally intended for the Atlantic market deviated to China.

Capesize rates suffered the biggest decline, falling by 27%, with underperforming volumes during the first five months alongside reduced iron ore supplies and COVID-19-induced coal demand destruction. For vessels smaller than capesizes, markets also declined with rates down for kamsarmaxes by 20%, supramaxes by 18% and handysizes by 16%. However, sub-cape vessels were supported by a buoyant grain and oilseeds sector, driven by plentiful supply and the rapid recovery in China's animal feed market, which cushioned the gap that was left by the severe downturn in coal demand.

Many newbuild ships entered the fleet, although tonnage growth was countered by accelerated recycling of obsolete ore carriers and heightened fleet inefficiencies caused by COVID-19-related requirements, such as quarantine periods for crew changes, minimum sailing days between ports, newbuilding and repair yard delays and increased port waiting times.

Looking ahead, dry cargo seaborne trade is forecast to rebound by 4.3% along with a 5% increase in tonne-miles in 2021. The demand for most dry cargo commodities is expected to grow, particularly with infrastructure-based economic stimuli, continued grain demand and any recovery in coal consumption. While the growth is not expected to be uniform across all commodities and all countries, each sector of the dry cargo fleet should see solid demand-side support compared with the unprecedented disruption of 2020. Fleet growth is expected to reduce to less than 3%.

The drive towards decarbonisation will be debated as regulatory and market-led initiatives gain traction, while many older vessels could head for early recycling as it becomes too costly under such new green regimes.

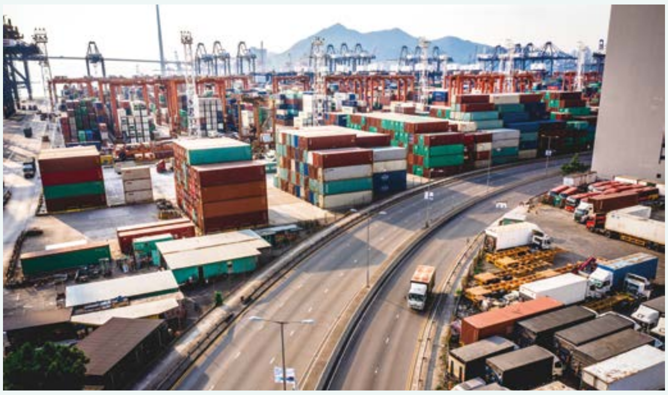
Containers

Containership market conditions in 2020 saw dramatic trends, in both directions, with COVID-19 dominating the dynamics. Despite the effects of COVID-19 on consumer activity and supply chains, which significantly reduced container trade flows and the box shipping markets overall, 2020 ended with container markets looking extremely positive.

The initial COVID-19 'shock' placed box trade volumes and container shipping markets under severe stress; the SCFI box freight index was 20% down in April relative to the start of the year. The boxship charter market saw acute downward pressure on earnings with the rate index down 33% from the start of the year by the end of the first half. Idle capacity hit 12% of the fleet in May. In the second half, with volumes returning ahead of expectations, the markets bounced back firmly and the SCFI index increased by 178%, with box spot freight rates surging globally in the final quarter. Charter rates tightened from June and saw major improvements by the end of the year, with the index up 129% relative to that at the end of June. The one-year time charter rate for a 4,400 TEU 'old panamax' unit, for example, increased more than threefold in the second half to US$25,000 per day at the end of the year. At the year-end, the Clarksons Containership Charter Rate Index stood at a 12-year high, with the average across the year up 3% on 2019. On the container freight market, the SCFI index reached the highest level on record of 2,783 at the end of 2020, an average annual increase of 56% compared to 2019, with liner companies reporting operating margins not seen for a decade.

Secondhand prices, which fell in the first half, increased significantly in the second half, with the overall index up by 14%; for example, the price of a ten-year old 6,600 TEU unit increased by 62% to US$34m, with transaction volumes also picking up (125 vessels in the second six months compared to just 49 in the first). Idle capacity fell to 4% of the fleet during December.

Whilst robust capacity management by operators provided the initial support to alleviate pressure on freight rates, the primary driver of the dramatic swings was the major recovery in trade volumes. Global box trade fell by an estimated 1.1% (in TEU) in 2020, a better result than initially feared. However, the annual trend did not capture the full magnitude of the variation in volumes within the year. Seaborne box trade volumes dropped 10% year-on-year in the second quarter alone. In the second half of the year, returning volumes were driven by a range of factors, including firmer than expected improvements in some economies unlocking 'pent up' demand, inventory restocking and frontloading in key regions, shifts in consumer spending patterns away from services towards goods and shipments of PPE. Global volumes were up by 6% year-on-year in the last quarter and 16% on the levels in May, led by rapid Transpacific growth. A shortage of box availability in Asia (with inland moves disrupted in key import regions) combined with regional port congestion provided significant disruption, which amplified the market impact of returning trade volumes.



These trends took place against the backdrop of a supply side providing underlying support. Containership fleet growth remained manageable at 2.9%. The order book fell to a new low of 8% of the fleet in October, though a pick-up in orders (1.0m TEU in the full year) took it to 10% by the end of the year. Operating speeds, though increasing towards the end of the year, were on average 1.3% down on 2019. Scrubber retrofitting absorbed on average over 2% of fleet capacity across the year.

Meanwhile the container sector greenhouse gas footprint, arguably closer to consumer consciousness than in bulk shipping, remains firmly in focus. Over the last decade slower service speeds and the introduction of 'eco' ships have helped reduce boxship emissions, which are now 40% below 2008 levels. Alternative fuels, which make up 25% of TEU capacity on order, are also now gaining traction, and a range of units have been fitted with energy saving technology equipment. The green transition and technology will be key themes in post-COVID-19 planning for boxship operators and owners.

Heading into 2021, fundamental expectations suggest continued support for positive market conditions in the near term. However, with such acute impetus seen in the second half of 2020, some easing back of rate gains is probable at some stage, and significant COVID-19-related uncertainty clearly remains.

Tankers

2020 was a mixed year for tankers, both in terms of the contrast between the first and second halves of the year and the changes in the earnings for different sectors compared to 2019. The first half of the year was characterised by generally very strong and extremely volatile earnings, while the second half saw weaker earnings.

Clarksons' published annual average earnings for VLCCs on the main Middle East to Far East route increased by 16% compared with the 2019 average, however Clarksons' published annual average earnings for suezmaxes and aframaxes decreased by 4% and 15% respectively when compared with 2019. VLCC earnings were well above the long-run average levels, whilst suezmax earnings matched long-run averages and aframax earnings fell marginally below the long-run average level.

Crude tankers

In the early part of the year, crude tanker earnings continued to be supported by sanctions that restricted the trading activity of a significant number of VLCCs. The lifting of these sanctions, combined with simultaneous COVID-19-related oil demand destruction, led to a short period of weaker earnings in February before the market moved upwards very sharply in early March following the decision by the key OPEC+ group of oil producers to increase production in spite of falling demand. This led not only to a sharp increase in the volume of crude oil cargoes to be lifted, but also a surge in time charter enquiry and floating storage, as oil prices collapsed, and crude oil forward price curves moved into steep contango. These developments all contributed to very strong crude tanker earnings from mid-March until early May, further supported by recovering demand in China and crude pricing that was attractive to buyers, which culminated in new record levels of Chinese crude imports and additional vessel congestion along the Chinese coast.

Crude tanker earnings started to fall back to lower levels from early May, after major oil producers regrouped in mid-April to agree steep crude production cuts that led to a sharp reduction in cargo liftings and hence reduced demand for tankers and lower earnings. Although these oil production cuts began to be eased from August, crude tanker earnings remained generally low throughout the third and fourth quarters as a combination of compensatory production cuts from countries that had previously over-produced and unwinding of floating storage employment kept cargo shipments low and added tonnage back to the trading fleet. By the end of the year the number of suezmaxes and aframaxes employed in floating storage had fallen back towards levels seen in 2018 and 2019. VLCC floating storage remained at elevated levels, albeit substantially below the peak levels.

The crude tanker fleet grew by a modest 3.3% in 2020, while the size of the trading fleet throughout the year was restricted by a combination of floating storage, sanctions and fluctuations in the number of vessels in dry docks. Crude tanker newbuilding deliveries are expected to remain modest in 2021, however fleet growth may decline if demolition of older tonnage, which was low in 2020, starts to increase once again.

The early part of 2021 has seen a mixed reaction from the OPEC+ group of oil producers, with an agreement to increase production in January followed by a commitment from Saudi Arabia to reduce production once again in February and March, while other producers in the group are due to either hold production steady or slightly increase volumes. Looking ahead, we anticipate further tapering of oil production cuts as oil demand recovers throughout 2021 and crude oil inventories are drawn down. This is expected to lead to increased crude oil shipments and rebounding levels of crude tanker demand.

Products

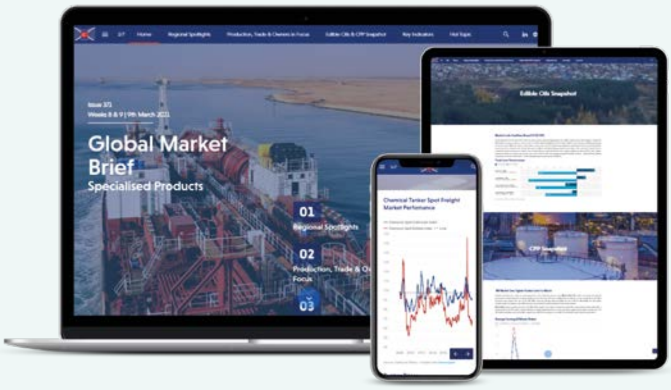
The products tanker market also witnessed similar strength and volatility in earnings in the first half of the year followed by generally weaker earnings in the second half, albeit punctuated by some volatility particularly on the larger sizes of vessels. Clarksons' assessed average earnings for LR2s on the benchmark Middle East to Far East route increased by 30% year-on-year in 2020, while assessed average earnings for LR1s on the same route increased by 31% year-on-year. Meanwhile, assessed average clean MR earnings increased by 11% in 2020 compared to 2019.

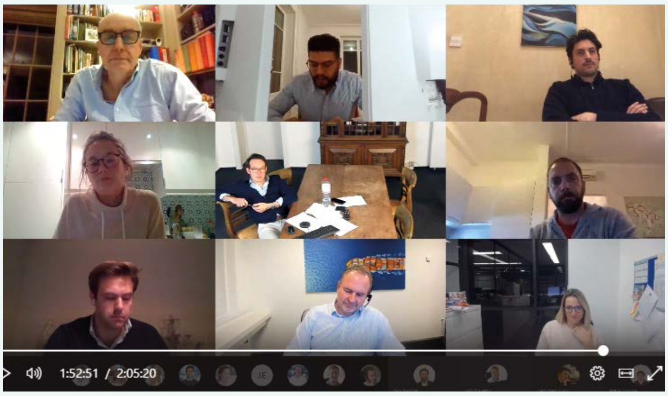
A sharp increase in floating storage, time charter enquiry and vessel delays as well as long-haul shipments from West to East, all contributed to the very strong earnings that were seen across the products tanker markets in the first half of the year. However, by mid-year, products tanker earnings had also fallen back to lower levels as the reduced level of underlying products demand and refinery run cuts took their toll, despite many vessels remaining in floating storage employment.

The second half of the year saw low earnings across the products tanker sector as a result of the low levels of demand and refinery output. However, the LR2s and LR1s did see some increases to healthier levels based on some periods of greater activity.

Products tanker fleet growth was modest at 2.4%, while the trading fleet size was also restricted by floating storage, particularly in the second quarter. By the fourth quarter, the vast majority of products tanker floating storage had unwound. Products tanker deliveries are expected to increase slightly in 2021, while remaining at modest levels overall. Fleet growth may decline from 2020 levels due to an increase in products tanker demolition. Meanwhile, the anticipated restoration of higher oil demand and refinery runs throughout 2021 and depletion of excess product inventories is expected to lead to increasing levels of products tanker demand.

Looking further ahead, in both the crude and products tanker sectors, the requirement for significant fleet renewal in the next few years, together with measures to reduce existing vessels' CO_2 emissions and dilemmas regarding the specification of newbuilding tankers that will reduce emissions, may all act to restrain fleet capacity growth and create tighter market conditions.





Tankers

The first half of the year was characterised by generally very strong and extremely volatile earnings, while the second half saw weaker earnings.

Specialised products

Despite the impact of COVID-19, the specialised products market performed much better than expected in 2020.

Specialised products

Despite the impact of COVID-19, the specialised products market performed much better than expected in 2020. The freight environment in the first quarter was strong, driven in part by a buoyant products tanker sector. The start of the second quarter saw the customary slowdown. The crude oil price crash in April/May led to a huge increase in edible oil and bulk chemical freight rates, as swing tonnage exited the edibles sector to take advantage of the higher CPP earnings that were available as a result of the oil price contango-driven floating storage boom. We also saw a small number of IMO2 MRs leave the chemicals sector for the first time for the same reason.

The second half of the year was difficult with performance below 2019 levels. Second waves of COVID-19 and lockdowns across the globe severely hampered spot market sentiment. However, Chinese demand for bulk chemical feedstock volumes was largely flat year-on-year, a factor that was reflected in the performance of CoA nominations. As the year ended, demand for 'Made in China' plastic goods seemed to perform well with containerised exports from the region holding up in the face of the pandemic. Chemical inventory levels were also decreasing, suggesting that manufacturing supply chains had recovered to some extent. Spot chemical freight rates closed at 7% up for the year compared to 2019. This relates more to the influence of the petroleum products market rather than increased chemical tonnage demand. Meanwhile, edible oil freight rates finished the year 2% lower than 2019 as this sector is much more closely aligned to the volatility of the petroleum products market, and so it will exhibit any adverse effects with a higher degree of severity than in chemicals.

Deal liquidity in the time charter market was limited for much of the year due to the uncertainty caused by COVID-19.

At the beginning of the COVID-19 pandemic, it was expected that specialised seaborne trade levels would contract by as much as 5%. However, it appears that the CoA volumes driven by encouraging PMI and IP data, particularly in the Chinese markets, led to a slightly improved picture. Seaborne trade is now expected to have contracted by approximately 2% in 2020, to around 365m tonnes. The key end-user markets of China and India remain pivotal to the future performance of seaborne trade, and tonnage demand for imports held up for much of the year. We do expect some delays to US shale gas liquid chemical projects because of financing, legal and environmental issues in some cases. Whilst project delays in the Middle East are also likely, no major cancellations have been announced and as such, in our view, the outlook for bulk chemical export growth remains strong.

On the supply side, the chemical tanker fleet was recorded at 55.5m dwt at the start of 2020. 3.5m dwt was added to the fleet during the year, whilst 0.9m dwt was removed. The order book still remains at the lowest level in 20 years and is recorded at just over 6% of the in-service tonnage as at the end of 2020. We do not expect much change in the order book considering the lack of finance that is available and thus we expect the fleet to contract through 2021 and into 2022.

The green transition is very much at the forefront of all stakeholders' minds. The breadth and depth of the business means that we are uniquely positioned to utilise our unparalleled market knowledge to advise and support charterers and shipowners alike in their green agendas. Throughout 2020, our market share of the biofuels sector remained strong, supported by an improved analysis and strategy provision. This is a key area of growth for the sector and the business continues to expand.

Overall market sentiment was downbeat as we approached the end of the year. Spot market tonnage demand was depressed and chemical tanker earnings were under considerable pressure at a time when bunker prices were rising amid geo-political and macro-economic uncertainty. The speed with which global manufacturing supply chains return to pre-COVID-19 levels will be crucial to a recovery in tonnage demand and fleet utilisation levels. However, the very low order book will provide a floor, with any sustained recovery in the products sector likely to lead to a more bullish edible and chemical freight rate environment.

Gas

The larger LPG carrier market proved surprisingly healthy in 2020 despite an influx of newbuildings, a lack of removals and some demand destruction as a result of COVID-19 from the petrochemical and autogas sector. It was only the second quarter that was characterised by a steep dip in VLGC freights. In the West, demand faced some headwinds from cheaper naphtha, when oil prices collapsed. Meanwhile, although demand in Asia dipped in the first quarter, most notably in China, it started to rebound as the year progressed, supported by a recovery in PDH utilisation levels and the start of new petrochemical capacity in the second half of the year. Demand growth from the domestic sector in India was also aided by the introduction of a free LPG programme for the poorer segments of the population. A combination of a contraction of Middle Eastern and other export regions' volumes largely due to OPEC cuts, and a 5m mt increase in exports from North America, meant more longer-haul exports were required to cover this deficit in the East, in addition to the incremental demand growth. Overall seaborne LPG trade has risen only marginally compared with 2019, but it has been the changes in flows which have been of greater importance.

With West-East flows on the ascendency, this placed growing pressure on the NeoPanama canal which, in combination with growing demand from other sectors of the shipping market, resulted in an increase in waiting time for the LPG carriers. Additionally, delays at key discharge ports added to the already extended voyage times. Although there were no delays in newbuilding deliveries, with an additional 21 vessels added into the VLGC fleet in 2020, and no units sold for recycling, a heavy and postponed dry dock schedule served to also remove supply side pressure, further underpinning the recovery in freights during the fourth quarter in particular. Reflecting this, average annual VLGC time charter equivalent earnings rose by 8% year-on-year, with levels breaching US$3m per month in December. Despite a strong start to the year, with a heavy export schedule from the US and increased seasonal domestic demand, rising prices started to place margins into the East under pressure and by the end of January 2021, time charter equivalent earnings had fallen to just below US$1.4m per month.

A healthier VLGC carrier market also affected the fortunes of the sizes below, with both LGC and midsize freights firming. The Clarksons' assessed 12-month time charter rate for a 59,000 cbm LGC rose from US$0.8m per month in 2019 to US$0.9m per month in 2020. Similarly the midsizes market also strengthened, with assessed time charter rates on 38,000 cbm units rising by 20% to US$0.8m per month as the LPG tonne-miles rose and as seaborne trade contracted much less than anticipated earlier in the year. The midsizes also received support from the handysize carriers which benefited from the addition of new ethylene volumes with the start-up of the new Enterprise/Navigator terminal in the US Gulf. As a result of this, and the rising market share of petrochemical trades generally, assessed 12-month time charter rates on the 20,500 semi-ref units rose by the same magnitude as the midsizes.

Looking ahead, whilst newbuildings are expected to deliver into each of the size categories, the challenges of fleet supply growth are expected to be mitigated somewhat by continued market inefficiencies, dry-docking schedules and petrochemical feedstock demand growth in Asia. Additionally, both LPG and ammonia seaborne trade volumes are expected to register growth of over 3%. LPG volumes will be affected by the level of export flow from the US and the proportion of which is destined for Asia to fill the continued shortfall in supply East of Suez. Further growth is also expected in ethylene exports from the US, even if the new terminal does not run at full capacity on a continual basis.

The smaller sized vessels, in contrast, have continued to fare less well than the larger units. Support for the larger handysize units from the increased ethylene volumes relieved some of the downward pressure they had exerted on the smaller sizes. Despite this, idle time remained an unwelcome feature of the market and the assessed 12-month time charter on the benchmark 8,000 cbm ethylene vessels fell 2.1% year-on-year, although the term market was virtually non-existent, and the 3,200 semi-refs fell by 6.5%. The decline in assessed pressure rates was more dramatic with the average falling 5.7% in the East and over 20% in the West. The fall in spot levels, however, was far more severe across the sectors. Despite this, the age profile of the fleet continues to deteriorate, most notably in the smaller sizes sub 6,000 cbm, where there are also limited newbuilding orders. The prospects of the smaller size sectors overall will be very much dictated by operating levels at crackers and PDH facilities run in 2021.

+1.7%

Global LNG trade volumes were up 1.7% to 363m mt in 2020, pushed primarily by new supplies from the US and to a lesser extent by higher exports from Papua New Guinea and Qatar.

LNG

Near-term LNG freight rates dropped on an annual basis in 2020, principally as a result of weak demand for LNG in the first half of the year which was eventually balanced by LNG exports cuts, reducing tonnage demand for spot cargoes in the process.

The spot headline rates for conventional 160km^3 Tri-Fuel Diesel Electric tonnage fell 12.1% year-on-year, averaging US$60,900 per day in 2020. However, the trading environment was particularly volatile through 2020, with spot rates bottoming in July at US$27,000 per day, before rebounding in the second half of 2020 to US$145,500 per day, on the back of wide open Atlantic-Pacific arbitrage.

The spread between the Northeast Asia LNG price and the US Henry Hub natural gas price fell 25% year-on-year to US$2.24 per million British Thermal Unit (BTU) in 2020, from US$2.99 per million BTU in 2019. The narrower price spread resulted in the US Gulf Coast export plants operating well below their nameplate capacity, especially in the second and third quarters of 2020, reducing tonnage demand eventually. However, the spread recovered in the second half of 2020 to US$3.44 per million BTU, driven by cold weather-related demand from Asia, unplanned outages at several export plants in the Pacific, Middle East and Africa and delays in the transit of LNG carriers through the Panama Canal.

The spread between the Northeast Asia LNG price and the European Title Transfer Facility natural gas price rose 12% year-on-year to US$1.19 per million BTU in 2020, with the spread trading above US$3.00 per million BTU in the fourth quarter of 2020, which helped incentivise LNG cargo re-exports to Asia.

Global LNG trade volumes were up 1.7% to 363m mt in 2020, pushed primarily by new supplies from the US and to a lesser extent by higher exports from Papua New Guinea and Qatar. US LNG exports rose by around 32% to 48.2m mt with the commissioning of Cameron T2-3 and Freeport T2-3, and the ramp-up of projects commissioned in 2019. However, in the second and third quarters of 2020, US LNG exports plunged as much as 60% compared to the first quarter due to a price-sensitive reduction in output of some 150-180 LNG cargoes. Exports from Papua New Guinea and Angola rose by a combined 14.1% to 12.8m mt, driven by increased spot tender activity. Qatar retained its position as the world's biggest exporter with exports rising by 1.0% to 77.6m mt in 2020. Australia's LNG exports were up 0.6% to 77.3m mt, as higher exports from Pluto LNG and projects in the Northern Territory were partially offset by lower exports at Prelude FLNG and Gorgon LNG, both impacted by unplanned outages. Elsewhere, Egypt's LNG exports plummeted 64% to 1.2m mt in 2020, Malaysia's exports were down 7% to 23.8m mt and exports from Indonesia fell 8% to 13.9m mt; all were largely attributed to the low LNG price environment of the first half of 2020. Exports from Trinidad and Tobago were down 19% to 10.9m mt in 2020 and Norway's exports were down 28% to 3.4m mt, driven by long-lasting unplanned outages at their export terminals. LNG re-export increased by 240% to 7.0m mt, driven by surging activity in the Northwest European terminals, used to tranship Russian's Yamal LNG cargoes to other destinations in Europe and Asia.

On the demand side, Japan-Korea-Taiwan remained the largest demand area, while the biggest rise in imports were recorded in China, India and Turkey. LNG imports into China rebounded from the drop in the first quarter and increased by 11.3% to 67.1m mt on the back of industrial demand, natural gas grid expansion and the debottleneck of the Zhoushan terminal and residential demand induced by the colder winter weather in the fourth quarter. Imports into India rose by 12.9% to 25.2m mt, driven by price-sensitive industrial demand and declining domestic gas production, while imports into Turkey rose 21% to 11.0m mts, offsetting a decline in gas pipeline imports from Russia and Iran. Japan remained the largest importer at 74.6m mt, but its imports slipped 2.1% on the back of lower power demand and high inventories in the first half of 2020. Imports into Europe, including Turkey, dropped by 0.8% or 0.7m mt to 87.2m mt, with the fall in the second half of 2020 more than offsetting rather strong growth in the first half of the year.

LNG tonnage demand continued to grow in 2020 by 7.9% to 1,543 trillion tonne-miles driven by growth in LNG trade flows on a long-haul voyage, on the back of a 16.4% growth to 46.5m mt in West to East trade, in particular LNG exports from the US towards Asia. The average laden distance sailed by LNG carriers was up 6.1% to 4,250 nm in 2020, compared to 4,006 nm a year ago, driven by LNG cargoes shipments from the US to the Far East Asia and India.

32 conventional LNG carriers and three FSRUs were delivered in 2020, a drop of eight LNG vessels from 2019, with several deliveries delayed to early 2021 for commercial reasons. 49 conventional LNG carriers were ordered in 2020, in line with 2019 levels, with a total of 16 LNG conventional carriers ordered from the Arctic LNG 2 project in Russia alone. In addition, two medium-size LNG carriers and two large FSUs were ordered for projects in Malaysia and in Russia respectively.

Traded volumes are expected to increase again in 2021, led by US project Corpus Christi T3, Indonesia's Tangguh T3 and Russia's Yamal LNG T4 which are set to bring online some 9.2m tonnes per annum and stronger utilisation of those plants whose output was reduced due to the low-price environment in the first half of the year. The majority of developers who were anticipated to reach final investment decisions in 2020 for export projects in the US, Qatar, Canada, Australia and Africa have delayed the announcement to 2021-2022, on the basis of market uncertainties and the low oil and LNG price environment of 2020. The only LNG export project reaching final investment decision in 2020 was the 3.5MTPA Energia Costa Azul in Mexico.

Newbuild ordering is expected to continue into 2021, supported by several liquefaction projects which anticipate reaching final investment decision, by portfolio players holding long-term supply contracts on a FOB basis from projects under construction and by players looking at renewing existing tonnage with more efficient LNG carriers.

+7.9%

LNG tonnage demand continued to grow in 2020 by 7.9% to 1,543 trillion tonne-miles driven by growth in LNG trade flows on a long-haul voyage, on the back of a 16.4% growth to 46.5m mt in West to East trade, in particular LNG exports from the US towards Asia.

Sale and purchase

Secondhand

In March, sale and purchase business was challenging as crew changes became almost impossible to organise at short notice, resulting in some vessels ballasting in circles around the Far East looking for a port where changes of ownership could be arranged. Shipowners had so many logistical problems with their own fleets that they had little interest in buying more vessels and with the recycling beaches of the Indian sub-continent closed down, transaction levels for new business pretty much ground to a halt. In March and April we also struggled to maintain existing business which had already been concluded, with effectively deals failing exceeding the ships we managed to sell in this period. We made real efforts to maintain morale during those challenging times. With clients reluctant to talk about new business and our existing business falling away, the early months of lockdown were difficult for sale and purchase and the year at that point looked bleak.

However, as things settled into the new normal and it became clear that fundamentals were not going to change quickly, shipping as always started to find ways around the new obstacles. For example, buyers agreed to take over sellers' existing crews or sellers found specific jurisdictions that started specialising in allowing vessel deliveries and crew changes. Globally across sale and purchase, the team worked hard at sharing this sort of information with each other. New business started to move again during the summer months with a certain amount of pent-up demand accelerating that process to the extent that the second half of the year more than made up for that initial market paralysis.

On a global basis, year-on-year against 2019, there was a significant increase in the volume of transactions concluded for 2020.

Newbuilding

The newbuilding market remained challenging for the large part of 2020.

Overall, output fell to 29.0m CGT, according to Clarksons Research, down 15% year-on-year to its lowest level since 2005 and to 50% of the 2010 production peak. New orders fell by a third to 20.2m CGT, representing the second lowest level since 2009, despite increased activity in the final quarter.

Macro-economic volatility and the ongoing debate around the green transition also had a major part to play in inhibiting investment decision. However, despite these challenges, several markets showed resilience and overall meaningful levels of contracting and activity remained, albeit at historically diminished levels.

Whilst the speculative end of the market was stifled by the more macro variables, project demand and the industrial sector remained relatively active. The dry cargo market was also heavily buoyed by Asian interests, namely domestic buyers in China, and Japanese owners who accounted for broadly over 80% of contracting activity across the major segments. Gas and container business also remained active and we saw a material increase in activity in the fourth quarter of the year as competitively priced deals across the large asset classes were motivated by yards seeking to compensate for a quiet year and soak up opportunity prior to year-end.

31% of new orders placed in 2020 incorporated alternative fuels and there remains an increasing attention to transition to green as the market adjusts in preparation for the approaching IMO 2030 measures. Going forward, we fully expect this trend to be a pivotal driver of new demand.

As a Group, we continue to leverage our strengths and offering into the industrial markets, which accounted for a large part of our activity in 2020. In parallel, we continue service to our historical and heritage relationships and invest into being at the forefront of this meaningfully transitional phase in the market. Our market share continues to grow and we remain a major tonnage provider to the key global shipbuilding players. We remain well placed to capitalise on this next phase of shipbuilding as we progress into 2021.

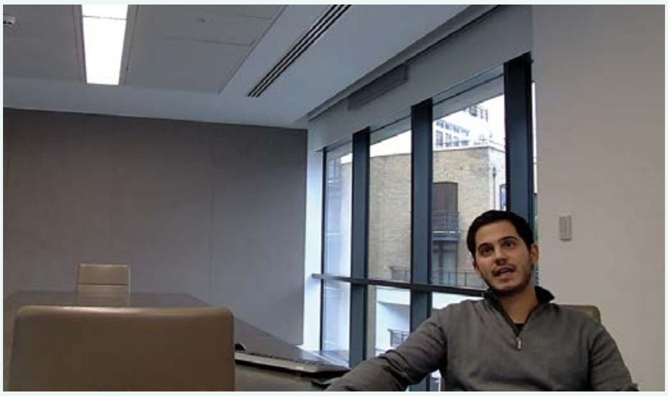
Offshore

General

2020 was a year of significant contrasts within offshore and offshore renewables. The traditional offshore market, focused on the oil and gas business, saw a lacklustre year with a significant decline in activity, utilisation levels and day rates. However, the offshore renewables (wind) business has seen continued strong growth, healthy earnings and a record volume of new projects sanctioned.

The significant decline in the traditional offshore business was induced by COVID-19 and the fall in the price of oil. This decline, combined with an uncertain outlook for near- and mid-term oil demand, forced Exploration and Production (E&P) companies to rapidly and significantly reduce investment levels and operating expenses. Global E&P spending dropped 30% in 2020 compared to 2019 and the latest indications suggest flat spending or moderate further reductions in 2021. Additionally, most operators also paused, deferred or cancelled already initiated projects due to operational and logistical challenges induced by COVID-19. This has also had an adverse effect on offshore services in general. Finally, most owners faced significant increases in their own operating expenses due to COVID-19, which have been far from compensated by operators. Consequently, we saw another significant round of refinancing, restructuring and Chapter 11 processes in the sector.

The continued strong growth for offshore renewables (wind) is underpinned by solid, long-term drivers; the green transition and the world's desire to decarbonise primary energy supply. As the pandemic escalated, market participants discussed whether it could derail the strong growth for renewables in general, due to the risk of countries and regions reverting to fossil fuels as these became cheaper. If anything, it seems to have accelerated the pace of growth for renewables. Many of the fiscal stimuli packages that have been launched have a solid 'green component', based on the 'build back better' rationale. Several countries have launched very significant programmes, hoping to stimulate and cultivate domestic industry and, to some extent, establish market-leading positions. Several stakeholders have also highlighted the risk of relying too heavily on imported energy in potential future pandemic situations and have thus pushed to develop local or regional energy supply, which, in many cases, implies wind and solar. Finally, the capacity freed up in the oil and gas business (and other industries) has made it easier for companies in the renewables sector to recruit and retain highly capable professionals and rapidly build and grow their organisations.



The continued strong growth for offshore renewables (wind) is underpinned by solid, long-term drivers; the green transition and the world's desire to decarbonise primary energy supply. As the pandemic escalated, market participants discussed whether it could derail the strong growth for renewables in general, due to the risk of countries and regions reverting to fossil fuels as these became cheaper.

This contrasting backdrop has also affected Clarksons Platou Offshore and Renewables, with a significant drop in sale and purchase and newbuilding activity in the traditional offshore business, while the renewables team has continued to see strong growth both in chartering, newbuilding and sale and purchase activities.

Drilling rig market

Whilst total offshore rig demand saw some improvement in the first quarter of 2020, overall rig demand saw a significant drop following the oil price crash in March/April. Total rig demand at the year-end was down 10% year-on-year with significant differences between the jackup (shallow water) and floater (mid-/deep-/ultradeep-water) segments. The demand for jackups declined by about 5% through 2020, whereas floater demand came down as much as 22%. The global offshore rig demand was at 462 units at the end of 2020, down from 506 units in December 2019, based on data from Clarksons Research. The demand for floaters was at 110 units in December 2020, down from 135 in December 2019. The current contracted level for floaters is the lowest we have observed for more than a decade. In line with the significant decline in demand, utilisation and day rate levels also came under pressure. At the year-end, global jackup utilisation was at around 74%, down from 76% a year earlier, whereas floater utilisation was as low as 61%, down from 68% at the end of 2019. While drillers have been faced with declining utilisation and day rate levels, they have at the same time faced significantly increasing operating expenses due to COVID-19. Crew change costs and other logistical costs associated with keeping contracted rigs active have generally escalated and operators have only to a highly limited extent been inclined to compensate for this. Consequently, most of the world's large drillers have been, or are, in some form of financial restructuring. Several of these processes are approaching a conclusion and we expect to see numerous companies emerge from restructuring during the first half of 2021. Further consolidation in the drilling market is a likely consequence once the companies have completed these processes, and we expect to see this materialise throughout 2021 and 2022.

Subsea and field development market

Sanctioning of new offshore field developments largely came to a halt following the oil price decline in early 2020. However, despite this, the major subsea contractors continued to see a decent order intake through the year with combined book-to-bill level around 100% through the third quarter. This was driven by a combination of awards related to already sanctioned projects, the sum of smaller contracts and, importantly, some major contracts for renewable projects (offshore wind). Despite sustained backlogs, major contractors continued to face declining fleet utilisation, revenues and earnings. Consequently, most of the contractors have released chartered vessels back to the market and announced significant cost reduction efforts. This had an adverse impact on subsea vessel owners who have continued to struggle to secure employment for their vessels. There has been no meaningful improvement in the market for subsea inspections, maintenance and repairs (IMR), which has further contributed to depressed fleet utilisation. Continued strong activity in the offshore wind segment compensated somewhat, but this was not enough to cover the shortfall in subsea EPC/project work and IMR.

Offshore Support Vessels (OSVs), Platform Supply Vessels (PSVs) and Anchor Handling Tug and Supply Vessels (AHTSs)
The market for OSVs also generally remains challenging and was characterised by significant vessel overcapacity. Current day rates were generally in line with or barely above vessel operating expenditure levels. All regions saw rock-bottom rates and low utilisation, which led to significant financial stress for owners. Many owners have been or are still going through financial restructuring and the sale and purchase market was particularly challenging with exceptionally few industrial owners left with capacity to transact. Chartering volumes are currently indicating a marginal pick up in some selected markets at the beginning of 2021, but higher activity levels, particularly in the drilling market, are needed to see a more meaningful recovery for the OSV segment.

Renewables (wind)
The offshore renewables market continued its strong growth throughout 2020 and was, to a great deal, shielded from the global shocks witnessed in the traditional oil service industry and other commodity markets following the outbreak of COVID-19. 2020 was a year of record investments into the sector, seeing a total of 7.0 GW of new field developments being sanctioned for Europe, around 9.0 GW in China and another 1.3 GW in the rest of the world, according to Clarksons Research. This level of investment eclipsed all earlier years. There is a continued upward trajectory when it comes to planning for, sanctioning and construction of offshore wind farms, but 2020 also marked the year in which many deep water shipping and oil service companies initiated their 'pivot' strategy, shifting resources and funding away from hydrocarbon and natural resources and allocating it towards offshore wind. More than US$2bn of investments in key offshore wind vessel segments were made in 2020 (firm orders); including letters of intent and options, that number could be more than twice as high.

We are witnessing the beginning of an infrastructure supercycle, driven by three key parameters. Firstly, an unprecedented acceleration in national climate pledges, with the EU, China and Japan, among others, setting very ambitious targets. With a new US President, the renewables industry is eagerly awaiting the implications on US climate strategy as well, including ambitions in offshore wind. Secondly, a supply and demand squeeze; with the upsizing trend of key equipment needed to build and operate a wind farm, such as the wind turbine, the current vessel fleet is not capable of building and supporting the planned industry growth in the years after 2024. More vessels are required, which, if not met by increased supply, could drive up day rates. Finally, the financial ESG factor, where investor sentiment has led to increased demand for securities that meet those requirements, which in turn has led to strong share price performance for the listed companies and record IPO activity. More capital has entered the space – inflows into ESG funds in 2020 were 118% higher than in 2019.

Futures

Dry FFAs
COVID-19 proved to have a mixed impact on the freight market in 2020. Trader appetite increased and volumes year-on-year were up by nearly 15%. However, rates dropped significantly.

Total dry FFA volumes in 2020 were up 14% to 1,562,653 lots. The panamax market was again the largest sector by volume with 744,237 lots, up 11% year-on-year. Capesizes saw a similar 11% rise (592,519 lots), whilst supramaxes had a more significant 32% jump (225,897 lots).

The underlying rates however were not so encouraging. Capesizes averaged US$12,855 per day for 2020 after a dismal first and second quarter, down from US$18,025 per day in 2019. Panamaxes averaged US$8,563 per day, down from US$11,112 per day. Supramaxes averaged US$8,173 per day, down from US$9,948 per day in 2019.

The introduction of the panamax 5TC index has still not gained traction despite attempts by clients to push the market that way. Others followed the open interest. When there is a substantial move to 5TC, the critical mass will follow and the 4TC index will die out.

FFA options, similar to swaps, saw a good a volume push to 327,183 lots in 2020 from 244,866 lots in 2019. Capesizes remained dominant with 54% share but the panamax market saw growth with 44% of the market.

2021 will inevitably be dominated by the direction the dry product consumer countries take to stabilise and restore their economies.

Wet FFAs
It was another strong year for the tanker-focused wet FFA team with a very busy first half of the year. Volumes increased again on both clean and dirty from 2019. In 2020, clean volumes were up 39% to a total of 225,929 lots and dirty volumes up 52% to a total of 375,067 lots which is a record high. This was mainly due to oil storage plays in the first half of the year and new market participants.

LNG and LPG FFAs
Having arranged the first LNG FFA trade in December 2019, we maintained our market-leading position in this market for 2020. Volumes remain low but we hope to see them improve in 2021, especially if the product is listed on ICE.

LPG FFA volumes increased to over 13,000 lots in 2020 from 7,114 lots in 2019. We increased our market share in 2020 and aim to do the same in 2021.

Delivering for our clients

Leveraging our cross-divisional capabilities to support the sustainability agenda

US$57bn

Investment sanctioned for offshore renewables in 2020, a record and higher than offshore oil and gas for the first time

Assisting OHT with the ordering of a new wind turbine installation vessel and their listing on the Euronext Growth Oslo

The breadth of services offered by the Group gives our clients unique access to market intelligence, industry know-how and solutions to various aspects of their projects in one place. During 2020, we assisted OHT, a specialist transport and installation contractor and vessel owner-operator, with the ordering of a new wind turbine installation vessel (WTIV) and the listing of the company on the Euronext Growth Oslo.

OHT is a good example of the 'pivot' strategy described on page 29, having routinely transported large and heavy structures for markets dominated by oil and gas clients, but recently entering the rapidly growing offshore wind market.

The project demonstrates the cross-divisional collaboration that underpins the Group's role as a trusted advisor in providing solutions for our global client base. The newbuilding broker activities were managed by our offshore/renewables team in Houston, whilst the IPO was handled by Clarksons Platou Securities AS in Oslo. In anticipation of the capital raise and given the increasing interest in the offshore wind sector, the offshore and securities teams jointly held a 'Global WTIV call' with over 500 participants. Whilst similar calls had occasionally been held on a smaller scale prior to the COVID-19 pandemic, this has proved to be an efficient and cost-effective means of engaging with potential clients and the broader shipping community and again reflects the strong growth in the offshore renewables market and the new way of doing business in 2020.

Overview | Strategic report | Corporate governance | Financial statements | Other information

Financial
The Financial segment had a mixed year.

Share of revenue: 9%

Services
- Securities
- Project finance
- Structured asset finance

Revenue
£33.9m
2019: £35.5m

Segment underlying profit
£2.5m
2019: £3.3m

Employees
95
2019: 124

Securities
2020 was an extremely challenging year due to COVID-19. To an extent unseen in most of our lifetimes and unexpected 12 months ago, it has caused one of the largest and sharpest economic contractions in recent history. Not only has the year been challenging due to the volatile oil price and collapse in freight markets, but also due to fears of global recession. Despite periods of optimism during the summer when it appeared that the virus was under control, and the end of the year with the arrival of vaccines, the year has been very volatile with new highs and new lows in all markets. 2020 can be summed up as a Bull-Bear-Bull market, as the majority of indices have gained between 5% and 15% from the start of the year to the end.

As news unfolded of the spread of the virus, global financial markets responded with sell-offs, volatility and a sharp increase in borrowing costs, which rivalled, and at times exceeded, those seen during the 2008 global financial crisis. March 2020 will surely go down as one of the most turbulent months as COVID-19 spread worldwide.

April saw global equities rebound as investors began to focus on expectations that economic lockdowns could soon ease and economies start to recover. The S&P 500 Index saw its strongest monthly rally in 30 years, shrugging off negative data which indicated sharply rising unemployment. Eurozone equities advanced as some countries began to allow some parts of their economies to reopen. The healthcare and information technology sectors were among the top gainers. UK and Norwegian equities recovered over the period as the governments declared they had passed the peak of COVID-19 and began preparations to ease lockdown measures.

The price of Brent crude oil plummeted in March due to various lockdowns in countries and travel bans. Coming from an average price at US$64 per bbl in January and US$56 per bbl in February, by the end of April the Brent crude price had plummeted to below US$20 per bbl. Optimism over tighter supply also pushed oil prices up in May and June. Iraq and Kazakhstan pledged to comply better with oil cuts and data showed the number of oil and gas rigs in the US and Canada fell to a record low in June. In the second half of the year, the Brent crude oil price remained volatile and ended at US$52, down 15% from the start of the year.

The offshore oil and gas industry began 2020 on a cautiously optimistic note. That optimism was quickly shattered with the onset of COVID-19 and the equally rapid collapse in crude oil prices. Having initially projected offshore Final Investment Decisions (FID) would total over US$100bn in 2020, Clarksons Research reported only US$41bn across the year.

In shipping, regulatory uncertainty is holding back newbuilding investments. The IMO has established long-term decarbonisation targets but has yet to decide on how to regulate emissions from vessels. Many shipowners and investors alike have refrained from building new vessels due to uncertain regulatory requirements, so the order books in most shipping sectors currently are at decades-low levels. With the lack of active shipbuilding activity, there is also less need for financing and consequently less ECM activity in the shipping capital market segment. The current low vessel ordering environment will, however, lead to reduced vessel supply and less competition in the coming years, boosting existing players' profitability so they can better prepare for low-emission shipping in the future.

The escalated focus on climate change has during 2020, and 2019, contributed to the energy sector being less favourable and investors have a focus on going green, boosted by the new US President's announcement of a US$2tn investment plan focused on developing clean energy, lowering emissions and rebuilding infrastructure. Our new investment banking renewables team has, despite the challenging year, arranged a total of four transactions with a total value of NOK 900m within solar, cleantech and wind, with more mandates secured to be performed in 2021.

In the fourth quarter, stock prices powered higher and emboldened investors thanks to a series of positive news events, including the announcement of three COVID-19 vaccines which drove a risk-on mood in the financial markets with the added fuel of the post-US elections. The stock market rebounded so quickly because investors were encouraged that COVID-19 would not trigger a more severe financial crisis.

During 2020, the S&P 500 Index increased 14%, the Dow Jones Industrial Average, which lagged throughout much of the year, jumped 10%, while the Nasdaq Composite rose a staggering 30%. In Norway, the Oslo Stock Exchange Benchmark Index increased by more than 5%.

Despite the volatile year, we completed 20 transactions with a total value of US$1.1bn. The majority of completed transactions were within the shipping (seven transactions) and metals and minerals (four transactions) sectors with a total value of NOK 8bn. There were a further five within the offshore/oil services sector and four within the renewables sector. Over 70% of all transactions were equity capital market transactions.

April saw global equities rebound as investors began to focus on expectations that economic lockdowns could soon ease and economies start to recover. The S&P 500 Index saw its strongest monthly rally in 30 years, shrugging off negative data which indicated sharply rising unemployment.

Project finance

Shipping

Given the overall conditions of the shipping markets in 2020, most shipowners shifted their focus and resources from growth opportunities and refinancing to operational issues and crew changes. This also had an effect on the project finance market, with lower activity in the first three quarters of the year. We started to see a gradual recovery in shipping market activity during the second and third quarters. The year ended on a positive note with most segments at profitable levels and with transaction activity returning.

Overall, the first part of the year became a real-life stress-test of the project portfolio we have arranged, and we were happy to see that all projects have sailed through the crisis relatively well due to good charter coverage and low loan to values.

The team arranged three sale and leaseback deals, sold three vessels from existing projects and arranged a strategic share deal in an existing project.

Real estate

Clarksons Platou Project Sales (CPPS), which now incorporates Clarksons Platou Real Estate (CPRE), started 2020 with a fundamental optimism for the year and strong investor demand for new investment opportunities. When COVID-19 hit in March all transaction activity was frozen immediately. The period from March to June was primarily focused on securing cash flow from existing projects and reassuring banks and bond-lenders that the assets they financed remained ‘in the money’. However, activity significantly improved towards the summer. Total transaction volume for 2020 is estimated to have exceeded NOK 100bn and might even surpass 2019’s all-time high of NOK 105bn. The market activity ended strongly, fuelled by appealing yield spreads due to reduced financing costs, as Norway was one of the few countries in Europe that had room for further interest rate reductions. 2020 was characterised by large deals: at least 24 deals above NOK 1bn were observed compared with 19 in 2019; five deals were above NOK 2.5bn.

CPPS also had an all-time-high year, passing more than NOK 100m in new business transaction fees and together with Property Management, Sales and Investment Management we passed NOK 160m. CPRE concluded 24 projects, eight of which were sales of existing projects delivering solid returns to our investors. We have now sold 34 projects since 2011, paid out more than NOK 3.5bn in equity to our investors and delivered an annual return (IRR) of almost 40% based on the sold projects.

Clarksons Platou Real Estate Investment Management (CPREIM) was focused on maintaining, securing and executing on the business plans of the existing portfolio of its main fund (Oslo Opportunity), but also on new investments. In the spring we focused on finding potential assets for acquisition (as Oslo Opportunity had available investment capacity), but most sellers sat firmly ‘on the fence’ awaiting visibility. Despite limited transaction activity in the second quarter, CPREIM secured three new acquisitions for Oslo Opportunity from June to November. Oslo Opportunity’s investment period ended in December 2020 and CPREIM is already planning the successor fund (Oslo Opportunity II) which has received significant interest from both new and existing investors. CPREIM plans to place the new fund during first quarter of 2021 with potential investments for the new fund already identified.

The real estate sector has, in recent years, made a significant leap towards the technological and environmental trends driven by authorities, entities, tenants and ultimately investors. The demands for technologically advanced, energy efficient and sustainable buildings are ever increasing, along with the ability to create engaging buildings and neighbourhood environments in which to live, work and socialise. Clarksons Platou Project Development (CPPD) was established in 2020 to bring the professional expertise and capacity of this ever-increasing complex development environment in-house. During the first six months of business, CPPD has secured development projects with building costs totalling NOK 370m in the first phases and with the potential of further fees in the following phases. Several major development projects are in the pipeline, with the expectation of growing the project portfolio to NOK 635m during 2021. CPPD’s development fees are expected to grow significantly towards the completion of ongoing projects, which are expected to be during 2021 and 2022, as the development fee structure is skewed towards projects’ completions.

Structured asset finance

2020 began on a positive note with a few significant and innovative transactions closed by the team. By March 2020 however, sentiment had changed completely with the onset of COVID-19. Margin spreads widened significantly for all deals as the immediate fight to preserve liquidity commenced in earnest, albeit the effect of this margin increase was somewhat mitigated by the general reduction in the overall cost of LIBOR. Thankfully, towards the end of 2020, there were signs that margin spreads had returned to pre-COVID-19 levels for most deals.

Likewise, the onset of COVID-19 saw credit committees seek detailed ‘deep dive’ reviews of existing lending portfolios and tightened credit criteria for new deals as the primary measures to identify and avoid future losses. Over the course of 2020, whilst initial pessimism did not materialise into significant loan defaults and shipping lending performed relatively well, we still have not, even in early 2021, seen any significant relaxation in the credit requirements and do not expect to see much during the next 12 months.

NOK 370m

During the first six months of business, Clarksons Platou Property Development has secured development projects with building costs totalling NOK 370m in the first phases and with the potential of further fees in the following phases. Several major development projects are in the pipeline, with the expectation of growing the project portfolio to NOK 635m during 2021.

Generally, the biggest drivers for many credit approvals now are debt service visibility and the 'green credentials' of the borrower, the project and the asset. Where once lenders could look to the vessels for ultimate recourse and security (and to help reduce capital allocation costs), now with ESG firmly on the forefront and with Basel IV getting ever closer, one could argue that taking security over the current vessel fleet is becoming more and more of a hindrance, certainly for traditional shipping banks.

Overall, 2020 was a continuance of prior years' trends, albeit at reduced overall transaction levels compared to 2019. For the most part, transactions remain private and confidential with few confirmed details being made public, but early indicators are that we move ever closer to a balanced funding market, split evenly between traditional shipping banks and ECAs, alternative direct lenders and leasing companies.

2021 has started on a positive note with a lot of asset financing activity. We see plenty of availability of senior debt facilities from the traditional shipping banks and export credit agencies for the right 'green' transactions sponsored by blue chip names, as long as debt service is clear. We are also seeing increased enthusiasm from pension funds and insurance companies for these same types of deals, so expect margin spreads here to remain under pressure. Outside these deals, the clear two-tier market in terms of pricing continues and this in itself is seeing increased interest from private equity and private wealth investors who are attracted by the higher yields on offer for vanilla senior debt refinancing opportunities for slightly older vessels. Structures and platforms are also being developed to allow for increased 'tokenisation' and 'trading' of loan participations which itself will open up more liquidity from this type of capital.

From our perspective, interest from our target clients, typically those in control of the cargo, continues to grow for arranging and execution of bespoke structured facilities and for financial advice and validation services. The major corporates of the world seem to have largely digested the balance sheet impacts of IFRS 16 and now seem more willing to consider how to put their balance sheets to work efficiently.

Support

There was a significant recovery across all areas in the second half, led by our increasingly strong position servicing the offshore renewables industry.

Share of revenue: 7%

Services
– Agency
– Gibb Group
– Stevedoring

Revenue

£24.9m

2019: £27.7m

Segment underlying profit

£1.7m

2019: £3.1m

Employees

261

2019: 237

Agency

The year began very strongly with good demand for agency and shipbroking services across our grain, animal feedstuff, offshore energy and wider product customer base. However, the arrival of COVID-19 and the governmental restrictions saw certain sectors of our business go into either a short decline whilst customers adjusted to the new business environment or, as with offshore oil and gas, a much more prolonged reduction in activity levels.

The UK recorded one of its weakest wheat harvests for many years. Whilst grain exports in the first half were good, the lack of UK wheat for export in the second half meant reduced agency income. This fall in income was offset through strong barley export volumes and imported wheat volumes which grew markedly. Other bulk product volumes held up reasonably well despite some COVID-19-induced volume losses where activity levels fell for a period, particularly in the first half of the year when the UK was in a strict lockdown.

Our offshore energy business enjoyed a very strong second half of the year, representing a range of installation and cabling clients for offshore wind projects off the English and Scottish coasts. These projects continue with different phases into 2021 and our agency business is extremely well placed to meet the needs of this expanding sector with the planned wind farm developments off both the Scottish and English coasts for many years to come. Income from offshore oil and gas was much reduced with customer activity levels dropping to a minimum because of the fall in the price in oil and gas.

As we neared the end of the year, we invested heavily in our Customs Clearance capabilities to meet our customers' needs to clear all products in and out of the UK following the end of the transition period as the UK finally left the EU. 2021 onwards will see a marked increase in activity levels in this area both for all bulks leaving and arriving in the UK as well as the offshore energy sector requirements to meet the new regulations now the UK is not part of the EU.

For all vessels under our agency, from the very beginning of the COVID-19 restrictions we implemented protocols to ensure vessels and their crew members could continue to pass through ports safely and without interruption.

In Egypt, we arranged 103 vessel port calls in 2020 compared with 138 vessels in 2019. The reduced numbers were due to COVID-19 and local market conditions. By the end of 2020 we had started to provide more services to our customers. We arranged the transit of 582 vessels in 2020 compared with 589 vessels in 2019. Our liner division has achieved a 15% increase in revenues in 2020 compared with 2019. In 2021 we expect a rebound in port calls and are targeting new clients to diversify our portfolio of vessel types.

Gibb Group

2020 has been one of the most exciting, yet challenging, years for Gibb despite having to navigate a path through continual change and new ways of working.

It was a year of transition: in March 2020 we relocated the Great Yarmouth business to a new purpose-built facility where we managed to get the move completed just ahead of lockdown.

We have gone from being Gibb Tools for more than 70 years – predominantly a tool and associated equipment supplier – to Gibb Group Ltd, a new name to coincide with the launch of Gibb Safety and Survival. The new division is true to our roots of servicing the marine and energy sector with all things safety and survival.

2021 will see more changes with the rollout of our fully digitised business operationally and a full e-commerce client experience website from the second quarter of 2021, which will offer no less than 20,000 different stock items to our clients, enabling Gibb to offer a true global reach.

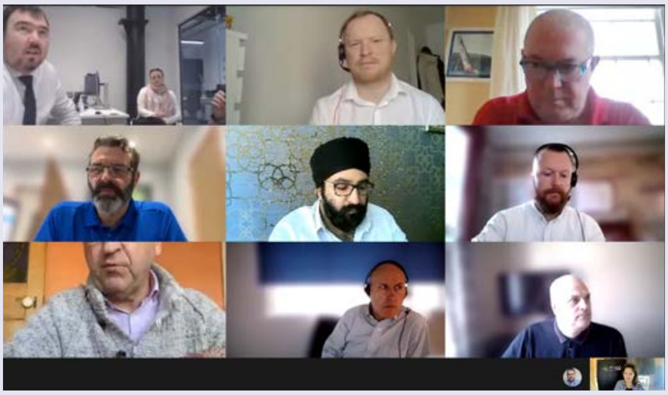
In the space of two years, our business has successfully transitioned from a business which relied on oil and gas for 90% of its revenues, to one which is now 50% renewable activities and 50% oil and gas. We continue to make great progress as we actively pursue work in the renewable sector and gain the trust and custom of many tier 1 wind farm operators.

With the new Safety and Survival division, we have welcomed some of the industry's best individuals into the business to assist our plans to grow the brand. We have committed to a new recruitment process to bring apprenticeships into the business and use this model as the pathway to our future talent in the business.

The new name of Gibb Group Ltd will better reflect the business offering with both the tools and safety division placed under the Gibb Group brand. We already have plans which could lead to more divisions on our journey.

Stevedoring

Our Ipswich-based business had a strong year investing in additional space to meet customer demand, particularly in the second half. Export volumes held up very well despite the poor UK wheat harvest and import volumes exceeded our expectations. We began a new venture in Portsmouth to meet client demand and we hope that this grows in future periods.



Our offshore energy business enjoyed a very strong second half of the year, representing a range of installation and cabling clients for offshore wind projects off the English and Scottish coasts. These projects continue with different phases into 2021 and our agency business is extremely well placed to meet the needs of this expanding sector with the planned wind farm developments off both the Scottish and English coasts for many years to come.

Delivering for our clients

Contributing to the world's demands for cleaner energy for the future

7,500

Active offshore wind turbines globally, 975 of which were installed in 2020

Supporting the Moray East offshore wind farm

As the energy transition continues to gather pace, our Support division's specialist knowledge and wide range of services means that we are well placed to contribute to the world's demands for cleaner energy for the future.

Over the last few years Clarksons Port Services (CPS) has been supporting the installation of the Moray East offshore wind farm, a sizeable renewable energy project located off the Scottish coast which will be able to power approximately one million UK homes. The project comprises 100 wind turbines and three offshore substations, from where electricity is exported onshore.

Our support for the project has been varied and far-reaching and has included:

- Providing the local vessel agency services required to support the transportation of structures for securing the foundations of the turbines and substations, as well as crew change co-ordination, procurement, customs and freight forwarding expertise. We are meeting the needs of our clients through both an office in Invergordon opened specifically to support the project, and our Aberdeen office.
- Representing many partners and vessel owners on the installation of the steel structures that form the foundation of the wind turbines. This includes the provision of vessel agency, customs clearance advice and services, crewing guidance in relation to COVID-19 restrictions, product and machinery forwarding, landside services, bunkering and co-ordination services involving the wider port community service providers.
- The procurement of tools, consumables, PPE and other specialist equipment from our fellow Group company, Gibb Group Ltd.
- Overseeing 260 vessel calls in 2020 and co-ordinating the services needed to complete each call.
- Looking ahead to 2021, supporting vessels specifically designed for the transportation of wind turbine componentry and representing the company laying the subsea cabling.

Research

Our Research capabilities have been in high demand this year.

Share of revenue: 5%

Services
- Digital
- Services
- Reports

Revenue

£16.8m

2019: £16.8m

Segment underlying profit

£5.6m

2019: £5.4m

Employees

126

2019: 115

Despite the difficult trading conditions, Research revenues remained steady at £16.8m (2019: £16.8m), with profits increasing to £5.6m (2019: £5.4m). Across the challenges of 2020, Research has maintained full research output while continuing to invest in its offering, including new initiatives to profile the complex impact of COVID-19 on the shipping markets and to track trends across the accelerating green transition. Our trusted intelligence and well received new coverage strengthened, in a period of uncertainty and change, our position as global market leaders in the provision of data and intelligence around shipping, trade, offshore and energy. Research significantly expanded its support of the **Sea/** suite technology platform during 2020 while continuing its role as a core data provider to the Broking, Financial and Support teams of Clarksons. Research has also helped maintain and enhance the profile for the Clarksons Group through our provision of highly respected research to a wide client base.

Our long-term strategy to focus on data, intelligence and insights around the green transition continued across 2020. This is a hugely important area for the shipping industry and one that has, along with technology, arguably been ‘amplified’ as stakeholders across maritime look to embed ‘green’ and ‘tech’ initiatives into their post COVID-19 planning. The shipping industry produces 810mt of CO_2 each year, which represents 2.4% of global CO_2 emissions. There are ambitious reduction targets set by governmental bodies, such as the IMO and EU, and key industry stakeholders including financiers and cargo. Our initiatives to explain emissions regulation and policies to commercial decision makers, track technology uptake including alternative fuels, analyse the economic impact on markets, earnings and asset value and project scenarios for fleet renewal investment have been integrated into our research offering as part of our fuelling transition series and are receiving excellent client feedback. This data and intelligence is being utilised across the shipping industry, including by governments and policy makers. During 2020, we also launched an energy transition model, providing integrated long-term scenarios for the energy mix specific to the maritime ‘universe’ including seaborne energy trade trends and the split of energy production by onshore and offshore locations. These scenarios show exciting long-term prospects for the offshore renewables industry and we have significantly expanded our data coverage around projects, farms, turbines and the wind fleet to support our clients and the Clarksons Platou Renewables broking team.

Research collects, validates, manages, processes and analyses data around the shipping and offshore markets, helping support our clients with their strategy and general decision-making processes. Our global Research team, with a headcount of over 120 and a strong Asia Pacific presence, showed excellent flexibility during the year. Expansions to our proprietary database are increasingly supported by our data analytics team, utilising innovative techniques to produce near-term and high frequency data series. Despite some subscription deferrals, our expanded sales operation has ensured good client renewal and a flow of new business, helping annuity revenue reach over 80% of overall sales.

Digital

Sales across our digital platform grew by 5% in 2020. Specific development plans for each of our digital products continue to be executed, to ensure that all systems remain content relevant, capture the benefits of our expanded database and utilise the latest technology including new data visualisation and customisation tools. Our investment into underlying digital architecture, including Application Programming Interface (API), is providing wide-ranging benefits. Users of our single access integrated platform have reached over 8,000.

Major digital products include:

Shipping Intelligence Network (SIN)

SIN is the market-leading commercial shipping database, providing wide-ranging data and analysis tracking and projecting market supply/demand, vessel earnings, vessel values and macro-economic data around trade flows and global economic developments. Our early launch of a dedicated COVID-19 market impact intelligence series provided a framework around the huge uncertainties and complexities facing the shipping industry and was very well received by our clients. This profiled huge 'swings' in trade volumes, elements of 'disruption upside', stresses in markets such as cruise and ferry and the shortening order book to historic lows. Other new content included a port call activity tracker and a monthly trade index that helped monitor trends such as the early recovery in China and rebounding container volumes in the second half of 2020. We also launched a floating storage tracker (for example, 12% of tanker fleet was utilised as storage in the second quarter) and issued regular briefings on topical issues such as the impact of Brexit on seaborne trade.

World Fleet Register (WFR)

There was strong sales growth of the WFR, supported by client interest around the green transition. The WFR focuses on providing intelligence around the world shipping fleet and companies, environmental regulation and policy, the tracking of new technology on-board ships including scrubbers and alternative fuels and market trends in the shipbuilding market. New time series, 'eco' profiles, emissions tracking reports and dashboards monitoring 'green' technology were added in 2020; by the end of 2020, 29% of the newbuilding order book was alternative fuelled, up from 21% a year earlier.

World Offshore Register (WOR)

Our comprehensive offshore register provides detailed intelligence on offshore oil and gas fields, oil company investment projects, offshore rigs and support vessels. Offshore oil and gas represent 17% of global energy supply with offshore renewables at 0.2% of the energy mix, although this could rise to 7% by the middle of the century. We made significant investments into our renewables database during 2020 and a new module is planned for launch in 2021. Clarksons Research remained the market leader in data provision to the insurance market, where our data is used as the core reference in identifying rigs and platforms.

Offshore Intelligence Network (OIN)

Despite significant economic stress across the oil service sector, our digital offshore-related sales remained steady. Our COVID-19 Market Impact Assessment series for the offshore market, documenting the huge swings in oil market supply and demand and the associated impacts across the offshore supply chain, was well received by clients.

Sea/net

Developed in conjunction with Maritech (a wholly owned subsidiary of Clarksons), our vessel movement system **Sea/net** blends satellite and land-based AIS data with our proprietary database of vessels, ports and berths. Research continues to improve the depth of our underlying movement and deployment data.

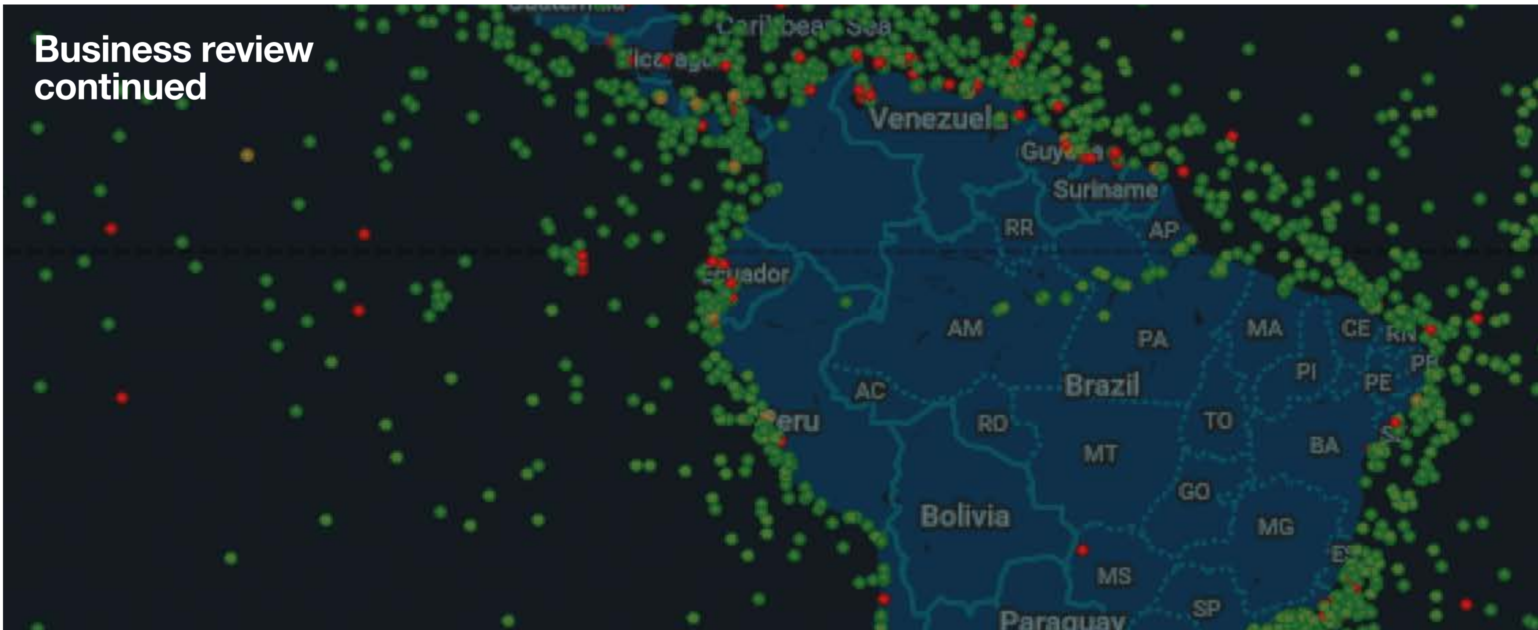
Services

Our specialist services team focuses on developing and managing retainers that provide bespoke data, consultancy and tailored intelligence to a range of corporate clients. Good progress was made in further expanding our client base during the year, with a number of successful contracts incorporating API delivery concluded. Our long-standing 'Shipping and Shipbuilding to 2030' forum, where analysis and modelling of the market outlook, earnings projections, long-term trade development, energy transition, technology scenarios to meet reduced emissions, ship finance requirements and newbuilding demand are presented to key retainer clients, was successfully hosted as a webinar, with record attendance and excellent feedback received. Our 'Offshore and Energy to 2030' forum was also held virtually and included the launch of a detailed report around the rapidly growing offshore renewables market. Our bespoke services typically become embedded within our clients' workflows, supporting good client retention. Important client groups include banks, leasing companies, shipyards, fabricators, engineering companies, insurers, governments, asset owners and other corporates.

Clarksons Valuations is the largest provider of valuation services to the shipowning and financial community and is recognised as the leading provider of authoritative valuations to the industry, combining leading broker expertise, research and technology. Reflecting the softer transactional environment of 2020, and long-term changing financial landscape, there was a small reduction in valuation volumes for the team. Clarksons Valuations maintained good relationships with all major ship finance banks, leasing companies and asset owners during 2020, providing regular updates on the impact of COVID-19 on asset values and transaction volumes. Previous investments into the team's operating platform, and in digitalising workflows, proved highly effective during periods of remote working.

Reports

Benefiting from over 50 years of heritage, our comprehensive market intelligence report series, including flagships such as Shipping Intelligence Weekly, continues to generate important provenance and profile. Although some of these reports can be accessed individually in digital format, they are largely accessed via our web offerings and we plan to accelerate this consolidation in 2021.



Delivering for our clients

Making digital solutions part of the everyday for our clients

The clear aims in 2020 were to drive adoption of the core modules, deliver the **Sea/trade** platform and roll out enhancements across all products to satisfy customer feedback. Whilst COVID-19 impacted collaborative working in an office environment, the technology teams adapted to online collaboration with unsurprising ease. Given the foreign travel restrictions, the sales team were similarly quick to move to online demonstrations which reduced time in transit and yielded strong results.

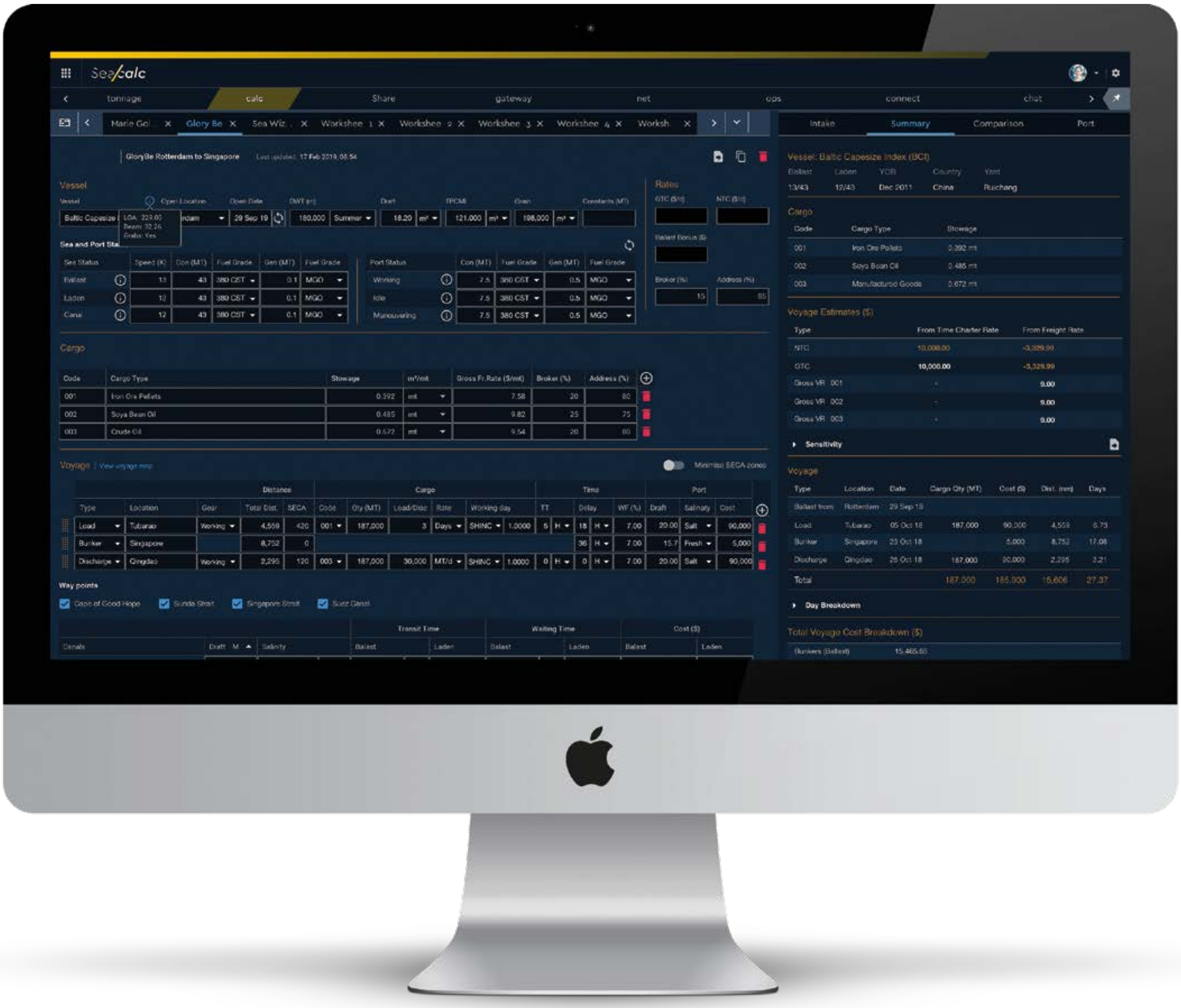
The demand for digital solutions in the maritime sector remains at an all-time high, but it is equally clear that quality and security are essential factors in selecting a new technology product. Our data security team were, once again, awarded ISO 27001 certification in 2020, demonstrating our commitment to information security across the design, development, provision and hosting of our applications and services.

Powerful insights
Sea/net has enjoyed a year of significant enhancements resulting in ever-greater adoption by customers. This product is an AIS module that leverages the Clarksons Research vessel database and provides a single view displaying vessel, port, cargo and commodity data, and has proved a popular tool for those requiring powerful and clear insights amidst the noise of information overload.

Sea/trade live
Securing the RFP for a major mining group gave a clear target for our development team to have the first version of **Sea/trade** ready to go live by the end of the year. Delivering a product that optimises the creation, distribution and negotiation of a freight transaction or just the deal-capture, whilst still preserving the essential roles that charterers, owners and brokers all play in the process, has been a substantial task but an essential one in an industry that is built on relationships. The fact that, through capturing the details of the transaction at this initial stage, charterparties are created without the need to re-key data, and fixture details can flow into other products, is a significant step for the industry.

Large scale implementations
2020 saw the adoption of **Sea/contracts** and **Recap Manager**, the Maritech contract manager licenced to the London Tanker Broker Panel, by some of the largest chartering and owning groups, bringing their extended network of counterparties and brokers onto the platform. These products ensure tighter governance around terms allowing for the flagging of risky clauses and the seamless creation, distribution and approval of documents. Onboarding, training and supporting these large-scale implementations has necessitated growing our teams in Singapore, London and Houston but the pipeline of new customers in all market sectors from oil majors to the largest dry cargo operating groups and mining companies now positions these products as clear market leaders.

Carbon reporting
The essential need to promote international shipping's decarbonisation has resulted in several initiatives to record carbon consumption after each voyage is completed and, in some instances, to report these results on an annual basis. Technology plays a part in providing an efficient and simple method to request and receive data from owners and calculate the resultant emissions, hence Maritech has developed a tool to capture, display and report this information which is now live.



Bots boost user numbers

The introduction of Bots in **Sea/chat** resulted in the growth of both user numbers and instances of utilisation of these features. The ability to enter a vessel name or IMO number and receive vessel specifications from the Clarksons Research Vessel Register, together with an AIS position and historical data, has proved popular. So, too, has been the ability to enter the name of any port and receive a map view together with data on the restrictions and other essential information on the port.

Mitigating risk and delivery efficiency

In the offshore industry, **Sea/response** provides an essential service in providing critical information on the location and equipment on board vessels in the proximity of an emergency. Providing **Sea/calc** to a charterer so that they receive uniform and consistent calculations from all their service providers highlights the efficiencies that are being found using Maritech products. Whether it is scheduling the optimum vessel for a cargo pre-fixture or analysing the performance of a voyage post-fixture, our consistent aim of allowing data to flow seamlessly from one module to another, minimising the re-keying of information and reducing errors, is delivering efficiency.

Global trends

Green transition

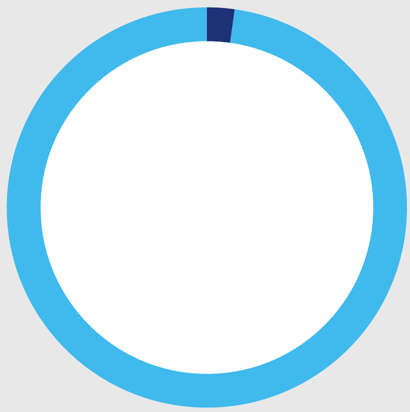
Context

The green transition will deeply impact the maritime sector, requiring huge investment, technology change and innovation. The shipping industry must play its role in reducing global greenhouse gas emissions generally, and CO_2 specifically. We estimate that the world shipping fleet produced around 810mt of CO_2 in 2020, some 2.4% of global output, and while shipping remains the most carbon efficient means of transport, further acceleration of decarbonisation strategies will be needed in the coming decades. There are already ambitious emissions reduction targets set by governmental bodies, such as the IMO and the European Union, and by key maritime stakeholders, including financiers and charterers. In post COVID-19 planning, policies to moderate climate change have become a priority for many stakeholders across the shipping industry.

What this means for Clarksons

We are actively supporting our clients to develop, validate, execute and monitor their strategies around emissions reductions. We have invested in data, intelligence, expertise and technology to support cargo interests and shipowners to execute freight, carbon and asset owning decisions that combine commercial opportunities and the meeting of environmental targets. Our finance teams are already active in green financing initiatives and our technology team has developed emissions reporting and monitoring tools. Our research provides data and intelligence to governments, regulators, trade associations and academic institutions around eco technology uptake across the world shipping fleet and the economic impact of regulation, helping frame debate and policy decisions.

Shipping's share of global CO_2 emissions (2020e)



Shipping	2.4%
Other	97.6%

Source: Clarksons Research

2.4%

Shipping's share of global CO_2 emissions

810mt

Estimated amount of CO_2 produced by the world shipping fleet in 2020

Technology

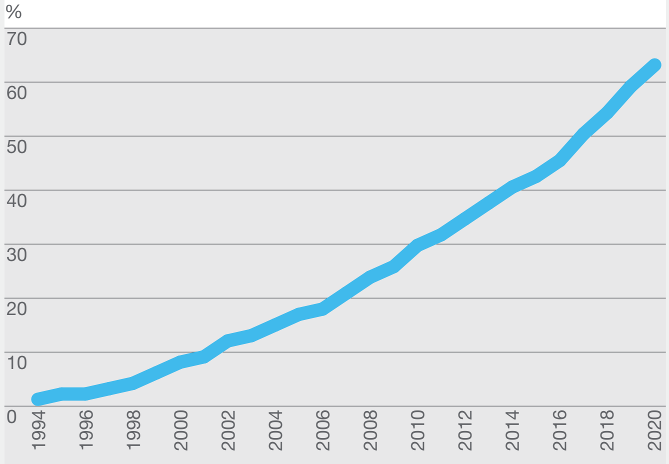
Context

Like many industries, digital technology change is introducing opportunities to radically improve efficiency, regulatory compliance and transparency across shipping. As they have been across society, these trends within the shipping industry have been amplified during the COVID-19 pandemic, with growing demand for digital services and solutions that leverage these opportunities around the freight transaction process and the monitoring and management of risk and emissions. While a range of new technology entrants are also looking to exploit these opportunities, industry participants are increasingly keen to work with established partners with critical mass and industry understanding.

What this means for Clarksons

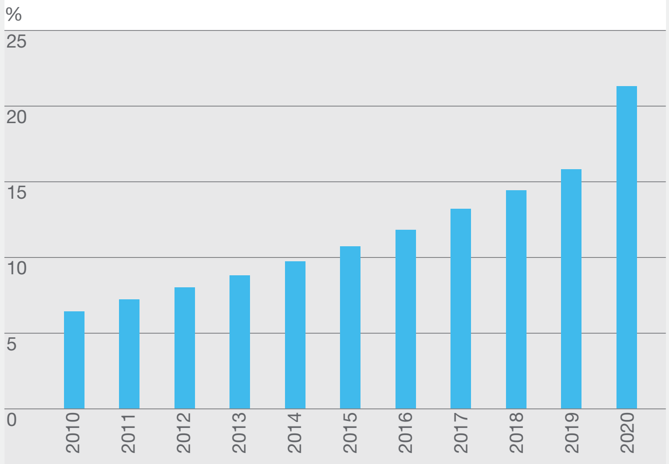
Our investments into the innovative **Sea/** suite of technology products have created a transformative end-to-end digital freight platform for the shipping industry. Delivering efficiencies, productivity and risk mitigation, the **Sea/** suite has already become embedded within the workflows of many of the world's largest cargo interests as our excellent profile, proprietary data, deep understanding of freight and our long client relationships encourage increasing uptake. Managed by our technology business, Maritech, the **Sea/** suite also complements our traditional broking offering while creating exciting opportunities for growth. Our broader investments into the digitalisation of our workflows and the evolution of digital support systems are long-standing and provide a competitive edge for our broking and banking teams. Our Research business continues to utilise innovative technology to generate and deliver its data and intelligence, with growing demand across industry to integrate data into client internal digital systems.

Global growth in internet access



Source: Clarksons Research

Growth in e-commerce



Source: US Department of Commerce

150%

Growth in internet access over the last ten years

35%

Growth in US retail e-commerce in 2020

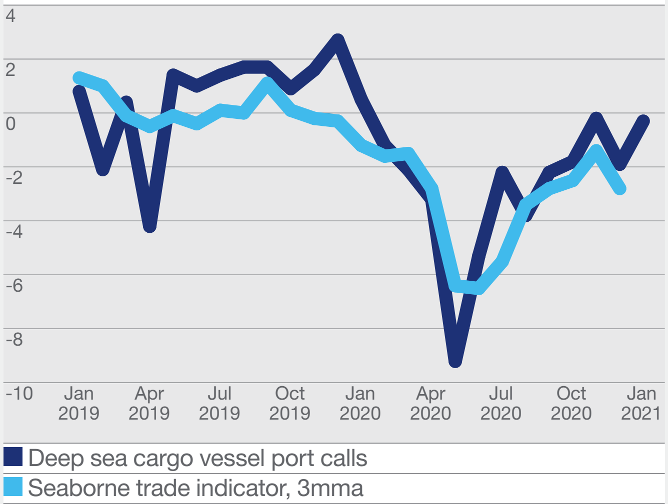
Global trends continued

COVID-19 disruption

Context
Even for an industry with a track record of disruption management and dealing with increasing trade complexity and freight rate volatility, the impact of COVID-19 on global shipping has been unprecedented. Shipping plays a vital role in facilitating global trade, with 85% of all trade moved by sea, and in 2020 there were huge swings in trade volumes and deep complexities across geography and commodity. Generally, the shipping industry activity has experienced significantly smaller contractions in activity, and a quicker recovery, than across other transportation modes. While some shipping segments have suffered deep economic stress, others, such as the containership and tanker segments, have also benefited from elements of the disruption and volatility. Understanding and managing these recent trends, besides the long-term complexities around the business cycle, commodity flow and shipping supply, is vital for our clients. Global trends around technology and sustainability have also become increasingly important during the COVID-19 pandemic.

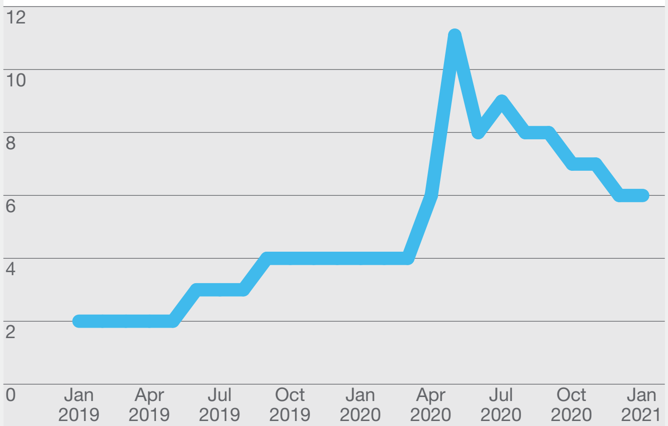
What this means for Clarksons
Our ability to maintain and enhance our offering to clients across the COVID-19 pandemic disruption and uncertainty has strengthened our role as an essential part of the freight supply chain. Our technology investments, flexible approach, scale, global critical mass and deep understanding of the rapidly evolving market situation have allowed us to deepen our support to clients as they respond to the challenges and opportunities created. This has included helping our clients execute strategies involving tanker 'floating storage', additional capacity for rebounding container volumes and managing the spike in LNG and LPG freight rates at year end. We have produced leading data, intelligence and insights to allow our clients an understanding of the deep and complex economic impacts from COVID-19-related disruption and to support post COVID-19 recovery planning, including the focus on technology and sustainability.

Monthly trade



Source: Clarksons Research

Tankers in floating storage



Source: Clarksons Research

10%

Increase in trade from peak COVID-19 disruption (May 2020 to December 2020)

Shipping trends

Energy transition

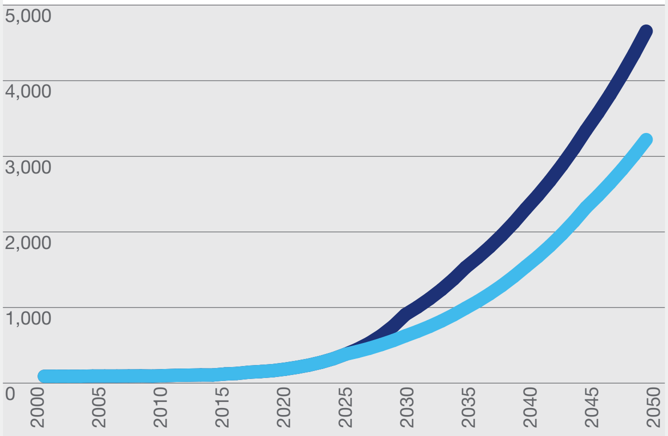
Context

The energy transition is gathering pace as policies and strategies towards decarbonisation become an increasing priority. Offshore renewables, which saw record investment and start-up capacity in 2020, is expected to play a vital role in this transition. Some 40% of seaborne trade, equivalent to over 4.2bn tonnes, is energy transportation and despite underlying growth in energy demand over recent decades, the mix of energy sources and growth rates is changing as environmental pressures build. With strong growth trends in gas and more mature trends in coal, shipping requirements and investment needs are also changing. From an energy production perspective, a significant 17% of global energy still continues to be met by offshore oil and gas production.

What this means for Clarksons

Our dedicated renewables broking team, focused on the offshore wind industry, works closely with clients in this rapidly expanding sector and executed a significantly increased level of business in 2020. Our port services and banking businesses, leveraging our heritage expertise in offshore oil and gas, have also built dedicated renewables teams that are increasingly active, whilst we have developed research intelligence on all wind farms globally. Our understanding of energy markets and our deep relationships with energy producers and traders allow us to provide an unrivalled service to support our clients in their ship chartering, asset and financing strategies as they deal with energy transition. We are well positioned as market leaders in the growing gas transportation markets of LNG and LPG. Through our research, we provide intelligence that allows understanding of the potential impact of long-term energy mix changes on underlying shipping requirements.

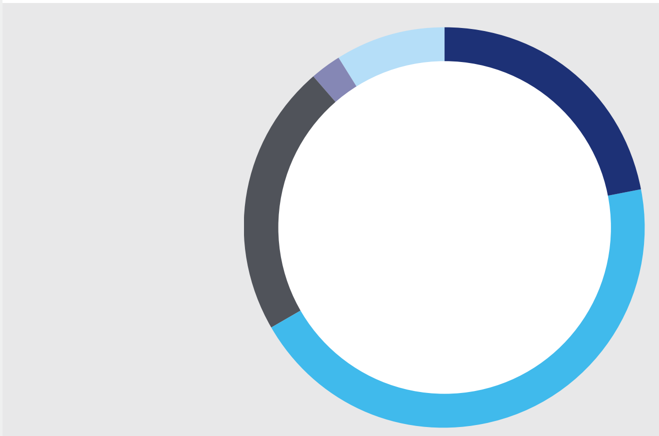
Offshore renewables scenarios 2000-2050



Gradual transition
Rapid decarbonisation

Source: Clarksons Research

Energy transportation share 2020



	Bn tonnes
Steam coal	0.9
Crude oil	1.9
Oil products	0.9
LPG	0.1
LNG	0.4

Source: Clarksons Research

22%

Growth in global offshore wind GW capacity in 2020

Shipping trends continued

Broadening markets

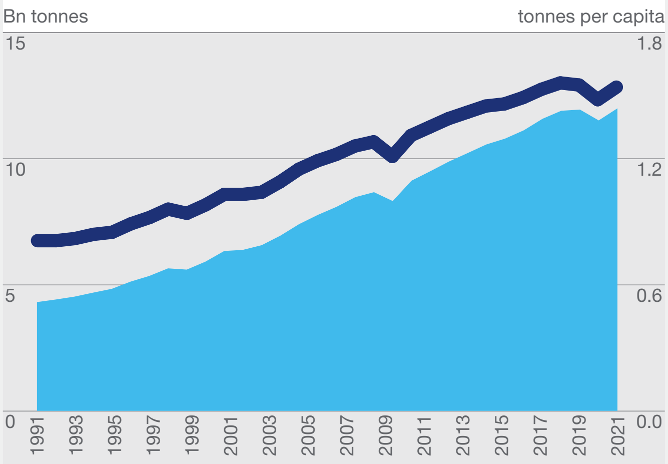
Context

Over the past 20 years, seaborne trade and shipping capacity have expanded significantly, creating a materially broader and more complex industry by geography and cargo. Seaborne trade volumes by tonnes have increased by nearly 90% over this period and today remain 40% larger than at the financial crisis, despite recent COVID-19 disruption. Emerging markets, supported by population growth, have been central to growth with Asian imports growing from 2.6 billion tonnes to 6.9 billion tonnes since 2000. Individual shipping segments, such as specialised products and LPG, have also evolved into more significant markets. Shipping companies, traders and cargo interests have also become more consolidated, global and mature in their approach with increasing demands for highly professional support.

What this means for Clarksons

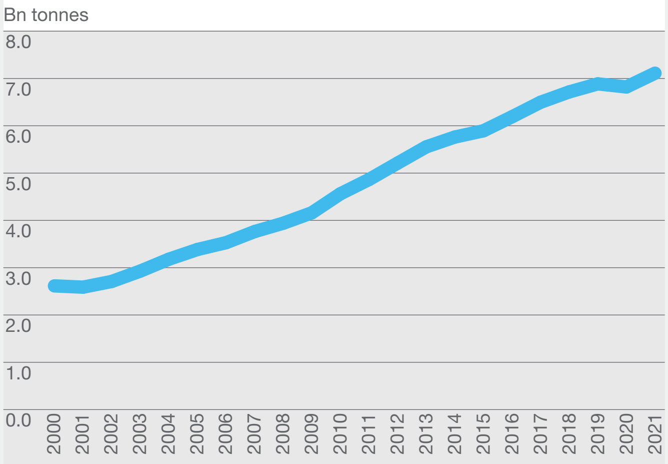
As an essential part of the freight supply chain and market leaders across all major cargo sectors, our broking teams benefit from growing global volumes of cargo traded and ships chartered. Our diversified position, while maintaining specialised market-leading positions and expertise in all cargo segments, has been increasingly important as the global trade matrix has evolved. Our global network of offices, expanded in recent years, allows us to combine global reach with local relationships, knowledge and expertise. Our deep understanding of increasingly complex trade flows, and the range of economic, geo-political and seasonal factors that impact both positively and negatively on growth trends, make us a trusted advisor and provider of market insights and intelligence to cargo interests and shipowners. Our offering and scale are increasingly attractive to clients looking for solutions that increase productivity, efficiency and transparency, leveraging off our innovative technology and trusted data solutions that help differentiate our service offering and add value to our clients.

Global trade 1991-2021(f)



Global seaborne trade (left axis)
Seaborne trade per capita (right axis)
Source: Clarksons Research

Asia seaborne imports 2000-2021(f)



Source: Clarksons Research

85%
Global trade carried on ships

Fleet evolution

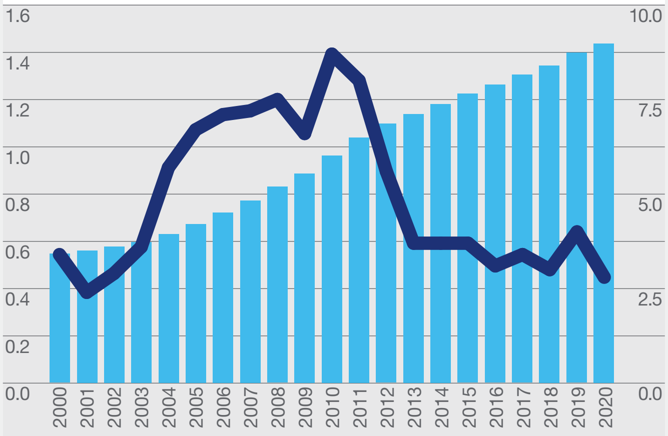
Context

Over the past 20 years, the capacity of the world's shipping fleet has grown by over 150% to over 2.1bn dwt as the shipping industry has expanded to meet its crucial role in servicing global trade. Although fleet growth has begun to moderate in recent years, helping markets recalibrate, the world fleet is still 70% larger than at the start of the financial crisis, providing greater potential volumes for our asset broking teams. The dynamics across the shipping fleet are also becoming increasingly complex, with trends towards slower speeds, increasing length of haul, storage plays, shipyard consolidation and congestion.

Opportunities for Clarksons

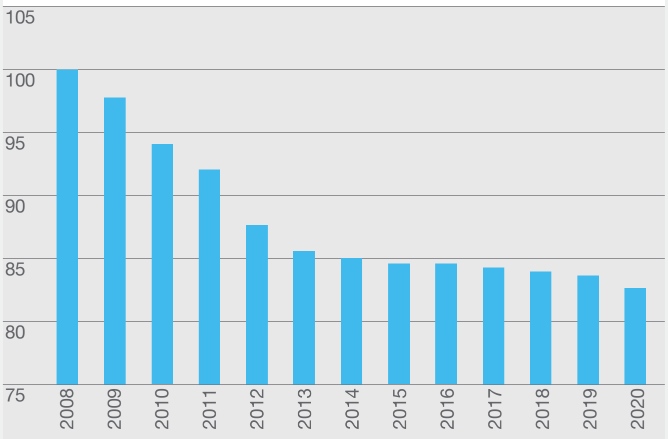
Our understanding of the world's shipping fleet, both at an aggregate trend level and on an individual asset basis, is unrivalled. This understanding builds on the synergies between our broking, banking and research teams and supports our clients in their decision-making through our complex and multi-cyclical markets. Our broking teams are market leaders through the full lifecycle of the asset and across every ship type operating in the world fleet, benefiting from the greater volumes of vessels bought and sold in recent years. Our understanding of the number of active shipyards and capacity reductions is a key insight that Clarksons provides to our clients, as is the tracking of trends in the recycling of ships. As the global order book reaches a 31-year low at 7% of fleet capacity, and pressures for fleet renewal build, our understanding of the world's shipping supply is vital to our clients' decision-making.

World fleet growth 2000-2020



Source: Clarksons Research

Average vessel speed index 2008-2020



Source: Clarksons Research

150%

Growth in shipping fleet capacity over the past 20 years

Our markets continued

Shipping trends continued

Fuel transition

Context

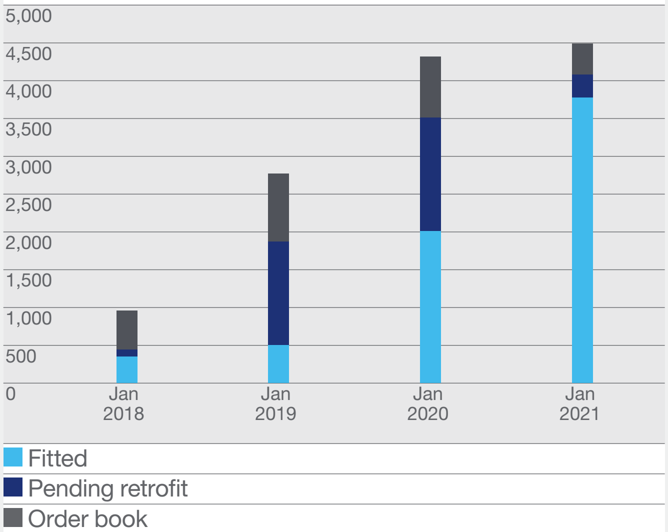
The transition away from conventional fuel use is central to a reduction in emissions across the shipping fleet. New and complex environmental regulations and policies are being introduced across the shipping industry, many of them directly impacting fuel type and fuel economics. These regulations and policies are also increasingly impacting supply and demand trends and commercial decisions across the shipping markets. Strategies to manage the introduction of global sulphur limits at the start of 2020 required deep understanding of fuel costs, scrubber technologies, retro-fitting timetables, vessel speeds and oil product trade flows. With the focus having turned to CO_2 reduction, there are challenging strategic decisions for shipowners and cargo charterers given uncertainties around propulsion technology and timing of investment decisions. At the start of 2020, 29% of the global order book by tonnage was capable of using alternative fuels, up from 21% a year earlier.

What this means for Clarksons

Clarksons is uniquely placed to understand and explain the economic impact of new regulations and policies. This understanding involves the impact on market supply and demand, on individual vessel asset value and earning potential, on chartering decisions and on decisions around fleet renewal and newbuildings. This allows us to guide clients on how markets may respond and to support clients on how their chartering and asset owning strategies should be adapted, including the execution of fleet renewal programmes. Our wide-ranging research data and intelligence, including coverage of eco equipment and technology on board ships, alternative fuels and Energy Saving Technologies (ESTs), CO_2 emission benchmarking, vessel speeds and bunkering facilities, is widely used by the shipping industry and policymakers as an authoritative source.

Scrubber count

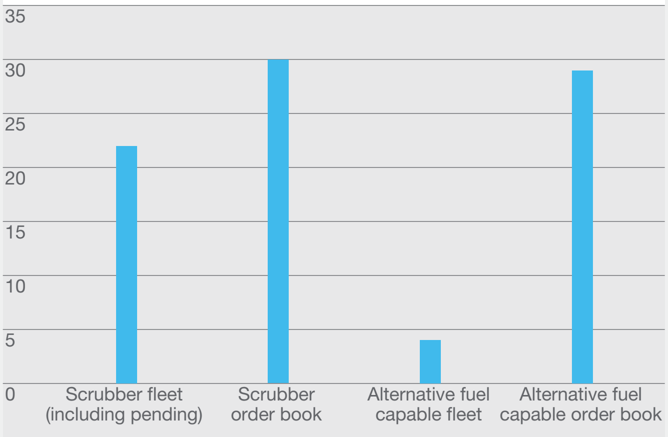
Number of vessels



Source: Clarksons Research

Environmental uptake

% of fleet/order book in GT terms



Source: Clarksons Research

29%

Share of order book tonnage capable of using alternative fuels

Ship finance

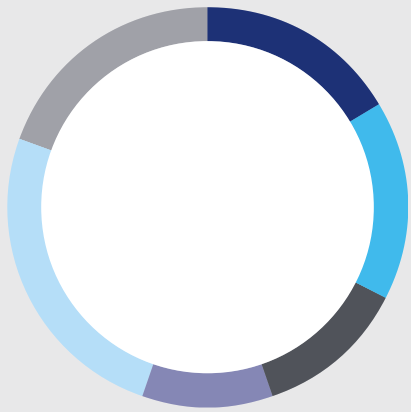
Context

The financial landscape for the shipping industry has changed significantly since the financial crisis, impacting the number of financial institutions participating and the scale of finance available. The aggregate debt portfolios of the top 20 ship finance banks in 2008 compared to those of the top 20 today is around 30% smaller, with many ship finance banks in Europe having restructured or divested elements of their shipping exposure following challenging market conditions and increasing regulation. Many shipowners and cargo interests have looked to diversify their funding sources and investigate new and more complex financing solutions, with changes in accounting standards also impacting. Green issues specifically, and ESG more broadly, are increasingly impacting the policies of ship finance institutions and access to finance for cargo and vessel owners. Despite these trends and complexities, financing the world shipping fleet and its renewal to meet decarbonisation targets, remains hugely capital intensive, with today's shipping and offshore fleet valued at US$1.2tn and the world order book at record lows.

What this means for Clarksons

The guidance and execution that Clarksons' market-leading financial teams can provide across this more complex ship finance landscape, at a time of increasing investment needs around the green transition, is unique in the market. Our deep expertise, combined with an innovative approach, allows us to support our clients to raise finance across capital markets, project finance, debt markets and through leasing structures. Our ability to offer innovative solutions to our clients was again demonstrated in 2020, including regularly leveraging synergies between our broking and banking teams and their relationships with cargo, shipowners and financiers, including around fleet renewal newbuild projects. Our offer also includes an integrated service to support ship finance banks and investors divesting of assets or engaged in restructuring and bankruptcy cases and supporting clients acquiring loan books. We are well positioned to understand and support green financing initiatives and our finance team grew its presence and activity across the renewables market in 2020. Our research and valuations continue to be trusted as the market-leading source across the finance sector.

Value of the world fleet (including order book)



	US$bn
Tankers	196
Bulkers	192
Boxships	145
Gas	128
Other vessels	298
Offshore	232

Source: Clarksons Research

7%

Lowest order book as a share of the fleet for 31 years

US$1.2tn

Shipping and offshore fleet value

Overview | Strategic report | Corporate governance | Financial statements | Other information

Our strategy is to create long-term sustainable value for all of our stakeholders.

We do this by building on our strong performance, which allows us to maintain and develop our position as the global market leader in shipping services.

Breadth

Strategic objective: Expanding our breadth to better tailor our integrated offer

With an expanding and industry-leading range of products and services that span the maritime, offshore, trade and energy markets, we are uniquely positioned to deliver bespoke commercial solutions to our clients and enable them to make smarter and better informed decisions. As the market makes increasing strides towards a more sustainable future, Clarksons' investment in renewables and sustainability expertise positions us to lead this vital change from the front.

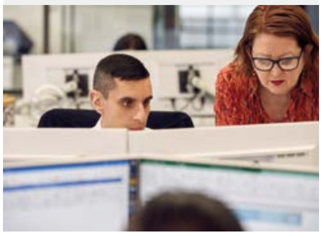
What we achieved in 2020
As clients target zero carbon emissions, Clarksons has established a carbon emissions broking desk; strengthened our position in LNG; expanded our renewables broking teams around the world; continued to lead in alternate fuelled newbuilding of vessels; arranged finance across many exciting renewables projects; initiated a research database of analytics covering the green transition; extended our already strong support teams to service offshore wind projects; and developed **Sea/** solutions for the capture of emissions data.

Reach

Strategic objective: Extending our reach to support clients globally

Our global presence enables us to meet client needs wherever and whenever they arise. With 53 offices in 23 countries on six continents, and growing, we share understanding, culture, IT systems and high standards of corporate governance across our business, as we use our local knowledge to provide our clients with truly global, cross-border advice.

What we achieved in 2020
The Copenhagen and Madrid offices (opened in late 2019 and early 2020 respectively) have been embedded. We also opened an office in Birmingham during the year, providing increased capacity for us to continue to develop the **Sea/** platform.



Understanding

Strategic objective: Stronger understanding of clients' needs

Our client base ranges from oil majors to raw material producers and long-established shipowning families. We have worked with many of our clients for generations, building a deep understanding of their businesses and providing the services that have helped them to prosper. We have more touch points across the industry than anyone else and use our leading technology and authoritative intelligence to offer unique and tailored solutions to meet our clients' needs.

What we achieved in 2020
Our clients have indicated a desire to increase the use of technology within elements of their shipping business. We have continued to invest in our **Sea/** suite of products (designed specifically to address these requirements), launching a further six modules during the year.

People

Strategic objective: Empowering people to fulfil their potential

We are committed to attracting and retaining the best people, providing them with the tools and training that empower them to fulfil their potential. Our employees have access to our leading technology and authoritative intelligence, enabling them to support our clients to make smarter and better informed decisions.

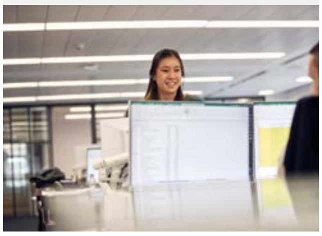
What we achieved in 2020
During 2020 we have developed and implemented a new promotions process and particularly focused on the promotion of new Managing Directors to strengthen and further grow our succession pool. Further progress has been made with the design of a competency framework to support leadership and employee development based on consistent criteria of performance requirements.

Trust

Strategic objective: Maintaining trust in shipping intelligence

As a globally-respected market leader in the provision of data and intelligence, our research is widely trusted across the shipping industry to inform effective decision-making. Our database tracks over 160,000 vessels and 8,000 offshore oil and gas fields.

What we achieved in 2020
Research has continued to enhance its offering, including new initiatives to profile the complex impact of COVID-19 on the shipping markets and to track trends across the accelerating green transition. Research expanded its support of the **Sea/** suite technology platform while continuing its role as a core data provider to the Broking, Financial and Support teams. Data coverage has been significantly expanded around offshore renewable projects, farms, turbines and the wind fleet to support our clients and the renewables broking team.



Growth

Strategic objective: Growing our business to improve performance

We are a consistently profitable and cash-generative business that is focused on creating long-term value for our shareholders. We do not rest on our laurels as the market leader across our core sectors, but strive to build on our position through the provision of 'best in class' advice and service to our clients.

What we achieved in 2020
We have increased our dividend for the 18th consecutive year, whilst remaining cash-generative and increasing our free cash resources.

We were able to maintain our progressive dividend policy due to the strong cash flow produced by the Company in the first half of 2020. Whilst the decision on the amount and timing of the final dividend in respect of the 2019 financial year was initially deferred until the financial impact of COVID-19 could be assessed, the Company's robust performance allowed the payment of the equivalent of the 2019 final dividend as an interim dividend later in 2020, as well as a further interim dividend for 2020.

Our stakeholders

Our clients

Who they are

We have over 5,000 clients globally which includes charterers, vessel owners, trust funds, investors and ship agents.

What they care about

- Integrity
- Quality of service
- Expertise
- Trusted advisor
- Innovation and technology
- Market leadership
- Sustainable products and solutions
- Business conduct

Why they are important to us

As the world's leading provider of integrated shipping services, our market-leading technology and intelligence set us apart. This allows us to influence client decisions at every step of the shipping lifecycle and form the trusted partnerships with our clients that continue to drive our business.

How we engage with them

Adopting a bespoke approach is key to how we engage with our clients. This will include:

- Client meetings and presentations
- Client forums
- Client feedback and input into product development
- Social media
- Website

Issues raised during the year

- Ability to continue to service the business while working within COVID-19 guidance on working practices
- The green transition, in particular fuelling transition (decarbonisation of the industry), energy transition (impact on trade flows of changes in energy usage) and growth of the offshore renewables market

Actions and outcomes

- Smooth and efficient transition to working from home, with no impact on client service
- Continued investment in and development of technological solutions (e.g. to facilitate decision-making to support decarbonisation of the industry, and to enable electronic signature of charter party agreements)
- Digitisation of reports to make data more accessible
- Expansion of our offshore renewables team to cover the expertise required in constructing offshore wind farms
- Establishment of a carbon emissions broking desk

Our people

Who they are

We currently have over 1,600 employees across 53 offices in 23 countries.

What they care about

- Culture and values
- Reward and benefits
- Training and development
- Employer brand
- Market position

Why they are important to us

As a service-driven business based on authoritative intelligence, our people are our biggest asset. We strive to employ and train the best people.

How we engage with them

- Employee engagement initiatives
- Leadership and divisional management forums
- Global conferences
- Active management
- Employee newsletter
- Social media
- Digital platforms

Issues raised during the year

- Impact of COVID-19
- Remote working and impact on well-being

Actions and outcomes

- Seamless transition of employees to remote working whilst maintaining excellent and uninterrupted levels of service to our clients
- Enhancement of the range of mental health-focused benefits provided to employees
- Establishment of new ways of working and bringing the Group together: new channels of communication, new networks of collaboration and a consistency of knowledge sharing
- Renewed focus on leading with compassion and empathy; understanding the fine balance between work and home; and respecting our staff more than ever in the need to work in ways that ensure they feel supported

Our communities

Who they are

The shipping community, industry-related partnerships and the wider communities in which we operate.

What they care about

- Authoritative data and intelligence
- Sustainability
- Clarksons as a responsible company
- Employment opportunities
- Charities and community causes

Why they are important to us

All participants in the wider shipping community play an important role in shaping the industry in which we operate, as well as being potentially both our current and future clients. Furthermore, we want to have a positive and lasting impact on communities, and fundamentally believe that behaving in a socially responsible way is the right thing to do.

How we engage with them

- Publications and our database
- Sharing of expertise and knowledge through participation in industry forums and employee directorships of shipping-related boards
- Industry partnerships
- Volunteering
- Charitable donations
- Social media

Issues raised during the year

- The impact of COVID-19 on all aspects of shipping
- The green transition, in particular fuelling transition (decarbonisation of the industry), energy transition (impact on trade flows of changes in energy usage) and growth of the offshore renewables market

Actions and outcomes

- Creation of regular reports on COVID-19 impacts
- Education of our stakeholders and partners in the development of strategies to shape growth and opportunities in the offshore wind sector
- Provision of **Sea/** technology modules to maritime universities at a heavily reduced price
- Continued support of already established industry partnerships
- Establishment of The Clarkson Foundation
- Focus on our local communities through charity giving and employee volunteering

Our shareholders

Who they are

Our shareholders range from small private investors to large institutional investors.

What they care about

- Operating and financial performance
- Strategy and outlook
- Shareholder value creation
- Dividend policy
- ESG performance
- Remuneration

Why they are important to us

Our shareholders own our business and provide us with the capital that enables us to continue to grow the business.

How we engage with them

- One-to-one meetings
- Investor roadshows
- Capital markets days
- Analyst briefings
- Half year and full year results presentations, and annual report
- AGM
- Website

Issues raised during the year

- Impact of COVID-19 on world trade, and the Company's results and outlook as a consequence
- Payment of dividends
- ESG factors, with social aspects becoming increasingly important

Actions and outcomes

- Continued strong financial performance
- Adoption of a prudent approach to the payment of dividends in 2020, resulting in the deferral of payment of the full year 2019 dividend from May 2020 to September 2020
- Maintenance of the Company's progressive dividend policy through the payment of a second interim dividend in December 2020
- Refreshing of the Board: enhancement of the shipping and capital markets experience of the Board as a whole, as well as succession planning for the Audit and Risk Committee Chair

Our business model

Our purpose

Our purpose is to enable smarter, cleaner global trade by empowering our clients and our people to make better informed decisions using our market-leading technology and intelligence; and in doing so, meet the demands of the world's rapidly evolving maritime, offshore, trade and energy markets.

What we do

We are the world's leading provider of integrated shipping services.

Broking

Share of revenue: 79%

We earn a broking commission based on the value of the freight, the hire or the asset. On our derivative broking services we earn commission based either on the underlying contract value or as a fixed fee per contract.

Our brokers act as intermediaries between shipping principals. Our teams have the expertise, experience and support structure to enable these deals to happen.

We bring together charterers who have cargoes to move, and owners of vessels capable of transporting those cargoes. We help the principals negotiate the terms of a voyage, a timecharter hire or a contract of affreightment, including the freight or hire rate. Our specialist broking teams deal in all major markets in the world's major shipping centres. We also help clients contract newbuildings, buy and sell secondhand vessels, and arrange the scrapping of older tonnage. Additionally, we provide derivative broking services to enable principals to manage and mitigate their risks.

Financial

Share of revenue: 9%

We earn commissions and fees from these financial services activities.

The Financial division provides full investment banking services, project finance and bespoke asset finance solutions to the shipping, offshore and natural resources markets. We help clients to manage risk, fund transactions and conclude deals which are not available through more traditional routes. The Financial team liaises with a range of potential investors in order to raise funding for clients' projects.

Support

Share of revenue: 7%

We earn fixed agency fees and revenue from the sales of supplies.

The Support division provides the highest standards of support with 24/7 attendance to vessel owners, operators and charterers at a wide range of strategically located ports. We provide vessel agency, project logistics, vessel chartering, freight forwarding, warehousing, crew travel and industrial supplies.

Research

Share of revenue: 5%

We earn revenue from digital products, including Shipping Intelligence Network, Offshore Intelligence Network, World Fleet Register, World Offshore Register and **Sea/net**, besides specialist services, including data feeds, consultancy and valuations, and market reports.

The Research division provides and sells data covering every aspect of our market. We are a leading provider of intelligence and data across maritime, trade, offshore and energy, giving clients access to the information they need to operate their businesses more effectively. We provide information on fleets and technology, holding data on 160,000 vessels, across more than 900 shipyards and with over 30,000 data points on machinery and 'eco' models. This information is available via various subscription models and is relied on by shipping professionals to inform strategies and decision-making. In addition, we are the world's leading provider of valuation services to shipowners and the financial community.

How it works

Read more
Our impact is detailed on pages 58 to 68.

We have a deep heritage and market-leading reputation

Our position at the heart of the shipping industry has been built over 169 years. We offer an end-to-end global service and our clients remain loyal to us due to our unrivalled service, breadth of knowledge and industry-leading range of products that span the maritime and financial markets.

We have the best people in the business

The quality of our people has always been our biggest differentiating factor, and our people are our most important asset. We focus on attracting, retaining and developing the best talent in the market, and our people have a track record of delivering for our global client base.

We take time to understand our clients' needs

We tailor our approach to each and every client, building long-term relationships as their trusted advisors. We work closely alongside our clients to understand the challenges they face in a rapidly evolving world, providing them with tailored solutions and services and the intelligence and tools they need to make smarter decisions.

We provide clients with authoritative intelligence

Research sits at the heart of everything we do, allowing us to produce and validate data, supply analysis and insight, and provide valuations across all sectors of the shipping and offshore markets. It enables us to provide bespoke solutions for our clients and support them in making fully informed business decisions across their freight and asset owning strategies.

We provide clients with robust technology platforms and tools

Our investment in technology complements the expertise of our people and provides our clients with real-time intelligence for decision-making and innovative tools for trade. Our cutting-edge technology continuously drives innovation across our industry and enables us to provide bespoke solutions for our clients.

We facilitate smarter, cleaner, global trade

Pressure is growing globally to find solutions to moderate climate change. The green transition will result in fundamental change to shipping, trade, offshore, energy and renewables, and we are committed to providing data and intelligence to help frame the critical decisions that stakeholders across our industry will need to make to facilitate these changes. Furthermore, we are playing a significant role in initiatives to move towards a cleaner future for global trade.

Environmental

Greenhouse gas emissions (GHG)

We recognise that our UK operations have an environmental impact, and we are committed to monitoring and reducing our emissions year-on-year. We are reporting our GHG emissions and associated energy use as required by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (the 2018 Regulations) for our global operations. We have prepared this report in accordance with the requirements for quoted companies under this new regulation, having also complied with it for the 2019 reporting year.

We have reported the emission sources for which we have operational control for our global estate for the reporting period 1 January 2020 to 31 December 2020.

2020 performance summary

Our carbon footprint for the 2020 reporting year was calculated from activity data for scope 1 emission sources and electricity consumption in scope 2. This disclosure builds on the minimum requirements for compliance with the 2018 Regulations to include additional material scope 3 emissions from business travel and office operation (waste, water, paper). Our emissions are presented on both a location and market basis. On a location basis our emissions are 3,343 tCO_2e, which is an average impact of 2.1 tCO_2e per employee (1.4 tCO_2e per employee for scope 1 and scope 2 emissions only), and on a market basis our emissions are 3,889 tCO_2e. We have calculated emission intensity metrics on an employee basis, which we will monitor to track performance in our subsequent environmental disclosures. Further details of our GHG emissions are provided below.

As a consequence of the COVID-19 pandemic and the advised restricted travel, Clarksons' total emissions have decreased substantially from 2019. Our emissions associated with both rail and business flights have decreased by 89%. While some of our offices remained fully open, other offices closed for periods of the year, with our employees working remotely instead. This is reflected in a decrease in electricity (12%) and natural gas consumption (31%). Other emissions associated with office operations such as waste and water have also decreased by 40% and 23% respectively.

Energy efficiency initiatives

In the period covered by the report the Company has undertaken the following emissions and energy reduction initiatives:

- Installation of motion-controlled lamps – we have installed motion-controlled lamps in our Hamburg office to optimise efficiency and prevent energy wastage.
- Implementation of LED lighting – we continue to roll out LED lighting wherever possible across our Port Services business.
- Recycling – the Port Services business is investing in a commercial standard cardboard and paper shredder to convert used boxes into packing material for items we distribute.
- Increased remote meeting attendance – we have utilised technologies such as Microsoft Teams to attend meetings remotely and avoid the need to travel.

In addition, a number of local initiatives which were implemented previously remain in place. These include cycle-to-work schemes and recycling of food waste.

Clarksons' GHG emissions (tCO_2e) and associated energy consumption (MWh) for 2020

	UK 2019 (tCO_2e)	Global (excluding UK) 2019 (tCO_2e)	**UK 2020 (tCO_2e)**	**Global (excluding UK) 2020 (tCO_2e)**	% change in total emissions (vs 2019)
Scope 1	753	424	**588**	**206**	-33
Natural gas	220	95	**174**	**44**	-31
Other fuels	264	–	**222**	**–**	-16
Company cars	204	265	**100**	**159**	-45
Fleet	64	–	**47**	**–**	-27
Refrigerants	–	65	**45**	**3**	-26
Scope 2 location-based (electricity)	1,005	674	**900**	**574**	-12
Scope 3	352	6,828	**171**	**904**	-85
Total Scope 1 + 2 (location-based)	1,758	1,098	**1,488**	**780**	-21
Total Scope 1 + 2 + 3 (location-based)	2,110	7,296	**1,659**	**1,684**	-67
Total Scope 1 + 2 + 3 (market-based)[1]			**2,042**	**1,847**	N/A
Total Energy Usage (MWh)			**6,382**	**2,656**	N/A
Total global (including UK) Scope 1 + 2 emissions/FTE	1.9		**1.4**		
Total global (including UK) emissions/FTE	6.5		**2.1**		

1 Location-based factors have been applied where there are no residual mix factors available.

Methodology

Our GHG emissions were calculated in accordance with the requirements of the WRI 'GHG Protocol Corporate Standard (revised version)' and Defra's 'Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting' requirements (March 2019). We have applied the appropriate greenhouse gas conversion factors from the UK Department for Business, Energy & Industrial Strategy (BEIS) 2020 and International Energy Agency (2020)[1].

We have included in scope all the properties where we are directly responsible for the consumption of energy, including our tenanted offices.

Whilst we have endeavoured to obtain accurate and complete data wherever possible, where there were data gaps, we have used reasonable estimations such as annualisation of actual data, use of expenditure data as a proxy and typical office consumption benchmarks where data was not available for the preparation of this report.

1 This work is partially based on the country-specific CO_2 emission factors developed by the International Energy Agency, © OECD/IEA 2020, but the resulting work has been prepared by Clarksons and Avieco and does not necessarily reflect the views of the International Energy Agency.

Supporting our clients

In addition to our commitment to reduce our own GHG emissions, Clarksons is also committed to working with our clients to enable smarter, cleaner global trade. We operate in and alongside industries which are embarking on significant change to combat environmental challenges. The shipping industry has set ambitious targets for decarbonisation of the industry itself, whilst decarbonisation of energy sources in wider society is becoming a higher priority. You can read more about the global and shipping trends within which we are working on pages 44 to 51.

During the year, the offshore renewables (wind) team in the Broking division collaborated with the Financial division in the sale of Windcat Workboats (Windcat) by Seacor Marine to Compagnie Maritime Belge (CMB). Whilst CMB has been historically focused on tanker, dry bulk and container shipping, its strategy is to diversify its business portfolio into the fast-growing offshore wind market and scale up the deployment of hydrogen ships, engines and infrastructure. Windcat already operates 46 crew transfer vessels (CTVs) supporting the European offshore wind industry and, prior to this transaction, CMB had been working with Windcat for two years to develop the HydroCat, the world's first hydrogen-driven CTV. Once operational, this will allow a reduction of up to 1.5 tonnes of CO_2 emissions per day.

This transaction is a prime example of the ways in which Clarksons is working with its clients to support the energy transition, illustrating both the growing demand for renewable energy sources and the initiatives being developed to meet the decarbonisation targets within the industry.

The HydroCat, the world's first hydrogen-driven CTV.

Clarksons is committed to working with our clients to enable smarter, cleaner global trade.

Social

Our people
At Clarksons we believe that everything centres on our people. They are at the heart of both the way we engage with each other and our clients, and the products and services we provide. Our exceptional people remain the biggest differentiating factor for us, and the diverse range of backgrounds, nationalities, skills and experience within our global teams is representative of the international markets we operate in. This, together with our commitment to continually develop our people and support them in a role and environment where they can thrive and perform at their best, underpins our culture, supported by our four values: integrity, excellence, fairness and transparency.

COVID-19
While the COVID-19 pandemic continues to have a huge impact on the world and will not be limited to being a 2020 event, any report of the year will inevitably be dominated by the effect it has had on our business and people.

Our top priority throughout the pandemic has been, and remains, the physical and mental well-being of our people and their families, and all our decisions have been made with them at the centre of our thinking.

Like most businesses, the immediate practical requirement was to transition all our employees to remote working set-up to ensure we maintained excellent and uninterrupted levels of service to our clients. Our track record of investment in IT infrastructure and support meant that we were able to achieve this seamlessly with all employees having the appropriate equipment.

Tragically, we have lost several colleagues during 2020 which has been heartbreaking for our community. To support our employees we provide a range of mental health-focused benefits and are constantly looking to augment what we offer in new and enhanced ways.

We have found that this global crisis has led us to finding new ways of working with each other and in many ways has brought the Group together. New channels of communication, new networks of collaboration and a consistency of knowledge sharing have been a positive outcome of the working environment over the last year, and we will look to sustain these once the pandemic is over.

Health and well-being
The COVID-19 pandemic brought fast-moving and unexpected variables to the way we work. As a company we quickly and successfully developed management plans to ensure the health and well-being of our staff was our number one priority.

At one point in the year, 90% of our global workforce were working from home at the same time which required us to ensure their mental and physical well-being needs were being met. We launched a new well-being page on our intranet which provided support for working from home, physical and mental health guidance and resources, mindfulness practice and access to additional virtual training modules to develop skills for maintaining good physical and mental health.

We have focused on leading with compassion and empathy; understanding the fine balance between work and home; and respecting our staff more than ever in the need to work in ways that ensure they feel supported.

It was already a signature of our culture for our managers to be closely engaged with their teams, but a huge focus has been placed on prioritising time to consistently contact all our people on video and phone calls rather than relying on messaging systems and email.

Our top priority throughout the pandemic has, and remains, the physical and mental well-being of our people and their families, and all our decisions have been made with them at the centre of our thinking.

Engagement

We are a relationship business and, as such, the relationships that we build and maintain with our stakeholders are integral to our success. A huge part of that comes from engaging fully and meaningfully with them.

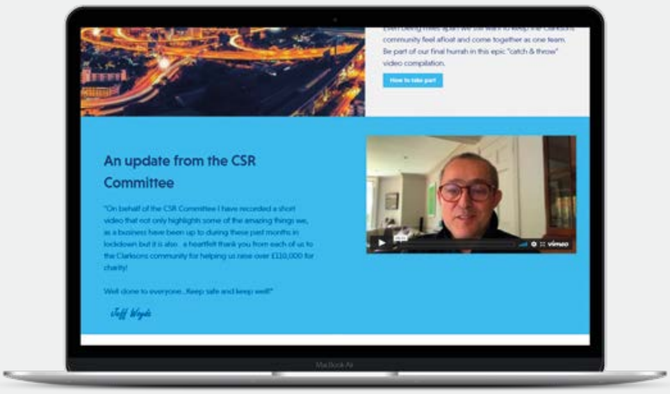
Our employees are key stakeholders in our business and, as our most important asset, we invest in our people and take employee engagement seriously. This year has seen some real changes to the way we have approached engagement with our employees.

The management style of our organisation is to engage directly and personally with our people and our management structures and hierarchies support this. Every line manager maintains open lines of communication with their teams and this remains the most effective way of ensuring consistent engagement in both directions.

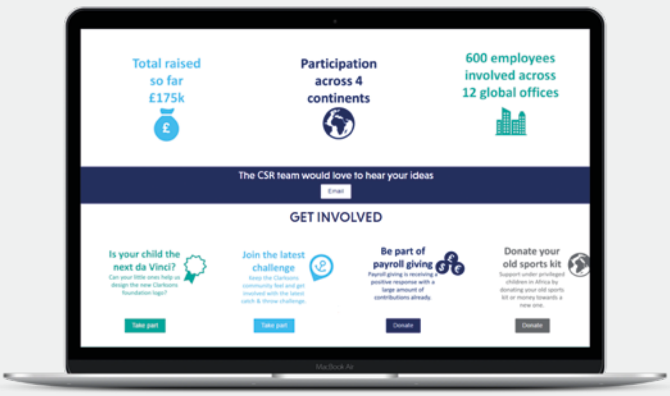
However, other specific and targeted forms of engagement with employees have come from:

- Global executive and divisional management forums that meet monthly.
- Employee pulse surveys for certain divisions.
- The Employee Voice Forum with Non-Executive Directors, which is attended by employees from various divisions across the business and provides for and encourages two-way communication between our employees and Non-Executive Directors. The forum is chaired by Dr Tim Miller, our designated Non-Executive Director for employee engagement.
- The Communication and Innovation Forum which takes place quarterly and is attended by a mix of employees depending on the topics for discussion.
- Increased use of our new intranet (Voyage), updated constantly with news from our 53 offices; education on topics of interest to the industry; information regarding the evolution of products and services provided by the Group; and ‘Focus on’ and ‘Clarksons meet’ content to get to know global colleagues.
- Regular communications from senior management updating employees on key matters, and in particular video updates from our CEO and CFO & COO presenting publicly released financial results and updates on the work of the CSR Committee.
- Without the office supporting informal social and engagement activities this year, we have encouraged interaction between colleagues globally through participation in a programme of events including team quizzes, fitness challenges, cooking education, photography competitions and sponsorship.
- Monthly CSR Committee meetings attended by a cross-section of employee Committee members and visiting attendees focusing on the work of The Clarkson Foundation and charitable causes that are important to our global community.

We also recognise the benefits of encouraging employee engagement through share ownership. Further detail on the participation of our employees in share plans can be found on page 90.



The management style of our organisation is to engage directly and personally with our people and our management structures and hierarchies support this.



Overview
Strategic report
Corporate governance
Financial statements
Other information

Our impact
continued

Talent

Management, promotion, recognition and reward

We have continued to cultivate the best talent in the world. Our objective and focus is always to retain and develop our key talent, to ensure that they become our future leaders. Part of that longer-term plan has involved us creating an environment in which they participate in the running of their respective business divisions and gain exposure to leadership responsibilities. We have sought to achieve this by:

- Embedding monthly executive meetings with the senior leaders of each business division attending.
- Implementing a new global promotions process that is conducted bi-annually based on consistent assessment criteria, levelling the playing field.
- Involving the emerging leaders of each business division in the development of a Clarksons-specific competency and behaviours framework that we will use to attract, retain, develop and promote our people based on consistent criteria and which is designed to be transparent about expectations.
- Introducing a Communication & Innovation Forum that takes place quarterly. These sessions are attended by various members of mid-senior level leadership teams to engage in lively discussion about market/industry topics.
- Designing a development programme called 'What you get/ What you give' which will be undertaken by emerging leaders.
- Key talent holding regular sessions with Maritime Masters in which they present and lead seminars.
- Widening the scope of our development programmes to help employees at all stages of their career take control of their personal development, support retention of our early and mid-level management and facilitate succession planning.

The attraction and development of early careers talent remains a priority for our business as we seek to increasingly diversify our workforce and prepare to meet the needs of the continually evolving global markets that we operate in.

Recruitment

We remain focused on attracting, engaging and hiring the best talent. Our in-house recruiting model is evolving with direct search capabilities which enable us to hire the best talent and reduce our reliance and spend with recruitment agencies. The model enables a consistent candidate experience, whilst leveraging our employer brand. We are developing our recruiting channels for greater access to, and engagement with, a diverse and broad spectrum of both active and passive talent, and are building talent pipelines for future hiring needs. We are also developing our recruitment platform to meet the demands of a competitive talent marketplace. Furthermore, we continue to monitor our inclusive recruitment practices on an ongoing basis.

We are also increasingly adopting the use of social media channels to reach a broad section of talent and have seen an increase in direct hires entering the business.

Learning and development

As with every other aspect of our business, social distancing needs and the transition to home working necessitated a rapid switch from our traditional approach to learning and development to the provision of training activities via online delivery.

While the transition forced us to postpone several events, including our popular Tanker Week and Jon Marshall Lectures which traditionally take place in October each year, as well as our regular ship visits, presentation and pitching skills workshops and student visits, we ran a series of webinars and online workshops on topics of relevance during the year. These included legal aspects of shipbroking, ship finance, the impact of digitisation and the challenge of decarbonisation. These open invite events proved popular among staff and provided the added advantage of being available either live or on demand to all staff across the Group.

Our growing commitment to online learning was reinforced in May with the start of an online learning programme with a leading provider, Goodhabitz. This enabled all our staff to access a broad range of courses to support ongoing personal as well as professional development. The courses which have proved to be popular include topics such as cultural diversity, strategic thinking and change management.

Our learning and development strategy was also closely aligned with our increasing efforts to recruit new talent into the Group. This was demonstrated by our continuing support for Maritime UK's Maritime Masters programme (read more on page 64).

We launched a learning and development section as part of the Clarksons Voyage hub which provides easy access to selected third-party webinars and workshops to complement our own portfolio. We also continued to support employees wishing to study for membership of the Institute of Chartered Shipbrokers.

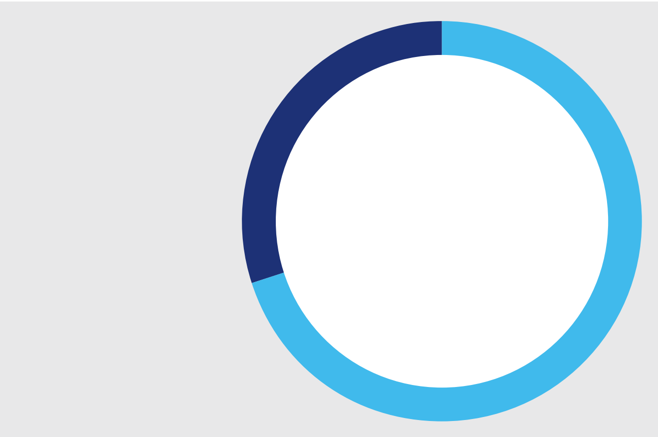
Diversity and inclusion

This year has brought a change to the way we think about and seek to evolve the diversity and inclusion agenda. We have made a commitment to ensure that we use a diversity and inclusion lens at every opportunity. Examples of us putting this into practice include the examination of our global recruitment processes; the terms and conditions we have in place with the recruitment agencies that we use; the way we hire and engage with potential candidates across the various locations and jurisdictions that we operate in; the language we use in our role vacancies and postings; the language we use in all our internal policies; and materials and marketing that we use to interact with potential talent. Further detail is set out to the left in the descriptions of our new direct sourcing model, competency framework and promotion process.

We are confident that this practical approach will deliver more tangible outcomes for the business and our diversity and inclusion objectives, and ensure we are constantly striving to improve.

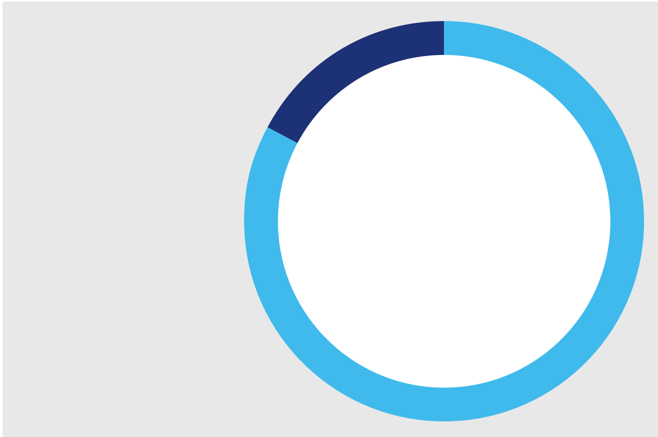
Gender diversity (as at 31 December 2020)

Board



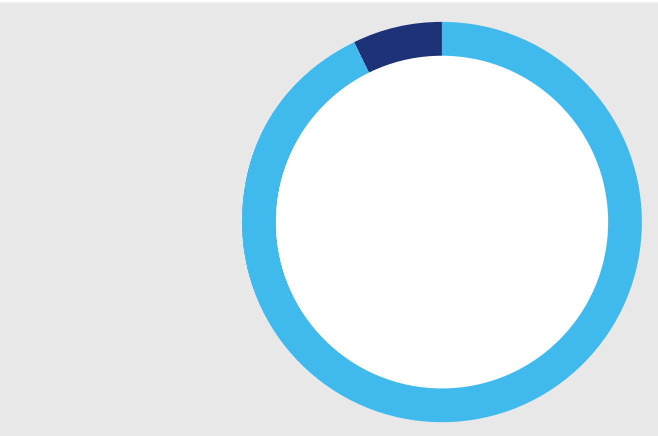
Male	7 (70%)
Female	3 (30%)

Executive Committee



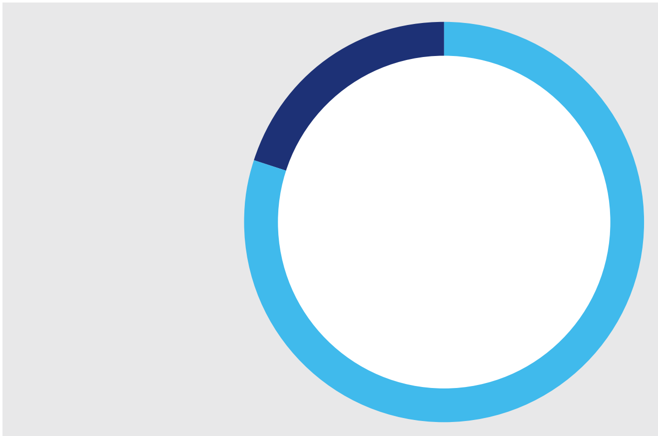
Male	15 (83%)
Female	3 (17%)

Senior managers*



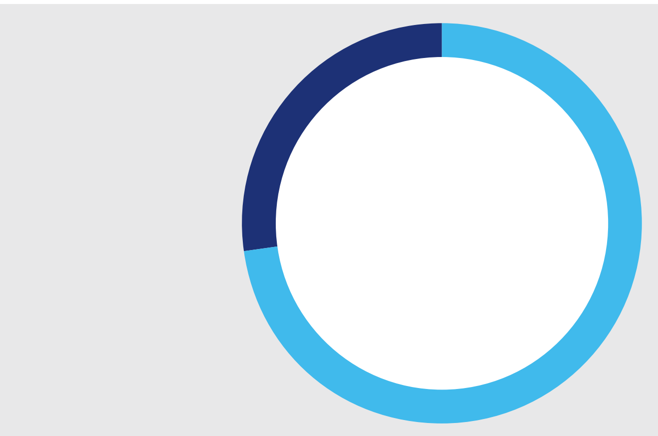
Male	162 (93%)
Female	13 (7%)

Executive Committee and direct reports



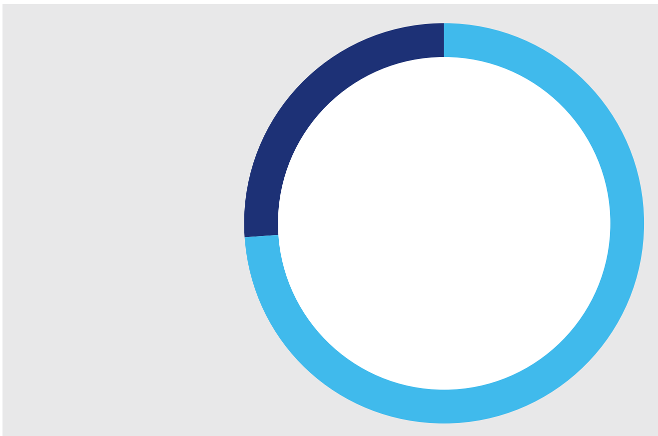
Male	182 (80%)
Female	46 (20%)

All employees



Male	1,220 (73%)
Female	453 (27%)

New hires



Male	208 (74%)
Female	72 (26%)

* Employees who have responsibility for planning, directing or controlling the activities of the Group, including all directors of subsidiary companies.

Our impact continued

Health and safety

We believe that it is vital to look after the health, safety and well-being of our staff, and endeavour to provide a safe and secure workplace for all. Our policies and procedures are designed to minimise the risk of injury and ill health of our workforce as well as any other parties involved in the conduct of our business operations.

The Board has approved a global health and safety policy statement and has appointed the CFO & COO to oversee health and safety as sponsor on behalf of the Board.

Health and safety is managed on a global basis through a decentralised model, where each local site is responsible for managing its own health and safety to a good local standard in compliance with relevant legislation and regulations. With the exception of some higher risk activities within our Support division such as port agency and freight forwarding, all locations conduct office-based activities only and are therefore considered relatively low risk. To satisfy ourselves that the standards being applied locally meet the necessary requirements whilst ensuring a common standard, we are working to further develop our decentralised framework by the setting of minimum standards. Whilst this work has been necessarily impacted by COVID-19 and the remote working of our employees during the year, it continues to be progressed.

In the UK, health and safety is overseen by a committee structure, with a committee dedicated to some of our highest risk locations in the Support division. The Board receives regular updates on health and safety activities (including KPIs such as RIDDOR incidents).

In order to keep our people safe, the COVID-19 pandemic has required us to implement a number of measures over and above our business as usual model for the management of health and safety. The measures we have taken include:
- The establishment of a COVID-19 executive response team.
- The commencement of COVID-19 management calls with representatives of each our global offices for support and sharing of best practices across each region.
- Comprehensive risk assessments.
- Strict adherence to all applicable government guidance and rules in each of our global locations.
- Rigorous cleaning regimes with market-leading products, for example provision of an anti-viral mist machine to deep clean and provide anti-viral long-lasting protection in the office.
- Implementation of temperature checking technology in our largest sites, and mandatory temperature checking in all sites.
- At-home desk risk assessments for remote working.
- Provision of top quality Clarksons personalised PPE kits for all staff.
- Partnership with a third-party testing company to ensure quick and ready access to COVID-19 testing and antibody testing.

Communities

Industry partners

Throughout 2020, we partnered with a number of maritime associations which are paving the way for the future of maritime.

This was demonstrated by our continuing support for Maritime UK's Maritime Masters (MM) programme. We ran a series of webinars for postgraduate students studying for Master's qualifications at nine leading UK universities and business schools, culminating in the hosting of a virtual finalists reception in October. These webinars proved to be very popular and will be provided again in support of the 2021 MM programme.

Clarksons' ongoing involvement with this event supports the significant role we play in encouraging and developing young talent in shipping, and this year we wanted to support students further by increasing their connectivity to the industry. We hosted a webinar series over the course of three months, geared specifically to aid students' learning and understanding of the challenges and trends currently faced in maritime. The series culminated in a recruitment masterclass which would help the students to take proactive steps in improving their employability within a competitive marketplace.

Clarksons Research provides over 50 maritime university courses across the world with access to research and data, helping important academic research and supporting the learnings of our clients and colleagues of the future. Many of these relationships are long-standing, involve both undergraduate and postgraduate research and extend to universities based in key maritime centres around the world, including Asia, Europe and the Americas. We also provide data and intelligence to inter-governmental organisations, governments, regulators and various industry and trade bodies, helping frame debate and policy decisions around the development of the shipping industry, including climate change and safety at sea.

Charitable donations

As a Group, we are committed to giving back to society through our corporate social responsibility programme. Our aim is to bring about positive social change and have a lasting impact on people and communities. 2020 brought a close to a decade of charitable giving throughout the Group and we are proud to have raised over £1.6m over the last ten years, as well as provided support to chosen charities through the volunteering of our staff.

Staff from the Singapore office take part in a beach clean-up as part of Clarksons Gives Back Week.

The Clarkson Foundation

To help create meaningful and lasting change around the world, we have established The Clarkson Foundation.

In order to build on our commitment to help create meaningful, lasting change around the world and to amplify our charitable giving, The Clarkson Foundation was established as a registered charity in late 2020. This will enable us to give in an effective and focused way. Activities will be governed in accordance with The Clarkson Foundation's charitable status and running costs will be minimal, thereby allowing it to contribute as much as possible to its selected causes. The Clarkson Foundation will utilise our people's experience, expertise and time to make a tangible difference and a positive impact around the world.


1


2

£350,000

Our employees generously gave both their time and money and, together with additional contributions from Clarksons, the Group raised well over £350,000 during the year.

Activities within our corporate social responsibility programme are overseen by our CSR Committee which supports chosen charities every year. In 2020, we selected four key charities to donate to, as well as a range of individual causes. While remaining committed to our general principle of supporting a maritime, children's and an overseas charity every year, this year we wanted to tailor our giving to the specific issues arising from the pandemic and therefore chose to support charities covering help for carers, mental illness, food banks and seafarers in need.

At a corporate level, we set up Payroll Giving in the UK to allow employees to make regular, tax-free donations straight from their gross pay. In addition, whilst the London office remained open on an exceptional basis only, we redirected the efforts of our catering team to donate 700 lunches a week (19,000 meals in total) to the Whitechapel Mission, a charity ensuring that those less fortunate or homeless have something to eat.

Our employees generously gave both their time and money and, together with additional contributions from Clarksons, the Group raised well over £350,000 despite most fundraising activities taking place in employees' own homes and gardens. Employees threw themselves into charitable quizzes, ice bucket challenges and handstands, and we gave back to our global community through a Group-wide initiative that saw employees engaging in a range of activities from cleaning beaches and rivers to helping at food banks around the world. Some individuals went even further, transporting patients as an ambulance driver, distributing food parcels and art and craft bags to the local communities, or collecting clothing for children who love to play sports but are unable to afford the right kit to wear.

This year we also joined the Growth Project, a collaborative project between business leaders and their equivalent charity leaders, as a business leader. It is a year-long scheme designed to help both sides understand their role as leaders in their respective organisations. This was combined with training and close mentoring in monthly meet-ups (via Zoom). Clarksons was paired with 'Circle Collective', which is a great small charity based in London that helps young people gain work experience and mentors them to find jobs. They have skate shops in East London and provide training for youngsters whilst trying to help them find a path towards financial independence. The project so far has been very successful and next year's cohort will see two leaders join from Clarksons.


3

1. A team from the London office picks up litter in the local area during Clarksons Gives Back Week.
2. Staff from all over the world joined our handstand challenge from home.
3. Staff in the Oslo office take part in an ice bucket challenge as part of a fundraising initiative.

Governance

How we do business

Business conduct

Clarksons is founded on a commitment to provide the highest quality of service for our clients whilst maintaining the highest level of integrity. Our staff share our common values of integrity, excellence, fairness and transparency. We aspire to conduct our business in an ethical, honest and professional manner wherever we operate, and in particular we undertake to:

- Act fairly, honestly and with integrity at all times and in everything we do, and to comply with all applicable laws.
- To treat our employees, clients, contractors, suppliers and other stakeholders fairly and with respect.
- To create a high-quality, equal opportunity working environment for all our employees, based on merit and free from discrimination, bullying and harassment.
- To respect human rights.

Compliance Code

In order to support our employees' understanding of the standards of conduct and ethics expected of them, the Board has approved a Compliance Code. This contains a suite of policies that mitigate ethics and compliance risks, and covers areas including insider dealing, sanctions, anti-bribery and corruption and market abuse. In addition, the Group's regulated businesses are subject to further compliance requirements which are set out in local compliance manuals.

All employees and contractors must comply with the Compliance Code. It is reissued to all employees and contractors on an annual basis, and they are required to confirm that they have read and will comply with it. The Compliance Code is kept under regular review, and was updated during the year.

Mandatory online training modules are issued regularly to all relevant employees covering inter alia anti-bribery and corruption, sanctions and cyber security.

Embedding of policies and processes is supported by a global compliance team who have the necessary skills and experience to fulfil their duties.

Whistleblowing

We have created an environment in which our workforce can speak up and highlight concerns on any matters through our whistleblowing arrangements. This includes a helpline through which concerns can be raised in confidence (and anonymously), which is operated by an independent third-party provider.

Whistleblowing arrangements and reports arising from its operation are overseen by the Board in line with the UK Corporate Governance Code (having previously fallen within the remit of the Audit and Risk Committee). The whistleblowing arrangements are formalised into an overarching Whistleblowing Policy. Where relevant, local mandatory whistleblowing policies also exist.

Anti-bribery and corruption

To prevent bribery and corruption, the Group has an approved policy which all employees and contractors must follow. It also applies to any third party who is undertaking business for or on behalf of the Group. Under the policy, all employees, contractors and other parties must not:

- Give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that an improper business advantage will be received, or to reward an improper advantage already given.
- Accept a payment, gift or hospitality from a third party that they know or suspect is offered with the expectation that it will provide a business advantage for them or anyone else in return.
- Give or accept a gift or hospitality during any commercial negotiations or tender process if this could be perceived as intended or likely to influence the outcome.
- Offer or accept a gift to or from government officials or representatives, politicians or political parties.
- Offer or accept gifts or hospitality which are unduly lavish or go beyond the normal standards in the industry.

All employees have been trained in person and/or completed online training modules in anti-bribery and corruption to ensure awareness of their obligations in this area.

Anti-money laundering

The Group has continued to build and establish effective and proportionate mechanisms and controls to prevent money laundering. These include anti-money laundering (AML) policies and procedures for all businesses. During the year, we have continued to enhance AML procedures and specifically 'Know your Client' processes for our unregulated businesses, resulting in additional headcount and modified procedures.

Sanctions
The Group has deployed significant resources to manage sanctions risk and build an effective and proportionate system to prevent sanctions breaches. These include sanctions policies and procedures for all businesses; sanctions screening of prospective clients (including vessels) using our proprietary online sanctions checking tool; and monitoring existing clients against sanctions lists. The Group also provides annual custom-built online and in-person sanctions training to all relevant staff; maintains sanctions screening records for audit purposes; and has established clear internal audit and escalation mechanisms.

Human rights
We believe that the respect of human rights is integral to being a responsible company and we are committed to treating individuals with respect and dignity.

Clarksons places value on difference and believes that diversity of people, skills and abilities is a strength that helps us to achieve our best. Any discrimination based on race, religion, nationality, gender, age, marital status, disability, sexual orientation or political affiliation is prohibited within the business.

We have introduced a new Supplier Charter in which we ask our suppliers, amongst other things, to commit to respecting human rights, diversity, inclusion and the environment.

We are committed to providing a workplace free of any form of harassment or discrimination and expect our suppliers to do the same. Read more about our approach to diversity and inclusion on page 62.

Modern slavery
We recognise that slavery, servitude, forced labour and human trafficking (modern slavery) is a global and growing issue, and no sector or industry can be considered immune. We are committed to ensuring that there is no modern slavery of any kind within our operations or supply chains.

The supply chain to our business comprises worldwide suppliers providing a wide range of support functions and products including catering, maintenance, information technology, cleaning and security.

Work has continued to enhance our procurement procedures so as to ensure that our suppliers, contractors and service providers act ethically and with integrity, and have in place effective systems and controls so that modern slavery is not taking place within their own businesses.

In the UK, our IT supplier onboarding process has been strengthened, requiring key IT suppliers to provide details of their modern slavery arrangements as part of both onboarding and ongoing due diligence exercises and to confirm that appropriate arrangements are in place in relation to their own supply chain. Key IT suppliers which do not meet the standards we expect are not engaged to provide goods or services.

In other material supplier contracts in the UK, we endeavour to request that our suppliers commit to ensuring that they and their own supply chain comply with legislation with regard to modern slavery.

We have also amended our General Terms and Conditions to include client obligations to comply with modern slavery legislation.

Clarksons remains committed to building and strengthening our existing policies and practices to eliminate modern slavery and human rights violations in our supply chain. We therefore aim to continue to review the effectiveness of our current arrangements and, where necessary, implement additional safeguards and procedures.

In line with the Modern Slavery Act 2015, we publish a Modern Slavery and Human Trafficking Statement on our website on an annual basis.

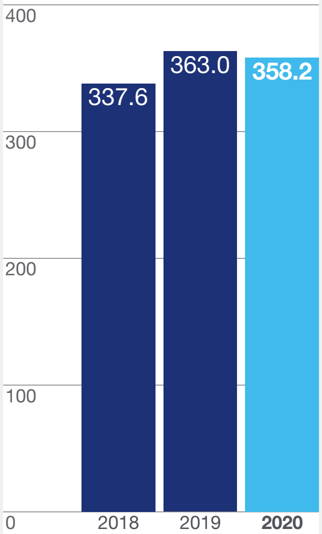
Suppliers
Whilst we do not consider suppliers to be a significant stakeholder in our business, we are committed to treating our suppliers fairly. You can read more about how the Board reviews our engagement with suppliers on page 91.

Read more
www.clarksons.com/modern-slavery-act/

Key performance indicators

We use financial indicators to monitor our progress in delivering against our strategy to create long-term sustainable value for all of our stakeholders.

Revenue
£m

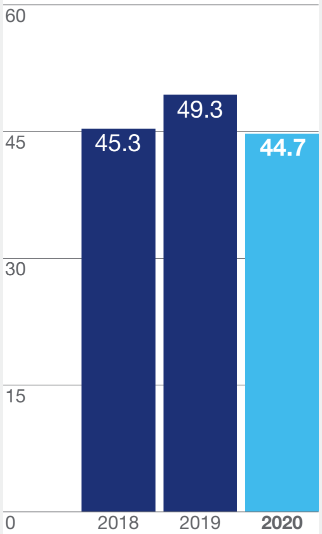


Definition
Revenue in sterling equivalent, translated at the rate of exchange prevailing on the date of the transaction. We have four revenue segments: broking, financial, support and research.

Why it is important for Clarksons
Revenue drives the business, resulting in cash generation and rewards to stakeholders.

Read more
Note 3 of the consolidated financial statements on page 146.

Underlying profit before taxation*
£m

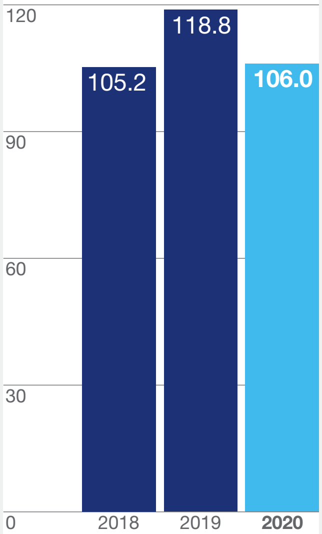


Definition
Profit before taxation, exceptional items and acquisition related costs as shown in the consolidated income statement.

Why it is important for Clarksons
The Board considers that this measurement of profitability provides stakeholders with information on trends and performance, before the effect of exceptional items, acquisition related costs and different tax regimes around the world.

Read more
Financial review on pages 18 and 19.

Underlying earnings per share*
pence

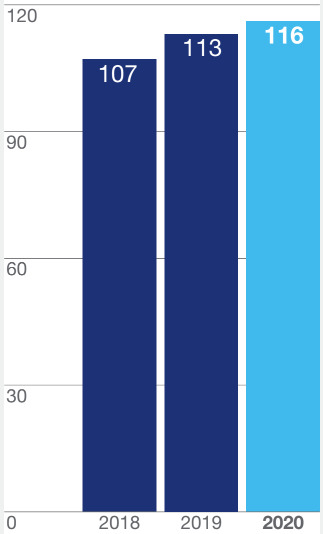


Definition
Profit after taxation and before exceptional items and acquisition related costs divided by the weighted average number of ordinary shares in issue during the year.

Why it is important for Clarksons
This measure shows how much money the Group is generating for its shareholders, taking into consideration changes in profit and the effects of issuance of new shares. It is an important variable in determining our share price.

Read more
Note 8 of the consolidated financial statements on page 151.

Broking forward order book (FOB) at 31 December for following year
US$m



Definition
Directors' best estimate of commissions invoiceable over the following 12 months as principal payments fall due.

Why it is important for Clarksons
The FOB gives a degree of forward visibility of income.

Read more
Financial review on pages 18 and 19.

* Underlying profit before taxation and underlying earnings per share are classed as APMs.

Non-financial KPIs
Whilst we use non-financial metrics within the business, such as in relation to employment matters (see Our impact on pages 60 to 63), we do not use non-financial KPIs to measure the strategic performance of the Group.

Risk management

As the world's leading provider of integrated shipping services, it is imperative that the integrity and reputation of the Clarksons brand, which underpins the successful delivery of our strategy, is preserved through effective risk management.

Balancing this with taking advantage of all potential opportunities enables us to deliver our strategic objective of enhancing shareholder value by maintaining and extending our industry leadership.

Our risk profile continues to adapt as a result of changing market conditions and regulations, increasing global political uncertainty with associated market volatility and increasing cyber criminality. We also recognise that a number of our principal risks, such as changes in the broking industry, also create opportunities for us, as we develop the tools to future-proof our business.

Though COVID-19 has not significantly impacted our business, it has affected many of our key risks, heightening the identified inherent threats and opportunities. Our priority remains the safety and well-being of our global teams whilst ensuring that our clients are best supported to respond and adapt effectively to the challenges that COVID-19 present. The Audit and Risk Committee also considered the potential impact of Brexit and climate change on the principal risks to the business, and it was concluded that neither have yet had a material impact on these key risks.

Risk environment

Inherent risk attributes of our business include the following principles:

- **We act as agents in the provision of services for and on behalf of our clients**
  As agents, we are bound by the scope and authority determined by our General Terms and Conditions, which are communicated to our clients on commencement of business with them. We do not take principal trading positions, other than in the convertible bonds business and in exceptional circumstances in the financial segment should there be a failure of a client to meet its obligations during the settlement period.
- **We do not own physical assets of material value**
  The strength of our balance sheet comes from cash and other current working capital which strengthen with our consistently profitable business. Our profit and cash flows are not exposed to asset valuations or the risk of loss or damage to physical assets of material value integral to our day-to-day business.
- **Capital commitments**
  Aside from regulatory capital commitments in our regulated entities, we are not required to commit material amounts of capital in the conduct of our day-to-day business.
- **Borrowings**
  The Group has no borrowings, except for interest-bearing loans and borrowings in the Financial segment.

Read more
Our strategy on pages 52 and 53.
Our markets on pages 44 to 51.
Principal risks on pages 73 to 77.

Risk culture

Risk management is an integral part of all of our activities. Risks are considered in conjunction with opportunities in all business decisions. We focus on the principal risks which could affect our business performance and therefore the achievement of our strategic objectives.

Our flat management structure and culture of open communication across all areas of the business enables employees to identify, assess, manage and report current, potential or emerging risks to senior management in a timely manner. Employees are also encouraged to suggest improvements to processes and controls.

Risk appetite

Risk appetite reflects the overall level of risk we are willing to seek or accept in order to achieve our strategic objectives and is therefore at the heart of our risk management processes. Determining the nature and extent of the risks we are willing to take is the responsibility of the Board. Our aim is to manage each of our principal risks and mitigate them to within our agreed individual risk appetite levels.

The Board approves the Group's policies, procedures and controls. This process enables, where possible, a reduction in risks to the tolerance levels set by the Board. In determining its risk appetite, the Board recognises that a prudent and robust approach to risk mitigation must be carefully balanced with a degree of flexibility so that the entrepreneurial spirit which has greatly contributed to the success of the Group is not inhibited.

Controls environment

Our internal control system is embedded into our culture and encompasses the policies, processes and behaviours that, taken together:

- facilitate its effective and efficient operation by enabling us to respond appropriately to significant risks that prevent us from achieving our objectives. This includes the safeguarding of assets from inappropriate use or from loss or fraud and ensuring that liabilities are identified and managed;
- help ensure the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information; and
- help ensure compliance with applicable laws and regulations.

Our internal control system is designed to evaluate and manage, rather than eliminate, risk and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Group continually seeks to improve and update existing procedures to introduce new controls where necessary and to evaluate emerging risks.

It is clearly communicated to all staff that they are responsible for ensuring compliance with Group policies, identifying risks within their business and ensuring these risks are controlled and monitored in the appropriate way.

Risk governance

We have an established risk management structure in place to enable us to identify, assess, control, evaluate, monitor and report the risks facing our business.

The Board is responsible for:

- Managing risk to deliver opportunities;
- Setting the Group's strategic objectives and determining the nature and extent of the risks it is willing to take (the risk appetite) in achieving these strategic objectives;
- Establishing risk management policies, key controls and procedures to ensure that they continue to be effective and protect the Group's stakeholders; and
- Maintaining the Group's system of internal controls and risk management and reviewing the effectiveness of these systems annually.

The Audit and Risk Committee is responsible for:

- Undertaking an annual review of the Group's internal controls and procedures;
- Reviewing the external auditor's report in relation to internal control observations;
- Reviewing the adequacy and effectiveness of the Group's risk management systems and processes;
- Overseeing the development of internal control procedures which provide assurance that the controls which are operating in the Group are effective and sufficient to counteract the risks to which the Group is exposed; and
- Considering all internal audit reports.

Operational management is responsible for:

- Risk management processes and internal controls embedded across divisions and functional areas;
- Risk identification, assessment and mitigation performed across the business; and
- Risk awareness and safety culture embedded across the business.

Top down
Risk oversight and assessment

Bottom up
Assessment at operational level

Approach and framework

Approach and framework
Our approach is to maintain and strengthen our risk management and internal control framework of identifying, assessing, controlling, evaluating, monitoring and reporting the principal risks facing our business.

Our risk assessment is formed in stages:

1. Identify current and emerging risks facing the Group;
2. Document risks on a centrally managed risk register;
3. Identify the level of appetite associated with each risk;
4. Assess the likelihood of occurrence of each risk over a 36-month period;
5. Evaluate the potential impact of each risk on the Group using a quantified scale;
6. Determine the strength and adequacy of the controls operating over each risk;
7. Assess the effect of any mitigating factors on both the likelihood and impact;
8. Compare the residual risk against the identified risk appetite;
9. For each of the key risk factors, after considering the relevant risk appetite, identify a target residual risk;
10. Identify the plan of action for the next 12 months to achieve the above targets;
11. Consider the level of additional assurance derived from the Three Lines of Defence model, including internal audit; and
12. Monitor and report all key risks, any emerging risks, any changes to the level of risk appetite and the status of the plan of action on a regular basis.

The Board recognises that whilst it has limited control over many of the external risks it faces, including, for example, the macro-economic environment, it nevertheless reviews the potential impact of such risks on the business and actively considers them in its decision-making. The Board monitors key risks at each meeting.

Every year, through an integration of culture, compliance and training, we make further progress in embedding our risk management approach with all employees. This is, of course, an ongoing process and we continue to work hard to improve risk awareness and enhance controls and procedures to further mitigate risks.

The Board and senior management take a forward-looking approach to risk to ensure early identification, timely assessment and, where necessary, mitigation of new and emerging risks, such that they can be evaluated alongside known and continuing risks.

Priority for 2021
In addition to our regular risk management activities, our priority is to continue promoting an environment of identifying, assessing, controlling, evaluating, monitoring and reporting the effectiveness of our existing controls in order to support the Board in its responsibilities.

Principal risks

The principal risks which may impact the Group's ability to execute its strategic objectives have not changed since 2019.

The risks that follow, whilst not exhaustive, are those principal risks which we believe could have the greatest impact on our business and have been discussed at meetings of the Board and the Audit and Risk Committee. The Board reviews these risks in the knowledge that currently unknown, non-existent or immaterial risks could turn out to be significant in the future and confirms that a robust assessment has been performed.

Loss of key personnel – Board members

Change in risk factor since 2019
No change

Link to strategic objective
People

Description
At the Annual General Meeting in May 2021, the Company will seek approval of its Directors' remuneration report (DRR). Whilst this shareholder vote on the DRR is not binding, votes on the re-election of all Directors are binding.

Should the existing contractual arrangements of the Executive Directors result in major shareholders voting against the DRR at the AGM, there remains a risk that they may also not support the resolution to re-elect individual Non-Executive Directors.

Controls/mitigating factors
As explained in the Directors' remuneration report, considerable work has been undertaken to mitigate this risk.

Activities in 2020
Engagement with major shareholders and the proxy advisory agents to emphasise and state our future commitments:
- to the existing contractual arrangements of the Executive Directors, which remain appropriate; and
- that the management team continues to lead the Company, driving forward the transformational strategy it has laid out.

Read more
Directors' remuneration report on pages 106 and 107.

Economic factors

Change in risk factor since 2019
Increase

Link to strategic objective
Growth

Description
Changes in world trade, global GDP and other general economic fluctuations impact the demand for ships. The actions of owners and financiers have a direct impact on the supply side of our business.

Supply/demand imbalances cause fluctuations in freight rates. If freight rates, volumes or asset prices fall, the commission that we receive on any deal would also fall.

The erratic nature of the US approach to international trade and the departure of the UK from the EU have been creating uncertainties surrounding global economics and world trade in recent months.

COVID-19 has affected world trade, and it remains unclear how long the economic effects will continue. The potential impact on globalisation of the world economy and consequential impact on world trade is expected to impact the business further, though it is recognised that there will continue to be a need to move raw materials from their point of origin to where they are needed.

The speed at which trade rebounds will determine when our markets see proper recovery.

Every overseas office has been affected by COVID-19, and the speed of local recoveries will remain variable.

Controls/mitigating factors
- We are not dependent on any one country's economy as our operations and clients are located in all major maritime and trade centres globally.
- Our business model is built on the ability to deal with downturns and remain profitable. Our variable remuneration schemes, being profit-related, mean that overheads react to swings in asset values and freight rates.
- We have the resources and support available to open offices in new locations, mitigating the reliance on regional performance.
- Our broad product offering, led by experts in their fields, means we are in the best position to find new opportunities in volatile market conditions and able to take advantage of market turnarounds.
- We review the performance of each office and product line at least monthly.

Activities in 2020
- Our results and actions taken during the year show the robustness of our strategy and business model against volatility in our markets, particularly those affected by falling commodity prices.

Read more
Our markets on pages 44 to 51.

Cyber risk and data security

Change in risk factor since 2019
Increase

Link to strategic objective
Trust

Description
Financial loss, reputational damage or operational disruption resulting from a major breach in the confidentiality, integrity or availability of our IT systems and data.

A breach could be caused by an insider, an external party, inadequate physical security, insecure software development or inadequate supply chain management.

With the safety of employees being a priority, COVID-19 led to our business predominantly working remotely over 2020, as did many other companies in the locations from which we operate, including our customers and suppliers. As a result, there has been an increased volume of spam and phishing type email attacks.

Controls/mitigating factors
- IT processes include regular penetration testing, anti-virus and firewall software, quarterly network vulnerability scans, frequent password changes including complexity requirements, email authentication and strict procedures on granting and removing access.
- Operational processes include segregation of duties, business continuity planning and regular training.

Activities in 2020
- We continued to invest significantly in enhanced security policies and measures, people, resources and training dedicated to the prevention of cyber crime, both in an office and remote working environment.
- Employee awareness communications and security monitoring have increased to combat the increased threat.

Loss of key personnel – normal course of business

Change in risk factor since 2019
Increase

Link to strategic objective
People

Description
Losing key personnel may impair our coverage of a particular line of business as our success depends on the experience, reputation and performance of our specialist teams across the Group.

Stringent restrictions put in place to protect physical health against COVID-19 have increased the risk of an adverse impact on employees' mental well-being.

Controls/mitigating factors
- We offer competitive remuneration and an excellent working environment to help us to retain staff.
- Employment contracts include restrictive covenants, appropriate notice periods and gardening leave provisions to prevent the loss of key information.
- Teamwork is actively encouraged across the Group.
- The Group seeks to create a working culture that is inclusive for all, thereby maintaining high standards and good employee relations.
- We invest in our teams through training and promote further learning through lectures and encouraging personal study.
- Succession planning and documentation of key procedures help minimise any impact of losing personnel.

Activities in 2020
- We continued to make strategic hires.
- We developed and implemented a new promotions process, combined with the promotion of 11 new Managing Directors, 14 new Directors and 17 new Divisional Directors to continue to grow the cohort of future leaders.
- We developed a competency framework to support leadership and employee development, based on consistent criteria of performance requirements.
- We continued to monitor staff turnover and staff absenteeism in order to understand the reasons behind such activity.
- A number of employees transferred locations within the Clarksons Group, accommodating both the employees' and the Group's needs.
- Increased management and support of employees to keep morale high among teams whilst working remotely.
- Processes implemented to deal with positive COVID-19 cases identified in offices, with appropriate guidance and communication provided.
- Online seminars and personal development modules have been promoted to encourage continued career progression.

Read more
Our people on pages 60 to 63.

Adverse movements in foreign exchange

Change in risk factor since 2019
No change

Link to strategic objective
Growth

Description
The Group can be exposed to adverse movements in foreign exchange as our revenue is mainly denominated in US dollars and the majority of expenses are denominated in local currencies, whilst we continue to report in sterling.

After seeing a low point of US$1.15/£1 in March 2020, sterling has strengthened throughout the remainder of the year, ending on US$1.37/£1. The average exchange rate in 2020 of US$1.29/£1 was similar to that in 2019 of US$1.28/£1, however, in 2021, the new level of sterling, if maintained, will affect our reported results.

Controls/mitigating factors
- The Group hedges currency exposure through forward sales of US dollar revenues.
- We also sell US dollars on the spot market to meet local currency expenditure requirements.
- We continually assess rates of exchange, non-sterling balances and asset exposures by currency.

Activities in 2020
- We continued to apply our hedging strategy consistently and, as at 31 December 2020, the Group had hedges in place for 2021 and 2022 of US$55m and US$45m respectively.

Read more
Our financial risk management objectives and policies in note 28 on page 169.

Financial loss arising from failure of a client to meet its obligations

Change in risk factor since 2019
Increase

Link to strategic objective
Understanding, Growth

Description
Uncertainty in our markets continues to affect the amount of debt that may be recoverable. Furthermore, any forward order book values may have to be written off, thereby impacting future income as well as existing booked income.

The severe and continuing impact of COVID-19 makes it more difficult to assess clients' abilities to meet their obligations.

Controls/mitigating factors
- We maintain good relationships and communication with our clients.
- We regularly monitor global client debt levels using information from a range of sources.
- Provisions are based on ageing of balances, disputes or doubts over recoverability.

Activities in 2020
- We continued to provide for doubtful debts on a conservative basis.
- In April 2020 one of our clients entered court proceedings, to which we were able to quickly respond to minimise the impact on the business. There were no other unexpected losses arising from a client failure in 2020.
- Increased monitoring of cash collections.

Read more
Our trade receivables in note 15 on pages 156 and 157.

Breaches in rules and regulations

Change in risk factor since 2019
Increase

Link to strategic objective
Trust

Description
Breaches of regulations, intentional or unintentional, could have a significant financial and reputational impact on the Group. In regulated entities, this could result in the loss of licences required to operate.

This includes breaches of laws governing sanctions, anti-bribery and corruption, market abuse (including insider dealing and market manipulation), money laundering, facilitation of tax evasion, General Data Protection Regulation and Health and Safety controls.

Specific Health and Safety regulations and guidance surrounding the ongoing pandemic have been introduced, which continue to change and vary between countries from which we operate.

Controls/mitigating factors
- Investment in compliance, quality assurance and legal functions to ensure best practice is consistently applied throughout the Group.
- Internal compliance tools help ensure the Group's teams have access to information that can assist them when negotiating transactions.

Activities in 2020
- We continued to develop our internal compliance tools for use by all our staff to reflect changes in rules and regulations.
- Our annual compliance training pack was updated during the year and subsequently released in February 2021. This includes modules on sanctions and anti-bribery and corruption, as well as circulation of the latest Compliance Code. Every member of staff is required to pass their compliance training modules and confirm that they have read, understood and accept the contents of the Compliance Code.
- A market abuse training module was released during the year.
- We enabled employees to work from home and those who were unable to do so, principally in the support segment, were provided with PPE. Before employees returned to any office, care was taken to ensure that these were COVID-19-safe environments.

Read more
How we do business on pages 67 and 68.

Changes in the broking industry

Change in risk factor since 2019
No change

Link to strategic objective
Understanding, Breadth, Reach, Trust, Growth

Description
There is a risk that we do not take advantage of, or are overtaken by, changes in our industry.

Clients are using technology as a source of increasing efficiency. They are also considering environmental factors when making their strategic decisions.

These changes create business opportunities for the Group, however failure to take these changes into account could lead to a loss of market share, loss of revenue and reputational damage.

COVID-19 has led to a reduced level of demand from lower GDP and lower consumption of raw materials, for example aviation fuel. Additionally, uncertainty, restrictions on yards and vessels, as well as on travel and face-to-face meetings, have led to the industry becoming more flexible and adaptable.

Controls/mitigating factors
– We monitor and develop technological applications which will impact the broking industry.
– We monitor competitors' activities in terms of product offerings to ensure we can react accordingly.
– We review our clients' broking requirements.
– The **Sea/** suite of sophisticated technological tools enhances our service offering to our clients and future-proofs our business.

Activities in 2020
– We continued to develop and invest in the **Sea/** suite tools to ensure that it continues to meet the evolving needs of our clients.
– We continued to ensure we are well placed to take advantage of opportunities that arise, regardless of working in the office or remotely.

Read more
Our strategy on pages 52 and 53.

Viability statement
The Board has assessed the prospects of the Group over a longer period than the 12 months required by the UK Corporate Governance Code's going concern provision.

In carrying out their robust assessment, the Directors have considered the resilience of the Group with reference to:
– the risk appetite set by the Board;
– the Group's principal risks and their impact on the strategic objectives;
– the effectiveness of mitigating actions;
– the business model;
– future operational performance; and
– financial performance, solvency and liquidity over the period.

The Board conducted this review for the three-year period to 31 December 2023, which is appropriate for the following reasons:
– in Broking, over 73% of the forward order book is due to be invoiced within the next three years;
– cash flow projections are carried out for a three-year period;
– historical average newbuilding process from inception to delivery is two to three years;
– existing hedging activities can extend to 2023;
– pension scheme funding is subject to triennial valuations; and
– our external investment analysts provide estimates and forecasts for three years of market expectations for revenue and profit before taxation.

The Board has identified the principal risks that could impact the Group. See pages 73 to 77 for more information on these risks, together with mitigating factors and controls. The Board does not consider that any single event detailed on page 78 would give rise to a viability event for the Group. Failure to monitor and take the appropriate mitigating action could result in a combination of smaller events or circumstances accumulating to create conditions in which the longer-term viability is brought into question. The compounding of events will only occur if no action is taken to mitigate each of the smaller events which arise, therefore the probability of such a compound viability event is considered to be extremely low.

The Group has considerable financial resources available to it, a strong balance sheet and has consistently generated an underlying operating profit and good cash inflow. As a result of this, the Directors believe that the Group is well placed to manage its business risks successfully, despite the challenging market backdrop created by COVID-19. Management has stress tested a range of scenarios, modelling different assumptions with respect to the Group's cash resources. Areas considered include varying levels of profit and cash generation to reflect a significant impact on world seaborne trade similar to that experienced in the global financial crisis in 2008 and the period thereafter. Under all these scenarios, the Group is able to generate profits and cash, and has positive net funds available to it. Given the net funds and free cash resources of the Group, the probability of a compound series of events collectively resulting in the Group becoming unviable is low.

Based on their assessment of prospects and viability and the outcome of the sensitivity analyses, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending 31 December 2023. In doing so, it is recognised that such future assessments are subject to a level of uncertainty that increases with time and, therefore, future outcomes cannot be guaranteed or predicted with certainty.

The Group's viability and going concern status is reviewed by the Audit and Risk Committee at each meeting. The viability assessment is reviewed annually by the Board.

Viability analysis

The analysis below seeks to identify viability events which are considered so material and which arise so suddenly as to bring into question the viability of the Group.

Risk	Analysis
Loss of key personnel – Board members	The loss of one or more Non-Executive Directors will not have a direct impact on the trading performance or financial position of the Group.
Economic factors	Our markets are multi-cyclical and volatile. Our industry has not seen a two-year period of volume decline since 1990. The Group is consistently profitable, assisted by the forward order book. Sustained declines in world trade rarely occur overnight, so the business will be able to respond with appropriate measures.
Cyber risk and data security	We utilise state-of-the-art training and internal processes to prevent any cyber attack breaching our defences. A successful attack could occur without warning and could affect the Group's ability to conduct business for a period of time. Emails can be quickly rerouted or run on other, unaffected parts of our network. In the event of an attack which causes the loss of the network, it is possible to reconstruct it using backups. Assuming suitable hardware is available, key services can be restored within hours and all other services within days. Whilst this might result in errors, omissions and possible claims, key business decisions can still occur using other forms of communication.
Loss of key personnel – normal course of business	No one global divisional team accounts for more than 27% of revenue or 38% of profit before taxation. No individual has generated more than 3% of new business for the Group in 2020 or 2019.
Adverse movements in foreign exchange	The majority of the Group's revenues are in US dollars. Over the last three years, the USD/GBP rate has reached lows of 1.15 and highs of 1.43. The Group has hedges in place for 2021 and 2022, reducing the effect of any changes in the cross rate.
Financial loss arising from failure of a client to meet its obligations	The Group benefits from having thousands of clients spread around the world in a wide range of sectors. The largest client balance accounts for less than 5% of the total outstanding trade receivables balance at 31 December 2020.
Breaches in rules and regulations	The Group has extensive and adequate tools and procedures ensuring compliance with rules and regulations. The Group continues to develop and invest in these tools to improve further the effectiveness of these procedures.
Changes in the broking industry	Broking contributes a considerable proportion to the Group's results. We closely monitor technological changes which will impact the industry and are developing our own applications based on our reviews of clients' broking requirements.

Going concern

The Group's business activities, strategic objectives, business performance and financial position, together with the factors likely to affect its future development are set out in the Strategic report on pages 14 to 79.

A full explanation of the work undertaken by management and considered by the Directors is set out in the viability statement on page 77.

The Group has considerable financial resources available to it, a strong balance sheet and has consistently generated an underlying operating profit and good cash inflow. There are no material uncertainties related to events or conditions that cast doubt on the Group's ability to continue as a going concern. Accordingly, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operation for at least the next 12 months. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Compliance statements

Non-financial information statement

The table below constitutes the Company's non-financial information statement, in compliance with sections 414CA and 414CB of the Companies Act 2006.

Reporting requirement	Key policies and standards, and more information
Environmental matters	Read more: Environment – pages 58 and 59
Our employees	Global Staff Handbook Global Diversity and Equality Policy Compliance Code Global Privacy Statement and Policy Health and Safety Policy Statement Whistleblowing Policy Read more: Our people – pages 60 to 64 How we do business – pages 67 and 68
Social matters	CSR Committee Read more: Communities – pages 64 to 66
Human rights	Ethics Policy Statement Modern Slavery and Human Trafficking Statement Global Privacy Statement and Policy Read more: Our people – pages 60 to 64 How we do business – page 68
Anti-corruption and anti-bribery	Anti-Bribery and Corruption Policy Read more: How we do business – page 67
Business model	Read more: Our business model – pages 56 and 57
Principal risks	Read more: Risk management – pages 70 to 78
Non-financial key performance indicators	Read more: Key performance indicators – page 69

Section 172(1) statement

The Company's Directors have had regard to the factors set out in section 172(1) in discharging their duties, taking account of, not only our key stakeholders, but any wider impacts that may arise. We are mindful of the need to balance the broad range of interests and perspectives of our stakeholders, whilst acknowledging that not every decision that we make will deliver everyone's desired outcome. We recognise that building strong relationships with our stakeholders will help to inform the Board's decision-making, deliver our strategy in a sustainable way and meet our stated purpose. Read more about the Board's engagement with stakeholders and how that has influenced our decision-making on pages 90 and 91.

The Strategic report on pages 14 to 79 was approved by the Board and signed on its behalf by:

Jeff Woyda
Chief Financial Officer & Chief Operating Officer
5 March 2021

Chair's introduction to corporate governance

Our strong governance framework is our starting point for meeting our purpose and overseeing our strategy.

Dear Shareholder
On behalf of the Board, I am pleased to introduce the Corporate governance report for 2020.

Our purpose, in essence, is to enable global trade, and this is the driving force behind everything Clarksons does. The importance of fulfilling our purpose and continuing to make a contribution to wider society has been brought to the fore more than ever during 2020. Our priority has been to keep our people safe, whilst continuing to provide exceptional service to our clients. This, in turn, has allowed us to play our part in keeping shipping, which is so vital to world trade, operating as close to business as usual as possible, despite the upheaval of the COVID-19 pandemic.

Our strong governance framework, which underpins how the Board fulfils its responsibilities, is our starting point for meeting our purpose and overseeing our strategy. Our Board Committees have each continued to play a key role this year in this regard. The composition of the Board, and ensuring that it comprises the collective skills, knowledge and experience to drive the strategy and both support and challenge management, underpins how the Board operates. The Nomination Committee has devoted a substantial amount of time this year to search processes for new non-executive directors, resulting in the appointment of Laurence Hollingworth in July 2020 and Sue Harris in October 2020. These appointments followed that of Heike Truol in January 2020, which was reported in the 2019 annual report. The Audit and Risk Committee has continued to provide assurance to the Board and shareholders on the integrity of the Group's financial reporting and systems of internal control and risk management, evolving the strong foundations built in previous years to further strengthen our risk and control environment. In turn, this allows us to undertake our commercial operations safely and effectively, and evolve our strategy. The Remuneration Committee has been focused on the link between pay and performance, enabling us to both retain and reward the executive management team who are key to delivering the strategy.

The Board is mindful of its duties under section 172 of the Companies Act to act in the way that we consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. Of course, this can be difficult to do at times as not every decision that we make will deliver the desired outcome of all stakeholders. We recognise that the engagement that we have had with our stakeholders, and the views that they have shared with us, become even more important at times such as these.

COVID-19 has pushed us all to make difficult choices, and the decision that we took in March 2020 to defer payment of the final dividend in respect of the 2019 financial year is a good example of this. You can read more about how we took account of stakeholder views and our duties under section 172 in making that decision (and the subsequent decision to pay the dividend later in the year) on page 91.

Our internal Board evaluation confirmed that the Board continued to operate effectively throughout the year. In line with other corporates, we moved our Board and Committee meetings to an online format. Whilst not as satisfactory as meeting in person, and despite the challenges raised by the COVID-19 pandemic, I am delighted that my fellow Directors have approached these challenges with positivity, focus and professionalism, echoing the exceptional way in which the whole of Clarksons has risen to the challenge of continuing to deliver. It is not surprising, however, that Directors did signal through the evaluation a wish to spend more informal time together. This will be particularly key for the embedding of the three new Directors we welcomed to the Board this year, and we will be acting on this, both through thinking more innovatively about the online format and, when it is safe to do so, through in-person sessions.

I would also like to take this opportunity to thank Marie-Louise Clayton, who stepped down from the Board in January 2021, for her valuable contribution to the Board and the Group since 2017 as both a Director and the Audit and Risk Committee Chair.

Lastly, I would like to thank all of our shareholders for their continued support, and I look forward to welcoming you to our AGM on 5 May 2021 which we will, as in 2020, be holding electronically by audiocast in order to ensure the continuing safety of all concerned. The Board will be available to answer any questions you may have about the business of the meeting.

Sir Bill Thomas
Chair
5 March 2021

Statement of compliance with the UK Corporate Governance Code, published in July 2018 (the Code)

The Company complied with the principles and provisions of the Code during the year ended 31 December 2020.

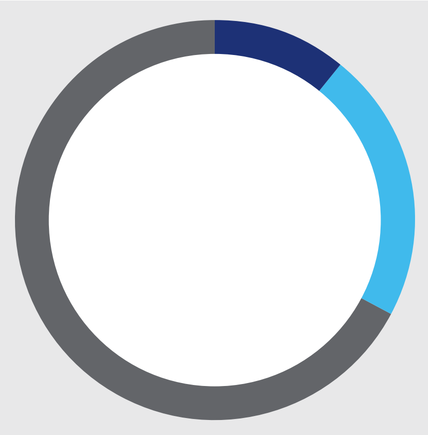
Read more
The Code is available at www.frc.org.uk.

Section of Code	How we comply	Page number
Board leadership and company purpose	– Board of Directors	82
	– Governance framework	86
	– An effective Board	87
	– Purpose, values and culture	87
	– Board resources	88
	– Board oversight and decision-making	88
	– Conflicts of interest	88
	– Key topics discussed at Board meetings	89
	– Stakeholder engagement including how the Board has taken its section 172 responsibilities into consideration	90
Division of responsibilities	– The roles of individual directors	86
Composition, succession and evaluation	– Nomination Committee report	92
	– Succession planning and Board appointments	94
	– Election and re-election of Directors	95
	– Board and Committee effectiveness	96
	– Diversity	98
	– Induction and development	98
Audit, risk and internal control	– Audit and Risk Committee report	100
	– Financial reporting, including fair, balanced and understandable assessment	102
	– External audit	103
	– Internal controls and risk management	104
	– Going concern	105
	– Viability statement	105
	– Compliance	105
	– Internal audit	105
Remuneration	– Annual statement – Remuneration Committee Chair	106
	– Remuneration Committee report	108
	– Annual report on remuneration	109
	– Appendix: Directors' Remuneration Policy	119

Board of Directors

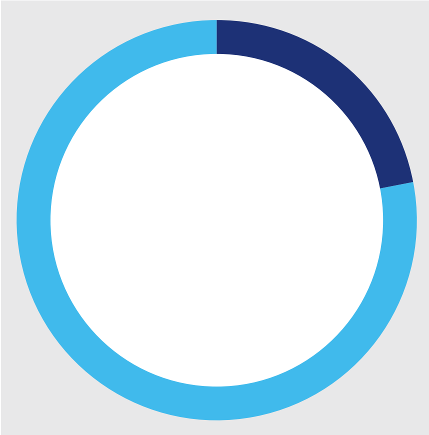
A refreshed Board to lead Clarksons, bringing together an effective balance of skills, knowledge and experience.

Board structure
As at 5 March 2021



Chair	1 (11%)
Executive Directors	2 (22%)
Independent Non-Executive Directors	6 (67%)

Board gender split
As at 5 March 2021



Female	2 (22%)
Male	7 (78%)

Changes in Board membership during the year and to the date of this report:
- Heike Truol was appointed as a Non-Executive Director on 31 January 2020.
- Laurence Hollingworth was appointed as a Non-Executive Director on 23 July 2020.
- Sue Harris was appointed as a Non-Executive Director on 7 October 2020.
- Marie-Louise Clayton resigned as a Non-Executive Director on 31 January 2021.

Committee membership

Audit and Risk Committee	A
Nomination Committee	N
Remuneration Committee	R
Chair	●

Chair

Sir Bill Thomas N R
Chair

Appointed: February 2019

Skills and expertise
Sir Bill brings to the Board extensive experience of non-executive roles in listed companies, including significant experience of chairing and membership of board committees. Through his executive career within international technology organisations, Sir Bill has developed a wealth of expertise in global people-intensive organisations, customer-focused service industries and relationship-based transactions with major clients, all of which provides valuable insight for his role on the Clarksons Board.

Career experience
Sir Bill spent most of his executive career in technology services providers where he had a strong track record in delivering strategy and major change. He is a former Senior Vice President at Hewlett Packard and was on the executive committee of EDS plc as Executive Vice President. Sir Bill has also served as a Non-Executive Director on the boards of GFI SARL, XChanging plc, Balfour Beatty plc and VFS Global.

Sir Bill received a Knighthood in the 2020 New Year Honours List.

Principal external appointments
- Chair of Spirent Communications plc
- Chair of Node4 Limited
- Non-Executive Director and Chair of the Remuneration Committee of The Co-operative Bank p.l.c.
- Non-Executive Director of The Co-operative Bank Finance p.l.c.
- Non-Executive Director of The Co-operative Bank Holdings Limited
- Member of the International Advisory Board of FireEye, Inc.
- Chair of the Board of Trustees of the Royal Navy & Royal Marines Charity

Executive Directors

Andi Case
Chief Executive Officer

Appointed: June 2008

Skills and expertise
Having worked in shipbroking his entire career, Andi brings to the Board extensive knowledge and experience of global integrated shipping services. He is recognised in the market as an industry leader. His detailed knowledge of Clarksons' operations, combined with his commitment to drive the growth strategy, make him ideally placed to inspire and lead the Group.

Career experience
Andi joined Clarksons in 2006 as Managing Director of the Group's shipbroking services. His shipbroking career began with C W Kellock & Co and later the Eggar Forrester Group. Prior to Clarksons, he was with Braemar Seascope for 17 years.

Principal external appointments
None

Jeff Woyda
Chief Financial Officer & Chief Operating Officer

Appointed: November 2006

Skills and expertise
Jeff's broad-based experience across a number of disciplines complements his role at Clarksons. In addition to his strong background in finance, Jeff has an impressive track record in managing and delivering across broking, corporate finance, IT implementation and software development, HR and regulatory compliance. His career has spanned both publicly listed and private companies, as well as regulated industries. Jeff's position at Clarksons includes that of the Chief Operating Officer which covers IT, Legal, HR, Company Secretariat, Marketing and Property Services, and he is the Board member responsible for ESG matters. He is also the Chairman of Maritech, the Saas provider of the **Sea/** platform.

Career experience
Before joining Clarksons, Jeff spent 13 years at the Gerrard Group PLC, where he was a member of the executive committee and Chief Operating Officer of GNI. Jeff began his career with KPMG LLP and is a Fellow of the Institute of Chartered Accountants.

Principal external appointments
- Non-Executive Director of the International Transport Intermediaries Club Limited
- Non-Executive Director of Lok'nStore Group plc

Non-Executive Directors

Peter Backhouse A N
Senior Independent Non-Executive Director

Appointed: September 2013

Skills and expertise
Peter has over 40 years of experience in the international energy business, gained both through his executive career and as a non-executive director. He brings valuable experience to Clarksons through his involvement in offshore oil and gas activity, liquefied gas and oil transportation, finance and mergers and acquisitions, as well as extensive listed company expertise.

Career experience
Most of Peter's executive career was spent at British Petroleum (BP), where he was Chairman and Chief Executive of European refining, marketing and shipping, and head of both North Sea oil development and global mergers and acquisitions. He served 14 years as a Non-Executive Director of BG Group p.l.c., the international energy company, as well as a member of the Advisory Board of private equity firm Riverstone Energy Partners. Peter was also Chairman and Supervisory Board Director of HES International B.V., a major operator of European bulk port storage and handling facilities, from 2014 to 2019.

Principal external appointments
None

Board of Directors continued

Non-Executive Directors

Sue Harris
A R

Independent Non-Executive Director

Appointed: October 2020

Skills and expertise

Sue brings to Clarksons significant financial, risk management and corporate development experience, gained through senior roles across listed companies in financial services and retail. She brings a wealth of leadership and boardroom experience to her role at Clarksons, having held a number of senior executive and non-executive roles across a broad range of sectors, and is a seasoned audit committee chair. Sue is a qualified chartered management accountant.

Career experience

In addition to Sue's current non-executive roles, she was also previously a Non-Executive Director of Abcam plc. Sue previously chaired the Audit and Assurance Council at the Financial Reporting Council and was a member of the Codes and Standards Committee. She has held a number of senior executive positions at FTSE 100 businesses, including as Divisional Finance Director and Group Audit Director for Lloyds Banking Group. Prior to this, Sue held roles including Managing Director for Finance at Standard Life and Group Treasurer and Head of Corporate Development for Marks & Spencer.

Principal external appointments

- Non-Executive Director and Chair of the Values and Ethics Committee of The Co-operative Bank p.l.c.
- Non-Executive Director of The Co-operative Bank Finance p.l.c.
- Non-Executive Director of The Co-operative Bank Holdings Limited
- Non-Executive Director and Chair of the Audit Committee of Wates Group Limited
- Non-Executive Director and Chair of the Audit Committee of FNZ (UK) Limited
- Non-Executive Director of Schroder & Co. Limited and Chair of the Audit and Risk Committee of the Wealth Management Division
- Independent Director of Barclays Pension Funds Trustees Limited

Laurence Hollingworth
A R

Independent Non-Executive Director

Appointed: July 2020

Skills and expertise

Previously a senior leader in investment banking, Laurence brings significant capital markets experience to Clarksons which positions him well to guide the development of the Financial business and wider strategy. Laurence has a strong understanding of broking and the relationship-led environment in which Clarksons operates, having been responsible for client relationship management with some of JP Morgan's most high-profile clients. This experience gave him broad exposure to different leadership styles and board dynamics, developing the ideal skillset to provide oversight and constructive challenge in the boardroom.

Career experience

Laurence's 37-year career in stockbroking with Cazenove and latterly JP Morgan saw him hold several senior leadership roles including Head of UK Investment Banking, Head of EMEA Industry Coverage and finally as Vice Chairman for Equity Capital Markets EMEA.

Principal external appointments

- Non-Executive Chairman of ABM Communications Limited
- Non-Executive Director of Recycling Technologies Limited

Dr Tim Miller
N R

Independent Non-Executive Director

Appointed: May 2018

Skills and expertise

Dr Tim Miller has over 30 years' experience working in large-scale people businesses with significant international operations. Whilst Tim has extensive experience of HR and remuneration matters gained in his executive and non-executive career, his executive roles also gave him exposure across a broad remit including compliance, audit, assurance, financial crime, property and legal. Tim has a proven track record serving as a non-executive director and remuneration committee chair in listed companies which, together with his HR background, make his experience relevant to his role at Clarksons.

Career experience

The majority of Tim's executive career was within regulated industries, including roles at Glaxo Wellcome and latterly Standard Chartered, with global responsibility for a wide variety of business services. He was previously a Non-Executive Director and Chair of the Remuneration Committee at Michael Page Group, and more recently a Non-Executive Director at Otis Gold Corp.

Principal external appointments

- Non-Executive Director and Chair of the Remuneration Committee of Equiniti Group plc
- Non-Executive Director of Equiniti Financial Services Limited
- Non-Executive Director and Chair of the Remuneration Committee of Scapa Group plc

Birger Nergaard R
Independent Non-Executive Director

Appointed: February 2015

Skills and expertise
Birger's in-depth knowledge of capital markets and investment banking brings valuable expertise to Clarksons, particularly in developing and overseeing our banking strategy. He has extensive knowledge of investing in Nordic technology companies, and is experienced in taking an active role on the boards of these companies to help position them for long-term growth. Birger is therefore well positioned to provide unique insight into initiatives to innovate and develop new services for clients.

Career experience
After establishing Four Seasons Venture (today Verdane Capital) in 1985, Birger was the CEO until 2008. He joined the board of Clarksons Platou AS (formerly RS Platou ASA) as Deputy Chairman in 2008 and the board of Clarksons Platou Securities AS in 2010. Birger has remained as a Director of these companies since their acquisition by Clarksons.

In 2006, Birger was awarded King Harald's gold medal for pioneering the Norwegian venture capital industry.

Principal external appointments
- Director of Verdane Capital Funds V, VI, VII and VIII
- Director of Nergaard Investment Partners AS
- Advisor to the P/E fund Advent International (Norway)
- Director of Union Real Estate Fund I and II

Heike Truol A N
Independent Non-Executive Director

Appointed: January 2020

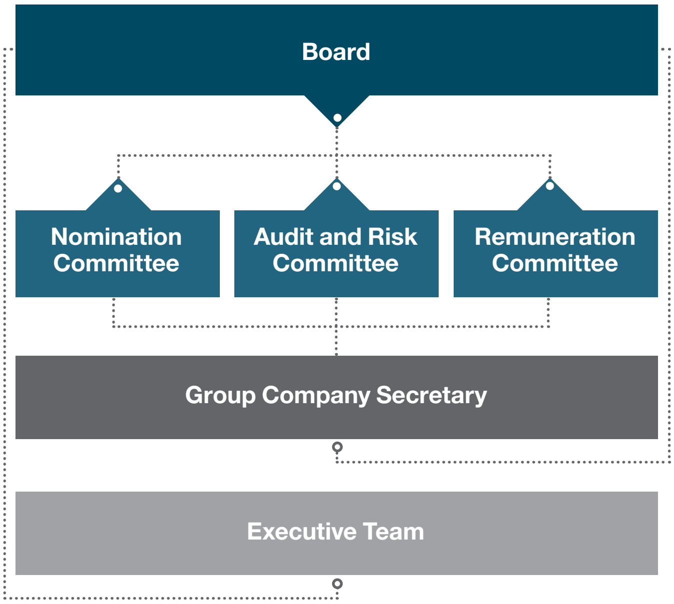
Skills and expertise
Heike has an in-depth client knowledge of the dry bulk market and is well positioned to bring valuable customer perspectives. With a 20-year track record of both advising large global organisations from the outside as a management consultant as well as driving performance from within, Heike brings significant experience of strategy development and delivery to the Board.

Career experience
Heike gained 11 years' experience at Anglo American PLC (Anglo American) where she was Executive Head, Commercial Services until April 2020. On joining in 2009 as Group Head, Strategy she helped evolve the strategy function working closely with the CEO and executive committee. Heike later helped establish the Marketing business and had P&L responsibility for Anglo American's global shipping activity. Prior to her time at Anglo American, Heike was a management consultant and held roles at Marakon Associates and Deloitte.

Principal external appointments
None

Committee membership	
Audit and Risk Committee	A
Nomination Committee	N
Remuneration Committee	R
Chair	●

Governance framework



Chief Executive Officer
- Responsible for the day-to-day management of the Group
- Develops the strategy and commercial objectives for approval by the Board, and leads the executive management in delivering them within the risk appetite approved by the Board
- Promotes the embedding of the Group's culture throughout the organisation
- Leads the relationship with institutional investors and other stakeholders

Chief Financial Officer & Chief Operating Officer
- Manages the Group's financial and operational affairs and supports the CEO in the management of the Group
- Alongside the CEO, represents the Group in meetings with institutional shareholders and other stakeholders

Employee Engagement Director
- Facilitates two-way communication between the Board and the workforce through a programme of engagement initiatives
- Enhances the voice of the workforce by feeding their views into the Board decision-making process

Board
Key matters reserved for the Board:
- Purpose
- Strategy
- Setting the Group's culture, standards and values
- Internal controls and risk management
- Financial reporting and viability
- Capital and liquidity
- Board and Committee appointments
- Corporate governance matters
- Stakeholder obligations
- Material contracts

Individual roles and activities
Chair
- Leads the Board, facilitating the contribution of all Directors and promoting an open and constructive relationship between the Executive and Non-Executive Directors
- Ensures the effectiveness of the Board
- Oversees the development of the Group's purpose, values and culture
- Promotes high standards of corporate governance
- Available to shareholders and fosters dialogue with other key stakeholders

Senior Independent Director
- Acts as a sounding board for the Chair and leads the evaluation of his performance
- Serves as a trusted intermediary for other Non-Executive Directors
- Available to shareholders, particularly when their concerns have not been resolved through other channels

Non-Executive Directors
- Contribute to the development of the strategy and scrutinise its execution by management
- Provide both objective and constructive challenge, and support, to the development of Board proposals and the performance of management
- Monitor executive management's progress against agreed performance objectives

Nomination Committee
- Reviews the effectiveness of the Board, and its structure, size, composition and diversity
- Leads succession planning for the Board and oversees succession plans for senior management

Audit and Risk Committee
- Monitors the integrity of the financial reporting for the Group and manages the relationship with the external auditor
- Oversees the effectiveness of the risk management and internal control systems

Remuneration Committee
- Sets the remuneration policy and packages for the Executive Directors and other members of the senior management team, whilst having regard to pay across the Group
- Approves the remuneration of the Chair

Group Company Secretary
- Acts as first point of contact for the Chair and Non-Executive Directors, and facilitates the induction of new Non-Executive Directors
- Facilitates information flows between the Board and its Committees, and between executive management and the Board
- Advises the Board on all governance matters and ensures good governance practices throughout the Group

Executive Team
- Assists the CEO in running the business
- Develops and implements strategy and goals, operational plans, procedures and budgets, and monitors business performance (including competitive pressures)
- Oversees the assessment and control of risk

The schedule of Matters Reserved for the Board; the Terms of Reference of the Board Committees; and the roles of the Chair, CEO, Senior Independent Director and Employee Engagement Director are available on our website at www.clarksons.com/about-us/board-of-directors.

Read more
How we assess the independence of our Non-Executive Directors on page 96.

An effective Board

The Board is collectively responsible for promoting the long-term success of the Group and is accountable to shareholders for the creation of sustainable value and to other stakeholders for the wider impact that we have. We have overall responsibility for leading the Group and are the decision-making body for matters which are significant to the Group as a whole (in particular strategic and financial matters, and those which could have a material reputational impact). Our ability to meet our responsibilities is underpinned by having in place a balanced and effective Board which brings together a wide range of skills and expertise, and our governance framework which enables effective decision-making within a structure of clear accountabilities.

Purpose, values and culture

Our purpose underpins everything that we do and to ensure the continued growth of a sustainable business, our purpose must remain at the heart of the way we behave and be true to our values. This is the foundation of the Clarksons' culture.

Clarksons has always championed its people, who are our most valuable asset. We are a people business and our greatest strength is the spirit of teamwork and collaboration that lies at the heart of our culture. Our people processes are designed to retain and empower our employees to drive success, keep our clients at the core of our activities and align our interests with those of our main stakeholders, including shareholders. During 2020, we launched a new global promotions framework to assist the business divisions in identifying emerging leaders and key employees of the future.

The Board reviews performance metrics that support the culture that the Group needs, including global turnover by business sector and location, annual promotions to early, middle and senior level management positions and key remuneration frameworks around employee equity participation.

The key elements of our culture

Leading by example	The Board sets the tone from the top, and the Directors, Executive Team and senior management lead by example through all actions.
Employee voice	Employees are invited to a number of communication forums throughout the year, including the Employee Voice Forum, and are encouraged to share their views on a variety of priorities and matters. Themes and discussion points are then reported to the Executive Team and Board, providing key insights. There are also independent whistleblowing processes in place which allow reporting of wrongdoing on an anonymous basis. Any reports are reviewed by the Board and/or the Audit and Risk Committee.
Policies, pay, diversity and inclusion	We pay for performance and seek to ensure that the financial and non-financial reward(s) we give our employees are competitive and support attraction, engagement and retention by addressing the total reward agenda. We are also committed to equal opportunities, including a commitment to Equal Pay. Our priority has always been to be inclusive of all diverse groups of people and to strive to achieve an inclusive culture every day. Our policies and procedures are designed to support this, but we endeavour to embed them through expected behaviours and rewarding accordingly.
Risk management	The Audit and Risk Committee reviews internal controls and risk management systems, including risk appetite, as well as internal audit reports that include an evaluation of management approach.
The way we do business	Our Compliance Code is reissued to employees annually – it sets out the policies and standards we expect them to uphold to meet our objective of conducting our business in an ethical, honest and professional manner wherever we operate.
Health and safety	Whilst we do not view the majority of our activities as high risk, the Board monitors the health and safety culture through regular reporting.

Governance framework

An overview of our governance framework is set out on page 86.

We discharge some of our responsibilities through delegation to Board Committees. The Board Committees bring an increased focus on key areas and explore them more deeply, thereby gaining a greater understanding of the detail.

Any delegation of authorities to Board Committees is formally documented in writing through Terms of Reference, while the Board maintains a schedule of key matters which are reserved for our decision. Furthermore, there is a clear division of responsibilities between the Chair and the CEO. The execution of the strategy and the day-to-day management of the Group and operational matters are delegated to the CEO.

The Group's executive governance structure continues to evolve with a consistent framework being embedded and the further development of roles participating in the Executive Team. This structure maximises the opportunity for all parts of the business to have clarity on their goals and successfully execute on divisional and Group strategic plans.

Board resources

Board and Committee papers are delivered securely to the Directors in advance of meetings using an electronic portal. Should any urgent matters arise between scheduled meetings, Directors are briefed either individually or through a Board call. Directors are able to seek additional information from management at any time, whether in relation to papers submitted for discussion at a formal meeting or any other matters. This allows them to explore significant items in more depth and signal areas where more detail will be required when the matters are discussed formally. These sessions provide the Non-Executive Directors with an opportunity to engage with management in a more informal way.

All Directors have access to the advice of the Group Company Secretary and, in appropriate circumstances, may obtain independent advice at the Company's expense.

Board oversight and decision-making

The main forums through which the Board exercises its responsibilities are Board strategy sessions and the regular Board and Committee meetings.

A Board strategy session is held annually, at which the CEO and members of the senior management team present their views of the market and forward view of the coming year. In developing the strategy, the Board takes account of, not only our obligations to shareholders, but also the considerable impact that the Group has on other stakeholders including employees, clients, the wider shipping community and communities who are the 'end users' of the world trade that we play a key role in supporting.

The Non-Executive Directors collectively have a range of experience and expertise, and the challenge and independent oversight that they bring to strategic debates supports the building of a sustainable strategy. The need to deliver the strategy within the Group's risk appetite, and ensuring that the Group has the appropriate resources, skills and competencies to achieve the strategy responsibly, are also key areas of focus. The Board monitors the implementation of the strategy through regular updates at Board meetings on key initiatives as they progress. This also enables us to regularly review whether the strategy remains appropriate.

The Board typically meets six times a year, but ad hoc meetings may be convened to discuss matters which are time sensitive. In 2020, two additional meetings were held in order to review the impact of the COVID-19 pandemic on the Group and agree appropriate updates to the market, whilst the trading update released to the market in January 2020 was discussed at a further meeting.

In line with most UK corporates, the attendance at the majority of our Board meetings in 2020 was online in order to ensure compliance with governance guidance regarding the pandemic. Attendance at scheduled Board meetings is set out on page 89. If a Director is unable to join a meeting, they are encouraged to provide comments to the Chair in advance on the business of the meeting so that their views can be taken into account as part of the debate at the meeting.

Board agendas are driven by key strategic priorities, the schedule of Matters Reserved for the Board and the financial calendar. The programme is flexed as necessary to take account of changes in priorities and external developments. The process for agreeing the agendas is managed by the Group Company Secretary in consultation with the Chair, and a similar process is followed with the Chair of each Board Committee.

Conflicts of interest

Directors are required to disclose any interests that could give rise to a conflict of interest either prior to appointment or as and when they arise. Potential conflicts may be approved by the Board if it is satisfied that it is appropriate to do so, but the Director who has the potential conflict cannot be counted in the quorum when the conflict is discussed. The Board may impose conditions on the authorisation of a conflict, for example that the Director should leave the boardroom when certain matters are discussed. Once authorised, a conflict is recorded in the Register of Directors' Conflicts. The Nomination Committee is responsible for providing the Board with guidance on the treatment of Directors' conflicts and for conducting an annual review of the Register of Directors' Conflicts.

During the year, the CFO & COO requested approval to take up an external directorship at Lok'nStore Group plc. Any potential conflict of interest arising from the proposed directorship, as well as the time that Jeff would need to commit to the role, were considered by the Board. It was concluded that the proposal did not give rise to any concerns. Furthermore, the Remuneration Committee reviewed whether Jeff should be permitted to retain the fees relating to the role, which was approved.

Key topics discussed at Board meetings in 2020

Business performance and operations

- Regular updates from the CEO and CFO & COO including key commercial developments, financial performance, people matters, health and safety, emerging external developments and the competitive environment
- Ongoing updates on the impact of COVID-19 on the business and its stakeholders
- Annual insurance programme
- Draft budget
- Banking facilities

Financial matters

- Publicly released financial results and the annual report, including going concern and viability statements
- Closed period trading update ahead of the release of the full year results, and two further trading updates released to the market in light of the uncertainty arising from COVID-19
- Impact of COVID-19 on the amount and timing of the final dividend (in respect of 2019) and consideration of dividend capacity ahead of the decision to pay both the equivalent of that dividend and a further interim dividend later in the year

Strategy

- Update on the Group's **Sea/** proposition
- Agenda for the Board strategy session in September
- Analysis of the impact on the shipping market of COVID-19

Risk management

- Regular reports on the risk environment, the top risks facing the Group and associated risk appetite
- Annual review of the systems of risk management and internal control, including the Group's risk profile, the internal control environment, the risk register and mitigating factors and controls to risks included therein
- Principal risks to be included in the annual report

Governance

- Succession planning, including the initiation of a search for two new non-executive directors and approval of a framework for managing succession to the Chair role
- Changes to the Board and composition of Board Committees
- Outcome of the annual effectiveness review of the Board, the action plan implemented as a result and progress against it
- Governance disclosures in the annual report, including related matters such as the annual re-election of the Directors and the external auditor, and the recommendation of the Directors' Remuneration Policy for shareholder approval
- AGM Notice of Meeting and ancillaries
- Change of corporate broker

Stakeholder engagement

- Employee engagement
- Annual review of the Modern Slavery Act statement
- Annual ShareSave invitation, including the extension of the plan to two new countries (Greece and Switzerland)
- Market feedback on results and insights into movements in the shareholder register
- Actions taken in response to the significant votes against the Directors' remuneration report and the Directors' Remuneration Policy at the 2020 AGM and publication of an update statement

Scheduled meeting attendance

Current Directors	
Sir Bill Thomas	6/6
Andi Case	6/6
Jeff Woyda	6/6
Peter Backhouse	6/6
Sue Harris[1]	1/1

Current Directors	
Laurence Hollingworth[2]	2/2
Dr Tim Miller[3]	5/6
Birger Nergaard	6/6
Heike Truol[4]	5/5

Former Director	
Marie-Louise Clayton	6/6

1 Appointed on 7 October 2020.
2 Appointed on 23 July 2020.
3 Unable to attend one meeting due to a conflict with an unexpected appointment. Dr Miller reviewed the meeting papers ahead of the meeting and provided comments to the Chair.
4 Appointed on 31 January 2020.

Stakeholder engagement
We are committed to effective engagement with our stakeholders, and gather feedback and input from them through a variety of approaches. The Board engages directly with our people and our shareholders. In the case of engagement with clients and communities (who we have also identified as key stakeholders), management engagement is used to form proposals at a business level, with the Board being kept updated in various ways. Where relevant, stakeholder considerations are also set out in Board papers.

Our people
This was the second year of our Employee Voice Forum, which encourages two-way communication between our employees and our Non-Executive Directors. The forum brings together Non-Executive Directors and employees from various divisions across the business, and is chaired by Dr Tim Miller, our designated Non-Executive Director for employee engagement. We recognise this as a positive step towards strengthening the voice of the employee and as a way to maintain regular dialogue with the workforce. This forum is augmented by other communication forums that report key insights to our Executive Team and the Board.

Our shareholders
The Board is cognisant of its responsibility to manage the Company on behalf of our shareholders, and understands that maintaining strong relationships and an open dialogue with investors underpins the long-term success of the Company. The impact of COVID-19 on performance in 2020 was, as expected, a key area of focus for our shareholders during the year, and two additional trading updates were released to the market in March and April as a result.

Institutional investors
Whilst the Chair is responsible for ensuring effective communication with shareholders, the CEO and CFO & COO act as the primary contact for institutional investors and engage actively with both current and potential investors. The Chair, Senior Independent Director and all Non-Executive Directors are available to attend meetings if requested by shareholders.

During the year, the CEO and CFO & COO held 49 meetings with both potential and current investors (holding over 50% of the issued share capital) to gain an understanding of their views and concerns. Whilst the majority of these meetings would ordinarily be held in person, these meetings have primarily been held electronically during 2020 due to COVID-19 lockdowns. We also had to delay plans to hold a capital markets day during the year to showcase the **Sea/** product and our investments in shipping technology.

Retail shareholders
Retail shareholders (excluding employee shareholders) hold around 11% of our issued share capital, and the Board recognises the value of maintaining a good level of engagement with these investors. This is achieved principally through our website and the AGM. Full year and half year results announcements, the annual report and results presentations are all available on our website, as well as information regarding financial performance and governance matters. Further detail regarding our AGM can be found to the right. Our Company Secretariat team and our registrar (Computershare) are also available to help retail shareholders with any queries they may have.

Employee shareholders
The Board recognises the benefits of encouraging employee share ownership, and Group employees hold around 9% of the Company's issued share capital, either through direct interests or through restricted shares granted under employee share plans. Furthermore, the Company issues an annual invitation to employees in the UK and our largest overseas locations to join a ShareSave plan (or similar local equivalent), which gives employees the opportunity to purchase shares in the Company at a discounted price, subject to certain conditions. As a Board, we are extremely supportive of widening global participation in the plan, which has been offered in six overseas countries to date (two of which were new to the plan in 2020). Around 80% of our global employees have been invited to join ShareSave or the local equivalent, and over 53% of eligible employees have taken up an invitation to participate.

Employee shareholders (and the workforce as a whole) are kept informed by the Group Company Secretary and the Executive Directors of publicly available financial updates and governance changes such as new Director appointments.

Information flow to Board
The Chair takes responsibility for ensuring that the views of shareholders are communicated to the Board as a whole.

The CEO and CFO & COO regularly update the Board on shareholders' views, which reflects both their own direct engagement with investors and feedback from the Company's joint corporate brokers and financial public relations advisor.

An analysis of movements in the shareholder register and trading volumes, along with any broker feedback, is provided to each Board meeting. Analyst reports on the Company are made available to all Directors through the Board portal in order to enhance their understanding of how the Company is perceived in the market.

Annual General Meeting
We view the AGM as an opportunity to engage directly with all shareholders (but particularly retail shareholders) on the key issues facing the Group and to respond to any questions shareholders may have on the business of the meeting. The Notice of Meeting is circulated to shareholders at least 20 working days prior to the meeting. All resolutions proposed to the meeting are voted on by way of a poll. This allows all votes cast to be counted, rather than just those of the shareholders attending the meeting, which we believe is the most representative means of gauging the views of our shareholder base. The number of proxies received is disclosed to shareholders in attendance at the meeting, and the voting results are announced to the London Stock Exchange and made available on the Company's website as soon as practicable after the meeting.

The 2020 AGM was held on 6 May 2020. In light of the COVID-19 pandemic and UK government guidance regarding social distancing, we took the decision to hold the meeting electronically by audiocast, as was permitted under the Company's Articles of Association. The Board agreed that, in these exceptional circumstances, this approach would provide all shareholders with the opportunity to join the meeting. Votes were cast in relation to circa 77% of the issued share capital and, although all resolutions were passed by the required majority, the Board noted a significant vote against resolution 2 to approve the Directors' remuneration report and resolution 3 to approve the Directors' Remuneration Policy. Further detail regarding the renewal of our Directors' Remuneration Policy can be found in the Directors' remuneration report on pages 106 and 107.

Given continued uncertainty surrounding the COVID-19 pandemic, this year's AGM will again be held electronically by audiocast at 12 noon on Wednesday 5 May 2021. Full details of the resolutions to be proposed at the meeting are set out in the Notice of Meeting. The Chair, as well as the Chairs of the Board Committees, will be in attendance at the meeting to answer questions on the business of the meeting.

Understanding the views of other stakeholders and fostering of business relationships

Our clients

Our client base is diverse in terms of both size and needs, and the approach to engagement taken by our brokers to engaging with our clients is bespoke to and driven by each client's needs. The most meaningful way for the Board to receive feedback gathered through this engagement is therefore through updates from management, including through the CEO's regular update to the Board and business presentations made by senior management. Trends in the marketplace and client feedback on products are also key elements that the Board takes into account in evolving the Group's strategy, in particular our strategic objectives relating to Breadth, Reach and Understanding as set out on pages 52 and 53.

Communities

Similar to our clients above, our stakeholders in the shipping community are diverse and management takes an appropriately tailored approach to engaging with them. The Executive Directors and senior management report back to the Board on key issues raised by our stakeholders, and updates are also provided by the Research division on the salient trends in the shipping community that frame our strategy.

The Board also receives regular updates on charitable activities and initiatives, which have become even more crucial in 2020 both as a means of bringing employees together when much of our workforce was working from home, and of giving back to those less fortunate.

Suppliers

Whilst we do not consider our suppliers to be a significant stakeholder in our business, we are committed to treating our suppliers fairly. In particular, we recognise the importance of prompt payment of invoices for our smaller suppliers, and that this has become increasingly important for some suppliers in light of the COVID-19 pandemic. The Board receives regular updates on supplier payment practices. Our largest operating subsidiary in the UK complies with payment practices reporting, with circa 93% of all invoices being paid within 60 days and circa 77% being paid within 30 days.

Business conduct

As a business we aspire to provide the highest quality of service for our clients whilst maintaining the highest level of integrity. Our Executive Directors and the senior management team oversee the Group's day-to-day policies and procedures and report back to the Audit and Risk Committee and/or Board on these matters as appropriate. You can read more about the policies and procedures that underpin how we do business on pages 67 and 68.

Decision-making

The views that we form as a result of our stakeholder engagement, as well as other factors set out in section 172(1) of the Companies Act 2006, are taken into account as relevant in making Board decisions and formulating strategy. We have set out two examples of how we have considered these matters in Board discussions and decisions.

Dividend payments

The Company has in place a progressive dividend policy and announced in March 2020 that strong results had enabled the Board to increase the dividend for the 17th consecutive year. However, later that month, it was announced that, in light of the increased uncertainty caused by the COVID-19 outbreak, the Board had decided to withdraw the resolution regarding the final dividend from the AGM and defer the decision on the amount and timing of the dividend until later in the year once the impact of COVID-19 on maritime markets and the Group's business had become clearer.

In taking this decision, the Board considered the potential impact on key stakeholders, in particular on shareholders, employees, clients and communities. Whilst the Board did not have any concerns regarding cash reserves, the Directors were cognisant of the Group's long-term strength given its role in facilitating global trade (thereby impacting on customers and communities more generally) and as a global employer. The Board therefore elected to take a conservative and prudent approach and withdrew the proposed dividend to enable the Company to conserve cash reserves, address any potential short-term disruptions in the maritime industry and protect shareholder value and other stakeholder interests.

In August 2020, the Board decided to pay the equivalent of the 2019 final dividend as an interim dividend payable in September 2020 and also declared a further interim dividend for 2020 payable in December 2020. Prior to the Board reaching this decision, the Audit and Risk Committee reviewed the Group's going concern status and an extensive range of scenarios and modelling assumptions with regard to the Group's cash resources. Whilst remaining conscious of the stakeholder considerations which had resulted in the withdrawal of the 2019 final dividend, the assessment undertaken by the Audit and Risk Committee and the Group's continued strong performance despite the COVID-19 pandemic satisfied the Board that the payment of the interim dividends described above would be in the best interests of shareholders and would not have an adverse impact on the other key stakeholders identified.

2020 AGM

In March 2020, the Board reviewed the arrangements for the 2020 AGM, which was due to be held at the Company's head office in May 2020. In light of the uncertainty at that time surrounding the COVID-19 pandemic and the UK government guidance regarding social distancing, the Board agreed that an alternative arrangement would be required in order to protect the well-being of both shareholders and local communities, whilst also allowing shareholders to participate in the meeting. The Company's Articles of Association allowed the Company to hold its AGM electronically, and the Board considered a recommendation that an investment be made in technology that would enable the business of the meeting to run as close to normal as possible. The Board noted that the solution would allow all shareholders to participate in the meeting online, as well as to hear the Directors speak, engage in the Q&A session and vote during the meeting. The Board agreed that the solution met its objectives and the meeting was successfully held electronically.

Nomination Committee report

The Committee has continued to focus on the combined capabilities of the Board to be able to drive our strategy forward.

Dear Shareholder
I am pleased to present this report on the work of the Nomination Committee during 2020.

The Committee has continued to focus on the combined capabilities of the Board to be able to drive our strategy forward. Having agreed in 2019 that the securing of capital markets experience would be beneficial to the Board, we continued the search initiated that year and were pleased to announce in July 2020 that Laurence Hollingworth had been appointed as a Non-Executive Director. We also identified the broadening of financial experience on the Board (as succession planning for the key role of Audit and Risk Committee Chair) as an area of focus, and following a search process, Sue Harris joined the Board in October 2020. We reported last year that we had welcomed Heike Truol to the Board in January 2020 and, as Marie-Louise Clayton had confirmed her intention to step down from the Board in early 2021, the Committee agreed that the changes to the Board over the year represented an ideal moment to consider carefully the skills and experience of each Non-Executive Director and ensure that these were being utilised to the extent possible through the memberships of the Board Committees. In relation to our new Non-Executive Directors in particular:

- The shipping experience of Heike Truol made her ideally placed to enhance the sector experience on the Audit and Risk Committee, whilst her previous senior strategy roles would provide her with insights to support discussions on the strategic needs of the business as a member of the Nomination Committee;
- Through Laurence Hollingworth's career in investment banking he had gained financial experience which would benefit the Audit and Risk Committee, and his knowledge of the capital markets made him well placed to consider shareholder views of remuneration structures as a member of the Remuneration Committee; and
- Alongside Sue Harris' significant financial expertise (which would be utilised through her appointment as Chair of the Audit and Risk Committee), she had previously served as a member of remuneration committees (in both a listed and private environment) and would therefore make a valuable contribution to the Remuneration Committee.

Whilst we are cognisant of the need to embed these new appointments, the Committee has agreed that, given the development of our **Sea/** suite of products and its growing importance to our overall strategy, the strengthening of technology experience on the Board would be extremely beneficial. We have therefore initiated an independent search for a Non-Executive Director who has experience of data platforms, industrial index, trading or exchange platforms.

Succession planning for senior management has also remained high on the Board's agenda, and was considered by the Board at its annual strategy session. We recognise that developing our global talent is crucial if we are to ensure that we have a diverse pipeline of potential leaders at all levels of the organisation, and our HR team launched a number of new initiatives in 2020 to support this (see pages 62 and 94 for further information).

The Board recognises the importance of a diverse Board and workforce to provide different perspectives to support the development and delivery of our strategy. Whilst our policy remains not to set gender diversity targets for the Board, we acknowledge that we do not currently meet the Hampton-Alexander target of 33% representation of women on the Board, which reflects the challenges in our wider sector with regard to access to a strong pipeline of female talent. We are aware of the need to tackle this at all levels of the organisation in order to drive change for the future, and during the year we received an update from our Group HR Director on diversity and inclusion initiatives across the Group as a whole. These recognise the benefits of broader diversity characteristics such as age, ethnicity, core skills and experience, as well as gender. Furthermore, whilst the Board does not currently have any directors from an ethnic minority background, we are supportive of the Parker Review and remain mindful of its recommendations for boards of FTSE 250 companies to have at least one director from an ethnic minority background by 2024.

Finally, I would like to thank Marie-Louise Clayton, who stepped down as a member of this Committee in October 2020, for her contribution to our work over the last few years.

Sir Bill Thomas
Nomination Committee Chair
5 March 2021

Nomination Committee – at a glance

Comprises a majority of independent Non-Executive Directors:
- Sir Bill Thomas, Chair
- Peter Backhouse, Senior Independent Director
- Dr Tim Miller, independent Non-Executive Director
- Heike Truol, independent Non-Executive Director[1]

Heike Truol was appointed as a member with effect from 31 January 2020, whilst Marie-Louise Clayton stepped down as a member on 6 October 2020.

Regular attendees at meetings include the CEO, CFO & COO, Group HR Director and Group Company Secretary.

The Nomination Committee's key role is to oversee the Board composition and effectiveness of the Board to support planning for its progressive refreshing.

Three scheduled and five unscheduled meetings were held during 2020. Attendance at the scheduled meetings is set out below.

Unscheduled meetings were convened principally to oversee the searches for, and appointments of, new Non-Executive Directors.

Scheduled meeting attendance

Current Directors	
Sir Bill Thomas	3/3
Peter Backhouse	3/3
Dr Tim Miller	3/3
Heike Truol[1]	3/3
Former Director	
Marie-Louise Clayton[2]	2/2

1 Appointed on 31 January 2020.
2 Stepped down on 6 October 2020.

Read more
Annual review of the Nomination Committee's effectiveness on page 96.

The Nomination Committee's Terms of Reference are reviewed annually and are available at www.clarksons.com/about-us/board-of-directors.

Key topics discussed at Nomination Committee meetings in 2020

Annual effectiveness review

- Output of the 2019 annual effectiveness review of the Board and the Nomination Committee, including progress against action plans
- Agreement of the proposed approach and timescales for the 2020 annual effectiveness review of the Board and its Committees

Succession planning

- Annual review of succession planning for Non-Executive Directors
- Initiation of the search for two new Non-Executive Directors, including agreement of the role specifications, the approach to the search, selection of the search agency, and review of candidate profiles (which culminated in the appointments of Laurence Hollingworth and Sue Harris during the year)

Board composition

- Annual review of the structure, size and composition of the Board and its Committees, including the balance of skills, knowledge, experience and diversity of the Directors
- Review of the composition of the Board Committees following the appointment of new non-executive directors, and taking account of the resignation of Marie-Louise Clayton as a Non-Executive Director

Appointment/reappointment of Directors

- Recommendation to the Board of the appointments of Heike Truol, Laurence Hollingworth and Sue Harris (including Board Committee memberships), having considered their independence, other time commitments and the proposed terms of their appointments
- Annual review of the continued independence of each Non-Executive Director
- Recommendation to the Board (for onward recommendation to shareholders) of the election or re-election of each of the Directors, having considered performance evaluation, time commitments, meeting attendance and, where relevant, their independence

Diversity

- Annual review of the Board Diversity Policy
- Update on diversity and inclusion initiatives for the Group as a whole

Governance

- Annual review of the Committee's Terms of Reference, including how the Committee had discharged its responsibilities during the year
- Review of the report of the Committee, to be included in the 2019 annual report

Nomination Committee report continued

Succession planning

Non-Executive Directors

The Nomination Committee reviews succession planning for the Non-Executive Directors. Whilst the tenure of the Directors is an important factor, the Nomination Committee is cognisant that this cannot be reviewed in isolation. Non-Executive Director succession planning is therefore considered within a wider context which includes the size, structure and composition of the Board; provisions under the UK Corporate Governance Code regarding Board Committee composition; the benefits of refreshing the membership of the Board Committees; and the current balance of skills, knowledge, experience and diversity on the Board and whether it is appropriate to continue to challenge management and support the delivery of the Group's strategy.

Having reviewed the factors listed above, and taking account of feedback from the effectiveness evaluation of the Board undertaken in late 2019, the Nomination Committee drew the following conclusions during 2020:

– The tenure of the Directors (which is set out below) does not give rise to any immediate concerns as five of the seven Non-Executive Directors in office as at the date of this report are in their first three-year term, driven in part by the appointment of three Non-Executive Directors during the year.
– The size of the Board is conducive to an effective debate, being large enough to bring a broad and diverse range of backgrounds, perspectives and experiences, but not so large as to be unwieldy. The structure of the Board remains appropriate.
– The appointment of Heike Truol during the year has brought to the Board shipping experience from the customer perspective, whilst Laurence Hollingworth's appointment has strengthened capital markets experience, which had been previously identified as beneficial to secure within the short to medium term. The appointment of Sue Harris has provided succession planning for the key role of Audit and Risk Committee Chair.
– Following this refreshing of the Board, and in assessing whether the composition of the Board is appropriate to deliver our strategy (and in particular the development of our **Sea/** suite of products), we concluded that the strengthening of the technology experience on the Board would be beneficial. We have since initiated a search for a Non-Executive Director who is experienced in data platforms, industrial index, trading or exchange platforms.
– Whilst the gender diversity of the Board would not meet the 33% target set out in the Hampton-Alexander Review following the resignation of Marie-Louise Clayton, any search for a new non-executive director would be conducted in part using open advertising with the aim of widening the pool of female candidates for the role.
– The Company complies with all provisions under the Code in relation to Board Committee memberships.

In addition to this longer-term succession planning activity, the Nomination Committee has also considered succession planning across a short-term horizon. It is satisfied that, in the event that one of the Board Committee Chairs was unexpectedly unable to fulfil their duties, the current Board composition would allow contingency cover to be identified and the Board Committee to continue to operate effectively whilst still meeting any specific Code requirements.

Read more about the appointments of Laurence Hollingworth and Sue Harris on page 95. Further detail on the appointment of Heike Truol was provided on page 92 of the 2019 annual report.

Chair

To ensure that an effective Chair is in place at all times to lead the Board, and that the Board will be able to act quickly when a search for a new Chair needs to be undertaken in the future, the Nomination Committee has established a framework for Chair succession. This outlines the process to be followed, as well as confirming any arrangements to be implemented in the event of the Chair being temporarily absent at short notice.

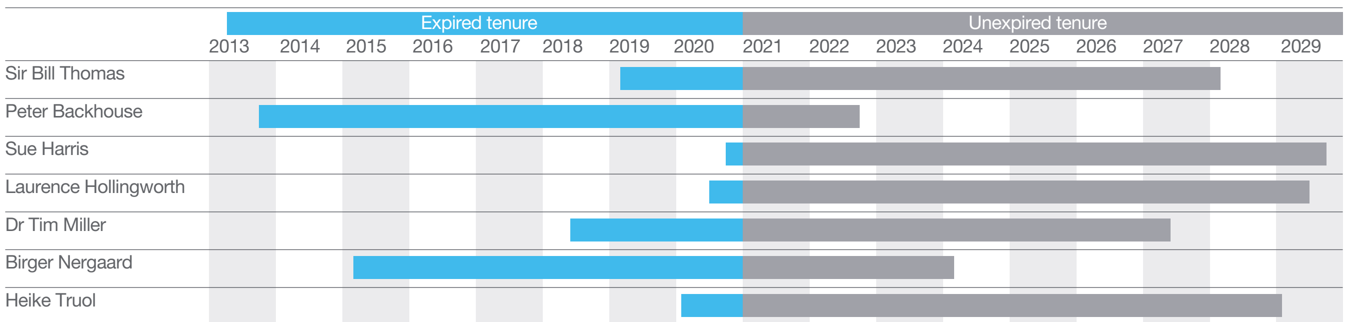
Executive positions and senior management

Recognising the importance of executive and senior management succession planning, the Board and executive management are highly focused on succession planning on an ongoing basis. This year we launched a new promotions process that ensures we have a framework to assess, promote and develop our future leaders on a consistent basis and secure the pipeline of key talent for succession to more senior roles. The opportunity to develop as senior leaders is further enhanced by the participation in divisional management forums and attendance at our global MDs week at the start of each year.

During the year, we have promoted 11 new Managing Directors, 14 new Directors and 17 new Divisional Directors to continue to grow the cohort of future leaders and to invest in their ability to assume a broader role when the need or opportunity arises. In addition to this, two new global leadership roles were created focusing on the cross-cutting agenda and opportunities across the Group.

Additionally, efforts continue to provide opportunities for more senior employees to engage with the Board through both informal occasions (although impacted by COVID-19 this year) and formal presentations at Board and Committee meetings. The Board remains satisfied that this approach is appropriate to continue to develop the right skills and capabilities in the levels below the Board, retain and develop key talent, and to mitigate risk. Emergency succession plans are in place for the executive leadership team.

Board tenure (as at 31 December 2020)



Board appointments
The Nomination Committee is responsible for making recommendations to the Board regarding appointments of new Directors and membership of Board Committees, as well as reviewing the reappointment of Directors at the end of their three-year terms. During the year, the Nomination Committee made recommendations to the Board to appoint three new Non-Executive Directors. The process by which Heike Truol was appointed was set out on page 92 of the 2019 annual report, whilst further detail on the search process which resulted in the appointments of Laurence Hollingworth and Sue Harris is set out to the right. No Director reached the end of their term during the year.

Election and re-election of Directors
The Code sets out that all Directors should offer themselves for election by shareholders at the first AGM following their appointment, and for re-election on an annual basis thereafter. The Nomination Committee leads the process for evaluating whether the Board should recommend the election/re-election of Directors to shareholders, and takes account of the contribution to the Group's strategy, performance, time commitment and independence of each Non-Executive Director in forming a recommendation to the Board. The appraisals of the Executive Directors are also considered by the Board prior to their re-election being recommended.

Contribution to strategy
The contribution that each Director makes to the Group's strategy is set out in their biographies on pages 82 to 85.

Director performance evaluations
The process by which the performance of the Directors is evaluated is set out on page 98. The evaluations concluded that each of the Directors continues to perform effectively and to demonstrate commitment to their role.

Time commitment
Although the letter of appointment of each Non-Executive Director includes an anticipated time commitment, the letter also states that Directors are expected to commit sufficient time to their directorship to discharge their obligations to the Company. The Nomination Committee reviewed the time that each Non-Executive Director commits to the Company and was satisfied that this was sufficient to discharge their duties fully and effectively in each case.

The Nomination Committee also considered the external directorships and other commitments of each Director, and noted in particular that:
- Sir Bill Thomas' membership of the International Advisory Board of FireEye, Inc. was in an advisory capacity only.
- The time commitment made by Sue Harris to other directorships had been evaluated closely at the time of her appointment, and the Nomination Committee had satisfied itself that Sue would be able to devote sufficient time to her directorship at the Company. There had not been any changes in Sue's time commitments since her appointment which would require the Nomination Committee to revisit that assessment.

Following this review, the Nomination Committee confirmed that the external directorships and time commitments of the Directors did not give rise to any concerns that each Director would not be able to commit sufficient time to their directorship in the future.

Appointments of Laurence Hollingworth and Sue Harris
As part of its regular review of the skills and experience on the Board, the Nomination Committee identified that the strengthening of the capital markets experience on the Board in the short to medium term could be beneficial, as would the broadening of financial experience on the Board as succession planning for the role of Audit and Risk Committee Chair. It was agreed that a search for at least one new Non-Executive Director would be initiated, with these attributes forming the basis of the role specification provided to potential search firms, alongside experience of working at a senior executive level.

The Nomination Committee considered a number of search firms, taking account of the commitment in the Board Diversity Policy to only engage firms who were signatories to the Voluntary Code of Conduct for Executive Search Firms, and selected Heidrick & Struggles to lead the search. Heidrick & Struggles do not have any other connection with the Group or its Directors. The roles were also advertised via 'Women on Boards', with any candidates being routed through Heidrick & Struggles.

The Nomination Committee debated a longlist of candidates and, based on suitability against the role specification, drew up a shortlist of candidates who were met and interviewed by the Chair of the Board, other members of the Nomination Committee and the Executive Directors. Having considered feedback from the interviews (encompassing cultural fit with the Group), potential conflicts of interest and ability to commit sufficient time to the role, the Nomination Committee recommended the appointments of Laurence Hollingworth and Sue Harris to the Board noting the following points:
- In addition to Laurence's deep knowledge of capital markets, he had gained extensive senior executive experience through relationship-led roles in a broking environment. He therefore had a strong appreciation of the role of the broker and the environment in which Clarksons operates. Furthermore, his executive roles had given him broad exposure to boardroom dynamics.
- Sue would bring extensive financial experience to the Board gained through a number of senior executive roles in FTSE 100 businesses. She was also an experienced non-executive director and audit committee chair, with significant boardroom experience in the listed environment.
- Both Sue and Sir Bill Thomas were directors of The Co-operative Bank p.l.c. A cross-directorship is noted in the Code as a circumstance which could appear to impact a non-executive director's independence. The Nomination Committee considered the character of both Directors and satisfied itself that this would not impair the independence of either Director.
- Sue's other time commitments were evaluated closely. The Nomination Committee noted that none of Sue's other directorships were of listed companies and, having considered fully the time that Sue had committed to those directorships, concluded that she would be able to devote sufficient time to her directorship at the Company.

Nomination Committee report continued

Independence

The Nomination Committee assesses the independence of the Non-Executive Directors against the criteria set out in the Code, which highlights that to be classed as independent, non-executive directors should be independent in character and judgement and free from any relationships or circumstances which may affect that judgement. This assessment is made on an annual basis prior to recommending the election/re-election of the Directors. However, the Nomination Committee also revisits its assessment as and when there are any changes in circumstances and prior to recommending any reappointments for a further term to the Board.

During its annual assessment, the Nomination Committee satisfied itself that there had not been any changes in circumstances which would impact on the previous assessment that all Non-Executive Directors were independent.

Conclusion

The Board approved the Nomination Committee's recommendation that each Director should be proposed for election/re-election at the 2021 AGM. Further information about the Directors, which highlights their skills and areas of expertise, is set out on pages 82 to 85.

Board and Committee effectiveness

The Board is cognisant that changes in strategy, personnel and the external environment may need to drive changes in the way that we operate in order to maximise our effectiveness. We therefore recognise the benefits of regularly evaluating our own effectiveness and that of our Committees (at least annually) so that we can take any actions necessary to ensure that we continue to perform effectively. In line with the Code, an external evaluation is undertaken at least once every three years. The last external review was completed in 2019.

2020 review

Following the comprehensive external review that was completed in 2019, the 2020 review, which was led by the Nomination Committee, was internally facilitated. Although it was slightly less broad than the previous year, the review covered a number of specific areas in more depth. An overview of the process and timetable is provided to the right.

Board

Given the changes in Board composition during the year, the review focused on Board dynamics and information flow to the Board. The review concluded that the Board continued to operate effectively, and some of the key strengths highlighted included:

– Directors feel able to actively participate in discussions. Whilst it was acknowledged that the online format of meetings during the year naturally made it more difficult to stimulate an active debate, this had been managed well.
– Board members have an open relationship and feel able and supported if offering differing opinions.
– Directors are receiving the information needed to undertake their role, with the new Directors noting the comprehensive induction that had been planned and undertaken.

As would be expected at every evaluation, there were some opportunities to enhance effectiveness. Reflecting the challenges faced in 2020, as well as the changes to the Board composition during the year, the Directors were unanimous in wishing to spend more informal time together.

Committees

The Board Committees were confirmed to be operating effectively. The key outcomes of the reviews were again reflective of the changes in Board composition during the year. Points highlighted included a need to embed new members and to ensure that an ongoing training programme is maintained. Nomination Committee members noted the progress made during the year on succession planning for the layer of senior management below Board, but agreed that this should remain high on the agenda in 2021. The Audit and Risk Committee review acknowledged that the internal audit programme had been impacted to some extent by COVID-19, and the programme would continue to be a focus for the Audit and Risk Committee in 2021. The Remuneration Committee review noted the need to continue to focus on engagement with shareholders on remuneration matters.

Stages of the Board and Committee effectiveness review

November 2020
Approach and areas of focus agreed by Nomination Committee.

December 2020 to January 2021
Questionnaires completed and output analysed.

January to February 2021
– Outputs discussed with Chair, Senior Independent Director and Committee Chairs and areas of focus for 2021 agreed.
– One-to-one meetings between Chair and Directors.

March 2021
Action plans approved by the Board and its Committees (where required).

2019 review

The key actions arising from the 2019 review, along with an update on progress against the actions, is provided below:

Evaluation recommendation	Actions taken in 2020
Schedule in more opportunities for Directors to interact in a more informal environment with their fellow Directors.	Opportunities for Board members and senior management to meet informally during the year were curtailed by the COVID-19 pandemic. In addition, the September Board strategy session was to be held in Oslo which would have provided an opportunity to meet members of the local senior team. Given the continued uncertainty regarding face-to-face meetings and travel, Board dinners and overseas travel have not been added to the 2021 Board calendar at the current time, but this will be kept under consideration and revisited once it is considered safe to do so.
Look at ways to refresh the Board's approach to strategic planning to enable it to develop the strategy further. KPIs to be revisited as part of the refreshed strategic approach to ensure that they are aligned with the Company's purpose and support the strategy.	The agenda for the Board strategy session was refreshed, and the frequency of updates to the Board on strategic objectives has been increased. KPIs have been revisited and it has been agreed that the current KPIs remain appropriate.
Reporting to the Board to be enhanced by highlighting more clearly in papers the key issues and implications for stakeholders.	This was incorporated into the standard Board paper template and will encourage the Board to consider and probe any implications for stakeholders.
Maintain the focus on succession planning for senior management.	The Board strategy session included an update on the evolution of management roles in the Broking division, new management team in Broking and the approach for other key hires. Work is continuing on the development of a competency framework and development plans which will further support the executive succession planning process. The focus on succession planning for senior management will continue to be maintained through the meeting calendar.
Increase the focus on stakeholder views through: **– Business MD presentations at Board meetings.** **– Regular reporting on prompt payment of suppliers.** **– Strengthening the voice of the employee.**	Some Business MD presentations have been made to the Board during the year. The frequency of these will be increased once COVID-19 restrictions lift, as the Board would welcome the opportunity to meet senior management in person. Updates on payment practices (time taken to pay invoices) are being provided to the Board on a half-yearly basis. Employee engagement initiatives (driven by both the designated NED for employee engagement and management) have continued to evolve. These have included the launch of a new internal communication platform (Voyage) and several CSR initiatives to promote connectivity between all offices.
Continue to focus on the Group diversity and inclusion agenda.	The Nomination Committee received an update at its August meeting on diversity and inclusion initiatives in the Group across the short, medium and longer terms. Updates will continue to be provided to the Nomination Committee regularly.

Nomination Committee report continued

Director performance evaluations

The performance of the Non-Executive Directors is reviewed annually in tandem with the Board and Committee effectiveness reviews, and the Nomination Committee agrees the approach to be taken.

The Chair's performance evaluation was led by the Senior Independent Director (with input from the other Non-Executive Directors) whilst the Chair conducted the performance evaluations of the Non-Executive Directors. The evaluations focused on the contribution made by the Director over the year; how that contribution was made; and their commitment to the role. Feedback is being discussed on a one-to-one basis and where appropriate, development plans and ongoing training needs will be agreed.

The performances of the CEO and the CFO & COO were also appraised separately by the Chair and the CEO respectively. Feedback was presented to the Remuneration Committee as part of the annual remuneration review.

The evaluations concluded that each Director had performed effectively and demonstrated commitment to their role.

Diversity

The Board recognises that diversity, in its broadest sense, is a key driver of an effective board, being a board which comprises individuals with a broad range of backgrounds, skills, experience, expertise and perspectives, and which utilises these qualities in order to generate effective debate, challenge and decision-making.

We have adopted a Board Diversity Policy which confirms that the Board strongly supports the principle of boardroom diversity, of which gender is one important aspect. However, it does not include a measurable target for gender representation on the Board and explains that all appointments are subject to formal, rigorous and transparent procedures and should be made on merit against a defined job specification and criteria. The Company does not therefore consider it appropriate to set a measurable target for female representation on the Board. Female representation on the Board currently stands at 22%.

The Board is committed to supporting the work of the Group to look for new and innovative ways to ensure a diverse and inclusive workforce at every level of the organisation. As a Group, we are committed to using our diversity and inclusion lens at all opportunities and asking ourselves the right questions in everything we do, and importantly, whether we can do more. We are confident that this practical approach will deliver more tangible outcomes for the business and our diversity and inclusion objectives and ensure we are constantly striving to improve.

The appointment of a new Group HR Director in late 2019 supported a refreshed focus on diversity and inclusion initiatives during the year, and the Nomination Committee received an update which set out the areas which were currently being prioritised, as well as work to be undertaken in the medium and longer terms. Work in progress and/or completed during the year includes:

– Review of key policies, including the Group Diversity and Inclusion Policy, UK Shared Parental Leave Policy and Flexible Working Policy (the UK Maternity and Adoption Policy having already been reviewed and changed in late 2019).
– Assessment of training to be built in to mandatory training programmes.
– Review of our global recruitment processes; the terms and conditions we have in place with the recruitment agencies that we use; the way we hire and engage with potential candidates across the various locations and jurisdictions that we operate in; the language we use in our role vacancies and postings, the language we use in all our internal policies and materials; and marketing that we use to interact with potential talent.
– Development of our direct sourcing model and capabilities to reach a much broader pool of candidates and improve our brand outside the traditional network we are known in.

Induction and development

All newly appointed Directors receive a comprehensive induction programme which is tailored to their needs. The Chair and the Group Company Secretary are responsible for designing an effective induction programme, with the objectives of:

– Facilitating the Director's understanding of the Group from both an internal and an external perspective: its culture, stakeholders, key businesses and markets, and operations on the ground;
– Providing them with any key insights into Committee-specific matters, as relevant; and
– Enabling their effective contribution to the Board as early as possible.

A typical induction programme, which will be flexed to reflect experience and responsibilities, is set out to the right. The programme is supplemented by access through the electronic Board portal to a file of reference material, which covers areas including corporate governance matters and procedures, past financial performance, shareholder analysis and risk management systems.

The induction programmes for Laurence Hollingworth and Sue Harris were agreed during the year and are in progress. Their inductions have been tailored to their responsibilities and experience:

– Laurence Hollingworth: This is Laurence's first non-executive directorship of a listed company, and ensuring that he has a good understanding of his responsibilities and the listed company environment has therefore been an area of focus. He has received a briefing from the Group's corporate legal partner and has attended an externally facilitated training course on these topics. As a member of the Remuneration Committee, Laurence has met with the Remuneration Committee's external consultant and the Group HR Director to deepen his understanding of both the key external developments facing remuneration committees and how the remuneration framework at Clarksons fits within this context. Meetings with the external auditor and the Group Financial Controller have also been crucial for him to gain an overview of the financial operations and audit process, and the risk management framework.
– Sue Harris: Sue is an experienced non-executive director who already has a deep understanding of this role in a listed company context. The focus of Sue's induction programme has therefore been on familiarising herself with Clarksons and its industry and on matters specific to her roles as a member of the Remuneration Committee and the Chair of the Audit and Risk Committee. With regard to the latter, Sue has met regularly with the Lead Audit Partner to review the key issues and judgements in relation to the external audit. She is also deepening her understanding of the key control and risk management structures and issues facing the Group through meetings with functional heads such as with the Chief Security Officer on cyber security, and with the internal auditor (Grant Thornton).

Whilst meetings would ordinarily be held face-to-face, these have been held online in 2020 due to COVID-19. Given restrictions on overseas travel, any planned site visits will be deferred until such time as it is safe to travel.

The programme for Heike Truol (as set out on page 98 of the 2019 annual report) has been substantially completed.

A typical induction

Purpose	Who with?	Areas for discussion
To provide an insight into the key issues facing the Group from the Board's perspective.	Board Directors	– Purpose, strategy and priorities – Financial position and performance – Key stakeholders – ESG matters
To provide an overview of corporate governance at the Company.	Group Company Secretary	– Listed company governance and best practice – Key Board procedures (including the governance framework and Board calendar) – Board resources
To build an understanding of the context within which the Group operates.	Principal advisors (as appropriate): – External auditor – Corporate brokers – Financial public relations advisor – Remuneration consultant – Corporate legal partner	– Audit plan and approach – Major shareholders and perceptions of the Company – Remuneration framework – Directors' duties in a listed company
To provide an overview of the business and establish links with key personnel.	Business MDs and senior leaders across all four divisions	– Challenges and opportunities – Competitive environment – Key risks – Client matters – History
To discuss the principal focus areas of the functions and how they support the strategy, whilst building relationships with key leaders.	Functional leaders: – Group HR Director – Group Financial Controller (and Compliance Officer) – General Counsel – MD, Group IT	– Values and culture – Employee engagement initiatives – Reward framework – Financial operations – Risk management and compliance – Legal matters – IT development – Cyber security
Site visits, to build a deeper understanding of the business from an on-the-ground perspective.	Local MDs and employees as appropriate	– Business operations – Local matters relating to the business and functions as above

As part of our ongoing development, the Board receives briefings on legal, regulatory and governance matters as they arise. To ensure our ongoing awareness of Group policies and procedures, we also complete the online training modules that are mandatory for employees. During 2020, the Group's corporate lawyer led a session to refresh the Board's knowledge of its responsibilities under Market Abuse Regulation and the Company's share dealing policies. Senior managers also make presentations to the Board on strategic matters and key industry and business developments, which provides us with an opportunity to engage with employees who may be considered as part of succession planning.

Audit and Risk Committee report

We have continued to enhance our risk and control environment to robustly underpin our commercial activities for the longer term, whilst also responding to the COVID-19 pandemic.

Dear Shareholder
I am pleased to present our Audit and Risk Committee report for the year ended 31 December 2020, the first since I took up the role of Chair of the Committee in November 2020. I would like to begin by thanking Marie-Louise Clayton for her support in ensuring a smooth transition of responsibility for the Committee Chair role, and for her invaluable contribution in steering the work of the Committee as its Chair since May 2017. Dr Tim Miller also stepped down as a member as part of the refreshing of Committee memberships following the appointment of new Non-Executive Directors to the Board. I would also like to thank Tim for his important contribution. During the year, the Committee welcomed Heike Truol and Laurence Hollingworth as members.

The Audit and Risk Committee plays a crucial role in providing oversight for the Board and shareholders on the integrity of the Group's processes and procedures in relation to financial reporting, internal controls and risk management. Whilst our core duties have remained unchanged in 2020, COVID-19 has resulted in our activities being necessarily enhanced to ensure that we can continue to carry out our role effectively.

We have applied additional focus to assess the impact of remote working on our control framework, as the majority of our global workforce has worked from home, and we have been especially cognisant of the increased threats during the pandemic from cyber crime to IT systems and data security. Our IT Security team has continued to assess emerging threats and to strengthen controls to mitigate these threats, and the Committee received a detailed update on this work during the year.

We have held regular meetings with our external auditor (PwC) to discuss the audit plan, approach and their findings in respect of the audit of the 2020 financial statements. By necessity, much of PwC's work has been carried out remotely. Nevertheless, we are satisfied that a high quality audit has again been completed this year. Management undertook enhanced sensitivity analysis in relation to the going concern and viability statements, and the Committee was satisfied with the robustness of this approach, allowing us to recommend the financial statements to the Board.

These processes also supported the Committee's review of whether the Company had sufficient capacity to pay the equivalent of the 2019 final dividend as an interim dividend in September 2020 and to declare a further interim dividend for 2020 payable in December 2020. Having reviewed the extensive range of scenarios and modelling assumptions with regard to the Group's cash resources presented by management, we were satisfied that we could advise the Board that sufficient cash and distributable reserves capacity were available to make these payments.

The risk management framework is essential to continue to undertake our commercial operations safely and effectively, and evolve our strategy. I am pleased to report that we have continued to strengthen our risk and control environment in 2020. The embedding of risk management within the business has remained an area of focus, as has investment in our IT estate and the controls around it. We have also continued to leverage the outputs from the internal audits performed by Grant Thornton as our outsourced internal audit partner, and we have a robust programme of activity planned for the coming year which we will flex if needed to respond to any changes in the operating environment.

I will be attending our AGM on 5 May 2021 and I look forward to answering any questions about the work of the Audit and Risk Committee.

Sue Harris
Audit and Risk Committee Chair
5 March 2021

Audit and Risk Committee – at a glance

Composed of independent Non-Executive Directors:
- Sue Harris (Chair), independent Non-Executive Director[1]
- Peter Backhouse, Senior Independent Director
- Laurence Hollingworth, independent Non-Executive Director[2]
- Heike Truol, independent Non-Executive Director[3]

Marie-Louise Clayton stepped down as Chair on 31 October 2020 and as a member on 31 January 2021. Dr Tim Miller stepped down as a member on 6 October 2020.

Sue Harris is a chartered management accountant and has a broad range of experience in senior finance roles. She is therefore considered by the Board to meet the requirement under the Code that at least one member of the Audit and Risk Committee has recent and relevant financial experience. Prior to Sue's appointment, Marie-Louise Clayton met this requirement. The Committee as a whole has competence relevant to the sector in which the Company operates.

Regular attendees at meetings include the CFO & COO, Group Financial Controller, Group Company Secretary, the external auditor (PwC) and the internal auditor (Grant Thornton). Representatives of the Norwegian businesses are regularly invited to meetings to provide insight on matters relating to those businesses.

The key roles of the Audit and Risk Committee are to review the integrity of the financial reporting for the Group (including managing the relationship with the external auditor) and to oversee the effectiveness of the risk management and internal control systems.

At least once per year, the Audit and Risk Committee meets privately with the external auditor without management present in order to discuss their remit and any issue they may wish to raise.

The Audit and Risk Committee held three scheduled meetings during 2020. Attendance is set out below.

Scheduled meeting attendance

Current Directors	
Sue Harris[1]	1/1
Peter Backhouse	3/3
Laurence Hollingworth[2]	2/2
Dr Tim Miller[4]	2/2
Heike Truol[3]	3/3
Former Director	
Marie-Louise Clayton	3/3

1 Appointed as a member on 7 October 2020, and as Chair with effect from 1 November 2020.
2 Appointed on 23 July 2020.
3 Appointed on 31 January 2020.
4 Ceased to be a member from 6 October 2020.

Read more
Annual review of the Audit and Risk Committee's effectiveness on page 96.

The Audit and Risk Committee's Terms of Reference are reviewed annually and are available at www.clarksons.com/about-us/board-of-directors.

Key topics discussed at Audit and Risk Committee meetings in 2020

External audit
- External audit reports on the principal audit and accounting issues arising during the half year review and full year audit and observations on the control environment
- Review of non-audit services being provided by PwC, including the nature of the services, fees, threats to independence and safeguards in place
- Recommendation to the Board to reappoint PwC, having reviewed the effectiveness and quality of the external audit process and reassessed PwC's independence
- Letters of representation in connection with the full year audit and half year review
- PwC's terms of engagement
- Plan for the 2020 full year audit, including objectives, approach, timing and fee proposal

Financial reporting
- Financial results comprising the 2019 full year results announcement, the 2019 annual report (including statements regarding going concern and viability, and confirmation that the annual report was fair, balanced and understandable) and the 2020 half year results announcement
- Accounting policies and key judgements and estimates for the half year and full year results
- Interim and final dividend payment capacity

Governance
- Consideration of any financial matters to be brought to the attention of the Remuneration Committee in respect of 2019 bonus awards and the bonus provision
- Governance processes regarding the implementation of the European Single Electronic Format regulations
- Annual review of the Audit and Risk Committee's effectiveness
- Annual review of the Audit and Risk Committee's Terms of Reference, including how the Committee had discharged its responsibilities during the year
- Review of the policy on the employment of former employees of the auditor

Internal audit
- 2021 internal audit plan for the wider Group
- Regular updates on internal audit activities, report findings and recommendations
- Annual review of the effectiveness of the internal audit providers for Clarksons Platou Securities and the wider Group

Risk management and internal controls
- Regular reports on the risk management and internal control systems, including the annual review of the effectiveness of those systems
- Regular review of the risk register and annual assessment of the emerging and principal risks and the appropriateness of risk appetite
- IT security update
- Regular compliance updates
- Regular litigation updates

Significant issues considered in relation to the financial statements

Issue	Area of focus	Audit and Risk Committee review and conclusion
Risk of impairment of trade receivables	A number of judgements are made in the calculation of the provision, primarily the age of the balance, location and known financial condition of certain customers, existence of any disputes, recent historical payment patterns and any other available information concerning the creditworthiness of the counterparty.	The Audit and Risk Committee discussed with management the results of its review, the internal controls and the composition of the related financial information. The Audit and Risk Committee also discussed with the external auditor their audit procedures over the provision and their findings. The Audit and Risk Committee is satisfied with management's judgements and that the level of provisioning of £12.3m is consistent with the evidence obtained.
Carrying value of goodwill	Determining whether an impairment charge is required for goodwill involves significant judgements about forecast future performance and cash flows of cash-generating units (CGUs), including growth in revenues and operating profit margins. It also involves determining an appropriate discount rate and long-term growth rate.	The Audit and Risk Committee discussed with management the results of its testing and evaluated the appropriateness of the assumptions used within its impairment test model. This model indicated that the carrying value of the offshore broking and updated securities CGUs exceeded the estimated recoverable amount, resulting in the need for an impairment charge to goodwill. For all other CGUs there was sufficient headroom, after considering the impact of sensitivity analysis from changes in key assumptions, not to record an impairment charge. The results of the Audit and Risk Committee's review of management's testing were subsequently discussed with the external auditor. The Audit and Risk Committee is satisfied with management's assumptions and judgement, and with the conclusion to take an impairment charge in the offshore broking and securities CGUs amounting to £60.6m but not in any of the other CGUs, and that appropriate sensitivity disclosures have been included in the financial statements.
Carrying value of investments (Parent Company)	Determining whether a corresponding impairment charge is required in the balance sheet of the Parent Company in relation to the original investment in Clarksons Platou AS (formerly RS Platou ASA) involves significant judgements about forecast future performance and cash flows of the investment, including growth in revenues and operating profit margins. It also involves determining an appropriate discount rate and long-term growth rate.	The Audit and Risk Committee discussed with management the results of its testing and evaluated the appropriateness of the assumptions used within its impairment test model. This model indicated that the carrying value of the investment exceeded the estimated recoverable amount, resulting in the need for an impairment charge on the investment. The results of the Audit and Risk Committee's review of management's testing were subsequently discussed with the external auditor. The Audit and Risk Committee is satisfied with management's assumptions and judgement, and with the conclusion to take an impairment charge on the investment amounting to £54.7m.

Financial reporting

The Audit and Risk Committee has assessed whether suitable accounting policies have been adopted and whether management has made appropriate judgements and estimates.

In respect of the Company's half year and annual financial statements, the Audit and Risk Committee considered the significant issues set out in the table on page 102 to ensure that appropriate rigour was applied. These areas were agreed as part of the audit planning process and were discussed in detail with management and the external auditor throughout the year. Particular attention was paid at the year-end to the carrying value of goodwill held at a Group level and for the carrying value of the investment held by the Parent Company in Clarksons Platou AS.

All accounting policies can be found in note 2 on pages 138 to 145 of the consolidated financial statements.

Fair, balanced and understandable

The Audit and Risk Committee reviewed whether the 2020 annual report, taken as a whole, was fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

In making its assessment, the Audit and Risk Committee took into account the process which management had put in place to provide assurance, as detailed below:

- Overall co-ordination of the production of the annual report was overseen by the CFO & COO and Group Company Secretary to ensure consistency across the document, with overall governance and co-ordination provided by a cross-functional team of senior management.
- Each section of the annual report was prepared by a member of management with appropriate knowledge, seniority and experience.
- An extensive verification process was undertaken to ensure factual accuracy.
- A review of the minutes of all Board and Board Committee meetings was completed by the Group Company Secretary to ensure that all significant matters were appropriately reflected and given due prominence in narrative reporting.
- Comprehensive reviews of drafts of the annual report were undertaken by members of senior management and the external auditor.
- The Audit and Risk Committee discussed management's views on each of the key judgements and estimates considered in the period.
- Board members received drafts of the annual report for their review and input which provided an opportunity to ensure that the key messages in the report were aligned with the Company's position, performance and strategy; to discuss the drafts with both management and the external auditor; and to challenge the disclosures where appropriate.

The final draft of the annual report was reviewed by the Audit and Risk Committee, and particular attention was paid to the information and disclosure provided in the report in relation to COVID-19, key risks, financial review and strategy. On the basis of the process put in place by management and its own review of whether the information necessary for shareholders to assess the Group's position and performance, business model and strategy was appropriately disclosed, the Audit and Risk Committee concluded that the 2020 annual report was fair, balanced and understandable and advised the Board accordingly. The Board concurred with this view and the statement confirming it can be found on page 126.

External audit

The Audit and Risk Committee manages the relationship with the external auditor on behalf of the Board. This includes recommending the appointment of the external auditor to the Board and approving their remuneration and terms of engagement.

PwC has been the external auditor to the Group since 2009 and was reappointed as external auditor in 2018 following a competitive tender process. PwC will be subject to mandatory rotation in 2029. In accordance with PwC's rotation rules and UK Ethical Standards, Chris Burns assumed the role of Lead Audit Partner from the 2019 audit cycle.

The Audit and Risk Committee has an open relationship with the external auditor, and effective and timely communication is key to this. The Audit and Risk Committee Chair meets the external auditor on a regular basis during the year, whilst the Audit and Risk Committee meets privately with the external auditor without management present at least annually in order to allow both Committee members and the auditor to raise any issues directly and to discuss the auditor's remit. The Lead Audit Partner and the Senior Manager are invited to attend all meetings of the Audit and Risk Committee, and at appropriate points in the audit cycle, PwC presents reports to the Committee on the plan and approach for the full year audit and half year review (including how audit quality will be addressed), and the outcome of their audit work. Prior to these meetings, PwC engages extensively with management in order to ensure that planning is aligned appropriately with the key judgement areas and to challenge management's assumptions, judgements and estimates. The detailed reports that PwC presents to the Audit and Risk Committee at the full year and the half year allow the Audit and Risk Committee to assess the consistency of the work undertaken with the audit plan; and the quality of the audit, taking note of the level of professional scepticism employed and the degree of challenge of management.

The significant issues considered in relation to the 2020 financial statements are set out on page 102. These areas were agreed as part of the audit planning process. The Audit and Risk Committee has not requested that PwC review any further areas falling outside of the scope agreed at the start of the audit.

Independence

Processes have been implemented by both the Group and the external auditor to safeguard the latter's independence from the Company. This is a key element in creating an environment in which the external auditor can carry out their responsibilities to shareholders and other stakeholders free of influences which might affect their professional judgement.

The Audit and Risk Committee has developed a Non-Audit Services Policy in order to ensure that appropriate controls are in place around the use of the external auditor for non-audit services. Details of the Non-Audit Services Policy are set out on page 104.

In assessing the external auditor's independence, the Audit and Risk Committee also reviews PwC's annual independence letter which provides the Audit and Risk Committee with assurances over the internal control procedures PwC has in place to safeguard its independence and objectivity. This includes:

- Confirmation that there are no relationships between PwC and the Group or investments in the Company held by individuals that could impact on PwC's integrity, independence and objectivity;
- Compliance with the Group's Non-Audit Services Policy, the nature of any non-audit services provided and the safeguards in place to mitigate any threats to independence; and
- Confirmation of PwC's rotation rules and that these have been adhered to – in accordance with PwC's rotation rules and UK Ethical Standards, the lead audit partner must change every five years and other senior members of the audit team rotate at regular intervals.

No areas of concern were raised over 2020, and the Audit and Risk Committee remains satisfied that the independence and objectivity of PwC have been maintained.

Non-Audit Services Policy

To ensure that the external auditor maintains its independence and objectivity, the Audit and Risk Committee has agreed that the external auditor and their associated audit network firms will not be used for any non-audit services, other than legacy non-audit services already approved by the Audit and Risk Committee and certain prescribed exceptions. The exceptions relate to where services are required by statute; or exceptionally, the local statute law permits the provision of such services, and the external auditor is best placed to preserve the quality of the non-audit service and there are limited feasible alternatives.

Auditor effectiveness

The Audit and Risk Committee conducts an annual assessment of the effectiveness of the external auditor and the external audit process and reports its findings to the Board. It does this through:

- Reviewing the approach, plan, scope and level of fees for the audit;
- Evaluating delivery and performance against the audit plan, including feedback from the CFO & COO;
- Assessing the qualifications, experience and expertise of the audit team assigned to conduct the audit, and their availability to conduct a comprehensive, timely and effective audit, as well as their knowledge of the Company and the environment in which the Group operates;
- Considering the processes implemented by PwC to ensure quality controls, for example the design of testing procedures and whether they are appropriately focused on the most significant risk areas, and the effectiveness of review processes and partner oversight;
- Seeking feedback on the communication and engagement between management and PwC, management's responsiveness to requests from PwC for information, and the extent to which PwC challenges management;
- Reviewing the content and quality of PwC's written reports and contributions to the Audit and Risk Committee's discussions;
- Considering the confidence of the Audit and Risk Committee in PwC's judgements and their transparency with the Committee;
- Reviewing compliance with the Non-Audit Services Policy and other procedures designed to safeguard PwC's independence and objectivity; and
- Discussing the latest FRC Audit Quality Inspection report on PwC and actions being taken by PwC to address the findings raised.

Following its annual review of effectiveness of the external auditor, the Audit and Risk Committee concluded that PwC remained effective and had delivered a high quality audit.

Auditor reappointment

Taking into account the review of independence and performance of the external auditor, the Audit and Risk Committee has recommended to the Board the reappointment of PwC. Resolutions reappointing PwC as external auditor and authorising the Directors to set the auditor's remuneration will be proposed at the 2021 AGM.

Statutory Audit Services Order

The Audit and Risk Committee confirms compliance with the Competition and Markets Authority's Statutory Audit Services for Large Companies Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Internal controls and risk management

The Audit and Risk Committee is responsible for reviewing the adequacy and effectiveness of the Group's systems of internal control and the risk management framework. Details of the risk management structures in place to enable the risks facing the business to be identified, documented, assessed and monitored are provided within the Risk management section on pages 70 to 72.

The annual review of risk, controls and risk management processes which the Audit and Risk Committee oversees was enhanced in a number of areas in 2019. This progress continued to be built on in 2020, with a particular focus on broadening discussions with management to further embed risk management in the business.

The Audit and Risk Committee regularly reviews the principal risks and actions to mitigate them. In 2020 particular attention was paid to the impact of Brexit, climate change and the COVID-19 pandemic on our principal and emerging risks. Following this review, we increased the risk factor of the following key risks:

- Economic factors, reflecting the impact of the pandemic on world trade and the ongoing uncertainty as to how long the pandemic and its effects will last.
- Cyber risk and data security, due to the increased volume of spam and phishing type email attacks to which employees are subject whilst predominantly working remotely.
- Loss of key personnel – normal course of business, exacerbated by the potential adverse impact of remote working on employees' mental well-being.
- Financial loss arising from failure of a client to meet its obligations, which has become more difficult to assess as a result of the pandemic.
- Breaches in rules and regulations, driven principally by the differing and constantly changing health and safety regulations and guidance introduced globally.

Further detail on all of our principal risks, the controls in place and actions taken during the year to mitigate them can be found in the Risk management section on pages 73 to 77.

On the recommendation of the Audit and Risk Committee, the Board concluded that:

- The Group's systems of internal control and risk management were appropriately designed and operated effectively during the year;
- No significant control deficiencies had been identified during the year;
- The residual risks fall within the risk appetite for the Group; and

- Given the comprehensive nature of the annual formal assessment of risks and the regular monitoring throughout the year, it was satisfied that there were no significant known emerging risks which could materially impact on the achievement of the Group's strategic objectives in the near term.

Going concern

The Audit and Risk Committee assesses whether it can recommend to the Board that the going concern basis can continue to be adopted in preparing the financial statements. Management presents an assessment of the Group's prospects and risks, assumptions and sensitivities to support the Audit and Risk Committee in making its recommendation. In light of COVID-19, management prepared enhanced sensitivity testing which modelled different assumptions with respect to the Group's cash resources. Areas considered included varying levels of downturn in profit and cash generation to reflect a significant impact on world seaborne trade, drawing on that experienced in the global financial crisis in 2008 and the period thereafter. On the basis of the information reviewed, the Audit and Risk Committee concluded that it was satisfied that it could recommend to the Board that the preparation of the financial statements on a going concern basis remained appropriate. Further information about the going concern assessment is set out on page 78.

Viability statement

The Audit and Risk Committee recommended to the Board the approval of the viability statement (which is set out on page 77). Cognisant that changes in both the internal and external operating environment could impact on the Group's viability, the Audit and Risk Committee receives six-monthly updates from management as to the prospects of the Group which includes key financial indicators (including profitability, liquidity and the forward order book), business factors and the principal risks. Ahead of recommending the approval of the statement to the Board, a more detailed report was presented by management which considered the impact on viability of scenarios which are linked to the Group's principal risks, as well as the compounding impact of certain scenarios. This report took account of the enhanced sensitivity analysis used to support the going concern assessment, which was extended to enable assessment over a longer timeframe. The Audit and Risk Committee also revisited the period over which previous assessments of the Group's viability have been made and confirmed that a three-year timeframe remained appropriate.

Compliance

The Audit and Risk Committee receives an annual compliance update which assesses compliance with current and evolving regulatory requirements, best practice and areas of focus by the compliance team. In addition, interim updates on key areas of focus are presented to each meeting. These reports provide assurance to the Audit and Risk Committee in respect of the appropriateness of controls of a compliance nature.

In order to support employees' understanding of the standards of conduct and ethics expected of them, the Board has approved a Compliance Code. This contains a suite of policies that mitigate ethics and compliance risks, which all employees and contractors must comply with. Annual training is provided which all employees must complete. In addition, the Group's regulated businesses are subject to further compliance requirements which are set out in local compliance manuals. Embedding of policies and processes is supported by a global compliance team, who the Audit and Risk Committee is satisfied have the necessary skills and experience to fulfil their duties.

Further details regarding our policies and procedures in relation to anti-bribery and corruption, anti-money laundering and sanctions can be found on pages 67 and 68.

Internal audit

Internal audit is one of the principal elements of the Group's internal control system and provides the Audit and Risk Committee with independent assurance over, and insight into, the effectiveness of risk management systems, governance processes and business controls. Recommendations are made to address any key findings and improve processes.

Clarksons Platou Securities AS (Securities)

Due to its regulated status, an internal audit arrangement is in place for our banking and finance operations headquartered in Norway. During 2020, Deloitte performed this function on an outsourced basis. Deloitte was appointed by the Securities board, which approves Deloitte's annual plan and reviews the results of audits. An update on activities was provided regularly to the Audit and Risk Committee. There were no significant issues identified during the year. The Securities management team provided the Audit and Risk Committee with assurance that it had considered the effectiveness of Deloitte during the year, and that it had no concerns to raise.

Other activities

Grant Thornton was appointed by the Audit and Risk Committee as an outsourced partner to support internal audit activities in the wider Group in late 2018. A three-year risk-based plan has been developed with Grant Thornton to ensure appropriate coverage of key internal controls, and the plan is approved annually. Progress against the plan is monitored by the Audit and Risk Committee through regular updates on activities and updates on actions arising from previous audits. The Audit and Risk Committee maintains a view of upcoming audit activity and the plan may be flexed in order to prioritise new areas of focus arising from changes in the risk profile, strategic priorities, and business and regulatory change.

The 2020 plan was revisited in response to the COVID-19 pandemic, and those audits which would require site visits or which would have been largely paper-based were deferred until such time as they could be safely carried out. Audits were carried out on HR System and Workflows, Contracting – Business Commission and Group Compliance – Unregulated Business. No high-risk issues were identified through the course of the audits and audit actions are being tracked through regular updates to the Audit and Risk Committee.

In its final meeting of 2020, the Audit and Risk Committee revisited the rolling three-year plan and confirmed its agreement with the audits proposed for the coming year.

The Audit and Risk Committee reviewed the effectiveness of the internal audit services provided by Grant Thornton during the year. The Committee acknowledged that it was still early in Grant Thornton's engagement (with delivery of the first year of their three-year plan having been impacted by COVID-19) and it was therefore too soon to fully assess their effectiveness. However, the review did not highlight any areas of concern.

We will continue to engage with our shareholders and hope that we can again count on their support.

Annual statement – Remuneration Committee Chair

Dear Shareholder

On behalf of the Board, I am pleased to introduce the Directors' remuneration report for the year ended 31 December 2020.

Wider context

COVID-19 has clearly impacted all aspects of life and the economy. Despite the huge impact on shipping markets, Clarksons reported underlying profits before tax of £44.7m – exceeding market expectations. This is in no small part due to the commitment of management and the wider workforce who have stepped up to deliver those results in such unprecedented times.

In terms of how we responded to COVID-19, the Company took no government loans, no staff were furloughed, all suppliers were paid in good time and the 2019 final dividend, while initially deferred, was paid in September 2020 as an interim dividend maintaining our 18-year progressive dividend policy. Though the recovery from the impact of the COVID-19 pandemic is still uncertain, we are confident that we shall return to payment of our dividends at the normal time in 2021 in respect of 2020 performance.

At the end of 2020, the Board considered the fair value of goodwill held on the balance sheet relating to the offshore and securities cash-generating units (CGUs) which arose following the acquisition of RS Platou ASA in early 2015. Due to exceptional market changes outside the control of the Executive Directors, and in keeping with many businesses in similar verticals to Clarksons, it was determined that a non-cash impairment charge of £60.6m, which has no impact on distributable reserves or the Company's capacity to pay dividends, should be taken.

2020 Directors' Remuneration Policy (Policy) renewal

As explained in last year's report, as part of the process for the Policy renewal, Sir Bill Thomas led an engagement programme with shareholders, which I supported as Chair of the Remuneration Committee, along with Peter Backhouse, our Senior Independent Director. As part of this engagement programme, we met with shareholders covering 49% of the share register and each of the leading proxy agencies to ensure that they understood how our remuneration model benefits our owners.

These discussions were constructive, led to increased support for the remuneration-related resolutions at the 2020 AGM, for which we were grateful, and avoided the risk of destabilising the Company. We will continue to engage with our shareholders and hope that we can again count on their support. The Board continues to believe that the current approach to pay remains appropriate for our incumbent Executive Directors but committed last year to change the approach for all future appointments. As a Board, we are clear that we have the right management team to continue to lead the Company and drive the transformational strategy which they have laid out.

The current model has served the Company and its shareholders well for many years and remains necessary to retain our current highly performing executives who fulfil dual roles as both conventional Executive Directors, but also key operational executives in the business. While we hope that our current Executive Directors will continue to add value to the Company for a number of years, changes to remuneration for successors to their roles thereafter will be implemented and the current arrangements are, therefore, legacy.

Performance and reward for 2020

Our full year performance bonuses were, as in previous years, based on a bonus pool linked to stretching Group underlying profit before tax targets. The Remuneration Committee assessed the threshold levels in an entirely pre-COVID-19 context at the beginning of 2020 and increased them by 2.5% on those of 2019 in order to make them more stretching for the year ahead, which was budgeted to be higher than 2019. The actual underlying profit before tax, following the impact of COVID-19, was £44.7m, 9.3% lower than 2019.

Whilst this was considered a strong performance, beating market consensus, the Remuneration Committee applied the rules of the executive bonus scheme without any exercise of discretion, leaving the thresholds at the levels set pre-COVID-19, thus producing a lower calculated bonus pot for Executive Directors. On assessing the outturn, the Remuneration Committee was satisfied that this was appropriate.

The Executive Directors, as in recent years, again determined that a proportion of their entitlement should be waived to enable the Company to reward other senior members of staff throughout the Group. In 2020, they sacrificed 20% of the bonuses they were eligible to receive (2019: 30%). As the waiver was less than in 2019, this resulted in the actual bonuses earned by the two Executive Directors being similar to those for 2019. In addition, the Executive Directors donated 20% of their base salaries for the second quarter of 2020 in favour of charity, anchoring the initial contribution to The Clarkson Foundation.

As in previous years, on a voluntary basis, 10% of the bonus will be deferred into shares which will vest after four years.

The awards which were granted to Executive Directors under the Long Term Incentive Plan (LTIP) on 14 May 2018 were subject to challenging absolute EPS and relative TSR performance targets. Whilst the 2020 EPS did not exceed target, the Company's relative TSR was between the median and upper quartile companies and thus achieved a 35.4% vesting of that component of the LTIP (2019: 60.6%). The vesting outcome overall was therefore 17.7% (2019: 30.3%).

In keeping with the treatment considered with respect to the executive bonus scheme, the Remuneration Committee also applied the rules of the LTIP without any exercise of discretion, leaving the challenging targets unchanged at the levels set pre-COVID-19. On assessing the outturn, the Remuneration Committee was satisfied that this was appropriate.

Implementation of Policy in 2021

The Policy will be implemented in 2021 as follows:

- **Salary:** There will be no change to Executive Directors' salaries. This means that the CEO's salary is unchanged since his appointment as CEO in 2008, and the CFO & COO's remains unchanged since 2015.
- **Annual bonus:** Performance bonuses continue to be linked to the Group's underlying adjusted pre-tax profits for the year. No bonuses are payable to Executive Directors below a threshold level of profit.
- **LTIP:** The Executive Directors will receive LTIP awards equivalent to 150% of base salary in 2021. The performance targets will be, as in prior years, 50% based on EPS in the year of vesting and 50% based on relative TSR measured independently over a three-year period. The EPS performance target has been set at a threshold of 122p to a stretch target of 150p in 2023. The relative TSR targets will continue to be measured relative to the performance of the constituents of the FTSE 250 Index (excluding investment trusts). Any vested shares from the performance-related LTIP are subject to a two-year post-vesting holding period.
- **Share ownership guidelines:** A guideline of two times salary will continue to apply for Executive Directors.

Applying a consistent approach to our pay arrangements over many years has both provided a clear incentive for the executives to deliver for our shareholders over time and has led to the build-up of significant shareholdings (approximately 25 times and six times salary for the CEO and CFO & COO respectively) which is significantly higher than typical FTSE 250 levels and which, in turn, reaffirms alignment with shareholders. This alignment is further reinforced by the existence of clawback provisions, four-year bullet vesting of deferred shares and a two-year post-vesting holding period on LTIP awards, as well as contributing to an appropriate level of risk mitigation.

This report includes the annual report on remuneration (pages 109 to 121) which describes how the shareholder-approved Policy was implemented for the year ended 31 December 2020 and how we intend for the Policy to apply for the year ending 31 December 2021.

All-employee remuneration matters

The Board remains committed to giving as many employees as possible the opportunity to share in the Group's success through all-employee share plans, and I am delighted that, over the last few years, we have been able to extend invitations to participate in our ShareSave plans (or plans which operate in a similar way) to around 80% of our global employees. We extended such plans to colleagues in Greece and Switzerland in 2020 for the first time, reflecting our intention to give as many colleagues as possible the opportunity to become shareholders in the Company.

Conclusion

We trust that you will support and vote in favour of the Directors' remuneration report at the 2021 AGM.

Should you have any questions or comments, please contact me through the Group Company Secretary.

Dr Tim Miller
Remuneration Committee Chair
5 March 2021

Remuneration Committee – at a glance

Composed of independent Non-Executive Directors:
- Dr Tim Miller (Chair), independent Non-Executive Director
- Sue Harris, independent Non-Executive Director[1]
- Laurence Hollingworth, independent Non-Executive Director[2]
- Birger Nergaard, independent Non-Executive Director
- Sir Bill Thomas, Chair

Sue Harris and Laurence Hollingworth were appointed as members of the Committee with effect from 7 October 2020 and 23 July 2020 respectively. Heike Truol was a member of the Committee with effect from 31 January 2020 until 6 October 2020, whilst Peter Backhouse and Marie-Louise Clayton also served as members of the Committee until 6 October 2020.

Dr Tim Miller has extensive HR and remuneration knowledge from his executive career. He currently serves on (and chairs) the remuneration committee of other organisations and therefore has recent and relevant experience of remuneration matters.

Regular attendees at meetings include the CEO, CFO & COO, Group Company Secretary, Group HR Director and the Remuneration Committee's independent remuneration advisor (FIT Remuneration Consultants LLP).

The Remuneration Committee's key role is to set the remuneration arrangements for the Chair, Executive Directors and other members of the senior management team. Remuneration for the Non-Executive Directors is determined by the Board. Its Terms of Reference are reviewed annually and are available at www.clarksons.com/about-us/board-of-directors.

In order to avoid any conflict of interest, remuneration is managed through well-defined processes ensuring no individual is involved in the decision-making process related to their own remuneration. In particular, the remuneration of all Executive Directors is set and approved by the Committee; and none of the Executive Directors are involved in the determination of their own remuneration arrangements. The Committee also receives support from external advisors and evaluates the support provided by those advisors annually to ensure that advice is independent, appropriate and cost-effective. The Committee exercises its own judgment in considering such advice.

The Remuneration Committee held two scheduled meetings during 2020. Attendance at the scheduled meetings is set out below.

Scheduled meeting attendance

Current Directors	
Dr Tim Miller	2/2
Peter Backhouse[3]	1/1
Sue Harris[1]	1/1
Laurence Hollingworth[2]	1/1
Birger Nergaard[4]	1/2
Sir Bill Thomas	2/2
Heike Truol[5]	1/1
Former Director	
Marie-Louise Clayton[3]	1/1

1 Appointed on 7 October 2020.
2 Appointed on 23 July 2020.
3 Served as a member until 6 October 2020.
4 Unable to attend one meeting due to a prior commitment. Mr Nergaard reviewed the meeting papers ahead of the meeting and provided comments to the Committee Chair.
5 Served as a member from 31 January 2020 until 6 October 2020.

Key topics discussed at Remuneration Committee meetings in 2020

Individual remuneration arrangements

Fixed pay, bonus outturn and awards to be made for all employees falling within the Remuneration Committee's remit

Non-financial objectives for the CFO & COO

Performance-related incentive schemes

2019 bonus outturn, and performance measures and targets for the 2020 performance year

Report from the Audit and Risk Committee regarding the 2019 bonus outturn

Parameters and quantum of awards to be made under the LTIP in 2020

Vesting of 2017 LTIP awards (in relation to performance to 31 December 2019)

Remuneration in wider Group

Annual review of workforce remuneration

Gender pay gap report

Strategy (including shareholder engagement)

Market update: consideration of the Company's remuneration arrangements in the context of themes in the wider market

Shareholder engagement strategy (ahead of submission of the new Directors' Remuneration Policy to the 2020 AGM and approach ahead of the 2021 AGM)

Governance

Directors' remuneration report, including proposed Directors' Remuneration Policy

Adoption of new ShareSave plan rules (for approval at the 2020 AGM)

Annual review of the effectiveness of the remuneration advisor

Corporate governance matters including Terms of Reference and agenda items for 2021

Read more
Annual review of the Remuneration Committee's effectiveness on page 96.

Annual report on remuneration

Implementation of the Directors' Remuneration Policy for 2021

Base salary

No changes have been made to the base salaries of the Executive Directors for 2021, and salaries therefore remain as set out below:

	1 January 2021	1 January 2020	% change
Andi Case	**GBP 550,000**	GBP 550,000	0%
Jeff Woyda	**GBP 350,000**	GBP 350,000	0%

Taxable benefits

The taxable benefits received by the Executive Directors in 2020 included a car allowance, private medical insurance and club memberships. No material changes to taxable benefits are proposed for 2021.

Annual bonus for 2021

The annual bonus opportunity for 2021 will be calculated on the same basis as in previous years and will continue to be based on a bonus pool derived from Group profit before tax as follows:

- below a 'profit floor' set by the Remuneration Committee: no bonus is triggered; and
- above the profit floor: an escalating percentage of profits is payable into a bonus pool for progressively higher profit before tax performance.

As in 2020, the share of the executive bonus pool allocated to the CFO & COO will, in part, be determined by performance against a series of non-financial, strategic and operational objectives.

The profit floor and thresholds for 2021 have not been disclosed on a prospective basis as these are considered to be commercially sensitive, although disclosure will be provided retrospectively.

Consistent with the policy applied to the majority of senior employees, 90% of the bonus payable will be paid in cash with 10% deferred into restricted shares which vest four years after grant. The Executive Directors have agreed to this deferral, although they have no contractual obligation to defer bonuses. Clawback provisions will continue to apply in circumstances of misstatement or error.

Long-term incentive awards to be granted in 2021

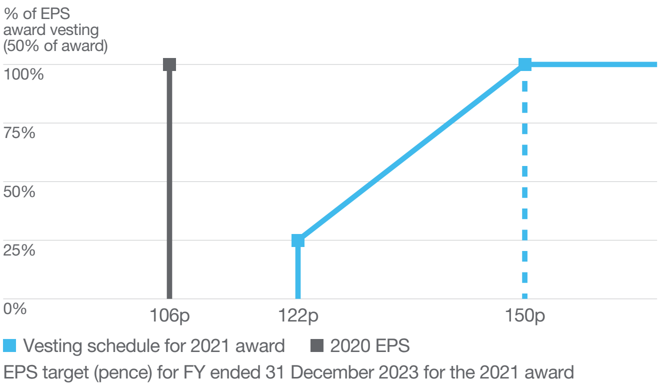
Consistent with past practice, it is envisaged that:

- Executive Directors will receive LTIP awards over shares worth up to 150% of salary in 2021;
- The vesting of 50% of the awards will be determined by the Company's Earnings Per Share (EPS) for 31 December 2023, as shown in chart (i) below. The EPS for 2020 is shown (grey line) for reference; and
- The vesting of the remaining 50% will be determined by the Company's Total Shareholder Return (TSR) performance from 1 January 2021 to 31 December 2023 against the constituents of the FTSE 250 Index (excluding investment trusts), as shown in chart (ii) below. The level of TSR achieved against the FTSE 250 Index over the last three-year cycle is shown (grey line) for reference.

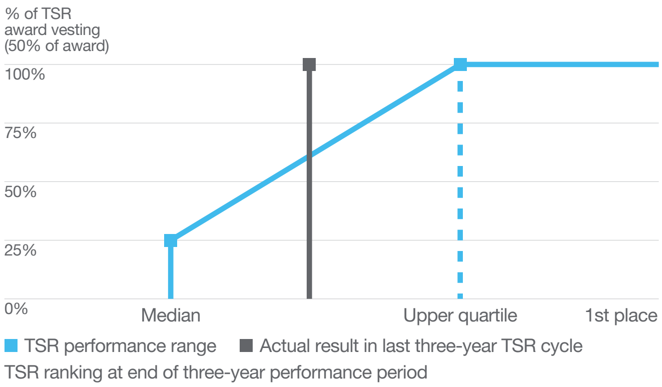
EPS and relative TSR are considered to be the most appropriate measures of long-term performance for the Group, in that they ensure executives are incentivised and rewarded for the earnings performance of the Group as well as returning value to shareholders.

The awards will be subject to clawback provisions and a two-year post-vesting holding period.

(i) EPS target range for 2021 award (50% of award)



(ii) TSR target range for 2021 award (50% of award)



The Remuneration Committee has considered carefully the EPS range for the 2021 award and believes the 122p to 150p range is stretching against market consensus and the actual 2020 EPS delivered.

Fees for the Non-Executive Directors

Non-Executive Director fee levels for 2021 are as set out below. Supplementary fees are paid in respect of certain additional duties. No changes to fees for 2021 have been proposed.

	2021 £000	2020 £000	% change
Chair	**185**	185	0%
Non-Executive Director	**58**	58	0%
Chair of Committee[1]	**19**	19	0%
Senior Independent Director[1]	**19**	19	0%
Employee Engagement Director[1]	**15**	15	0%

1 Supplementary fee payable to the Chairs of the Audit and Risk Committee and the Remuneration Committee, the Senior Independent Director and the Non-Executive Director who assumes responsibility for workforce engagement.

Single total figure tables (audited)

The following tables set out the total remuneration paid to the Directors for the years ended 31 December 2020 and 31 December 2019. We consider key management personnel to be Clarkson PLC Directors.

Executive Directors

2020	**Base salary £000**	**Taxable benefits[1] £000**	**Pension[2] £000**	**Total fixed remuneration £000**	**Performance-related bonus[3] £000**	**Long-term incentives[4] £000**	**Total variable remuneration £000**	**Total remuneration[5] £000**
Andi Case	**550**	**16**	**74**	**640**	**2,383**	**127**	**2,510**	**3,150**
Jeff Woyda	**350**	**12**	**46**	**408**	**616**	**81**	**697**	**1,105**
Total	**900**	**28**	**120**	**1,048**	**2,999**	**208**	**3,207**	**4,255**

2019	Base salary £000	Taxable benefits[1] £000	Pension[2] £000	Total fixed remuneration £'000	Performance-related bonus[3] £000	Long-term Incentives[6] £000	Total variable remuneration £000	Total remuneration £000
Andi Case	550	13	74	637	2,390	238	2,628	3,265
Jeff Woyda	350	12	46	408	618	151	769	1,178
Total	900	25	120	1,045	3,008	389	3,397	4,442

1 Taxable benefits comprises the gross value of any benefits paid to the Director, whether in cash or in kind, prior to UK income tax being charged. Further details are provided on page 109.
2 Pension paid as a cash supplement. Further details are included on page 115.
3 Performance-related bonus represents the value of the total bonus, prior to any sums being deferred into shares. See page 111 for further detail on the 2020 bonus outcome. The bonus reflects the 9.3% decrease in underlying profit before tax and is after a waiver of 20% of their entitlement.
4 Further details regarding the vesting outcome are included on page 112.
5 In the year ended 31 December 2020, the aggregate remuneration paid to all Directors who served during the year in respect of qualifying services (comprising salary/fees, taxable benefits, cash contributions to pension arrangements and performance-related bonus was £4.6m.
6 The vesting outcome has been restated based on the actual share price on the date of vesting (17 April 2020, £24.15), having been estimated in the 2019 annual report based on the average share price over the period 1 October 2019 to 31 December 2019.

Non-Executive Directors

	Appointment date (if later than 1 January 2019)	Resignation date (if earlier than 31 December 2020)	Fees[1] £000 **2020**	Fees[1] £000 2019
Current Directors				
Sir Bill Thomas	13 Feb 19		**185**	162
Peter Backhouse			**76**	76
Sue Harris	7 Oct 20		**17**	–
Laurence Hollingworth	23 Jul 20		**25**	–
Dr Tim Miller[2]			**91**	88
Birger Nergaard			**58**	58
Heike Truol	31 Jan 20		**53**	–
Former Director				
Marie-Louise Clayton[3]			**76**	76
Total			**581**	461

1 The fees paid to the Non-Executive Directors relate to the period for which they held office.
2 Includes a supplementary fee payable to the Non-Executive Director who assumes responsibility for workforce engagement. This fee became payable from 7 March 2019.
3 Marie-Louise Clayton stepped down from the Board on 31 January 2021.

Annual bonus targets (audited)

Consistent with the way in which it operated in prior years, the annual bonus for 2020 was based on the allocation of the following pool:

Executive Directors: bonus pool

Underlying profit before taxation and bonus	% of pre-bonus profit
If profit < £30.21m	0%
If profit > £30.21m then £0m – £60.43m	8%
If profit > £60.43m then £60.43m – £70.45m	12%
If profit > £70.45m then on profits > £70.45m	13%

This formula generates a pool, with the CEO entitled to 79.5% of the pool and the CFO & COO entitled to 17.1%–20.5% of the pool (dependent on delivery of his personal objectives). The pool has operated in exactly the same way as in prior years. The above percentages reflect the proportion of the pool payable to the Executive Directors only.

The discretionary element of the CFO & COO's bonus for 2021 was dependent on personal performance against non-financial objectives set by the CEO and approved by the Remuneration Committee. The objectives set and a summary of achievements against those objectives are set out below. The objective relating to COVID-19 was set later in the year but was an increasingly key area of focus as the year progressed and did not replace any of the original objectives.

Objective	Key achievements
Management of the response to the COVID-19 pandemic	Led the Group's response to COVID-19, including chairing business continuity and leadership committees for each region; overseeing global policy-setting in response to changes in law and guidance; ensuring risk assessment and health and safety response; and prioritising employee and dependant well-being at every stage.
CSR	Launched The Clarkson Foundation and completed formal registration with the Charity Commission. Developed the CSR Committee with representation from full cross-section of the business and launched a series of charity campaigns aiding employee engagement and supporting the communities within which we operate.
Evolution of the management structure and capability	Oversaw development of a new promotions process and capability framework to continue to strengthen the succession pipeline and leadership development.
Delivery of **Sea/** platform modules and focus on user adoption	Further significant progress in relation to the **Sea/** platform with launch of **Sea/fix** and **Sea/trade offshore**, and steady growth in sales and adoption in **Sea/contract**s, **Recap Manager**, **Sea/net** and **Sea/chat**.
Risk, compliance and cyber security	Evolution of mandatory compliance training modules including launch of market abuse module. Development of further tools to ensure sanctions compliance and continued education and communication regarding cyber risks.

Following consideration of the recommendation from the CEO with regard to the CFO & COO's performance against his personal objectives, the Remuneration Committee decided to award the CFO & COO 20.5% of the bonus pool.

Bonus waiver

As in each of the last 11 years, the Executive Directors have proposed not to receive their full bonus entitlement and, rather, waive a proportion of their bonuses to the benefit of the wider staff bonus plans. In 2020, each of the Executive Directors agreed to waive 20% of their entitlement (£0.75m (2019: £1.3m)). This is shown as follows:

Actual underlying profit before taxation	£44.7m
Actual underlying profit before taxation for bonus calculation after deducting the minority interest of pre-tax profit, adding back the cost of bonus	£46.7m
Formulaic executive bonus pool (pre-waiver)	£3.7m
Executive bonus pool (post-waiver)	£3.0m
% of executive bonus pool allocated to Executive Directors (after 20% voluntary sacrifice by Directors)	80%

The bonus is paid 90% in cash and, although they have no contractual obligation, the Directors have agreed that 10% of the bonus will be deferred in to shares which vest after four years. Both the cash and share element of the bonus are subject to clawback where overpayments may be reclaimed in the event of misstatement or error.

Long-term incentive targets (audited)

Long-term incentives relate to awards granted on 14 May 2018 which vest in May 2021 based on performance over the three-year period to 31 December 2020. The performance conditions attached to these awards and actual performance against these conditions are as follows:

Long-term incentive awards: performance outturn

Performance measure	Performance condition	Threshold target	Stretch target	Actual	% vesting
EPS (out of 50%)	25% of award vesting at threshold up to 100% of award vesting at stretch on straight-line basis	145p	195p	106.0p	0
TSR relative to the constituents of the FTSE 250 Index (excluding investment trusts) (out of 50%)	25% of award vesting at threshold up to 100% of award vesting at stretch on straight-line basis	Median	Upper quartile	Between median and upper quartile	17.7
Total vesting (out of 100%)					17.7

The award details for the Executive Directors are as follows:

Long-term incentive awards: vesting outcome

Executive Directors	Number of options granted	Number of options to vest	Number of options to lapse	Estimated value of vested shares[1,2] £000
Andi Case	26,978	4,775	22,203	127
Jeff Woyda	17,168	3,038	14,130	81

1 The estimated value of the vested shares is based on the average share price over the three-month period from 1 October 2020 to 31 December 2020 (£24.33). Cash accrued in respect of dividend equivalents payable on vested shares is also included in the estimated value. The awards will vest on 14 May 2021. The value of the vested shares will be restated based on the actual share price on the date of vesting and disclosed in the single figure table in the 2021 annual report.
2 None of the estimated value of the vested shares is attributable to share price growth.

Scheme interests (audited)

The table below sets out the scheme interests held by the Executive Directors.

Further details of share-based payments during the year are included in note 23 to the consolidated financial statements.

Executive share plan participation

Type of award[1]	Date of grant	No of shares under award (01/01/20)	Granted during 2020	Vested during 2020[2]	Lapsed during 2020	No of shares under award (31/12/20)	Face value[3]	% vesting at threshold[4]	Performance period ends	Vesting date	Holding period ends
Andi Case											
Performance Award	17 Apr 15	11,208	–	–	–	11,208[5]	£251,620	25%	31 Dec 17	16 Apr 18	N/A
Deferred Award	15 Apr 16	15,506	–	15,506	–	–	£349,505	N/A	N/A	15 Apr 20	N/A
Performance Award	18 Apr 17	9,033	–	–	–	9,033[5]	£249,943	25%	31 Dec 19	17 Apr 20	N/A
Deferred Award	18 Apr 17	10,618	–	–	–	10,618	£293,800	N/A	N/A	18 Apr 21	N/A
Performance Award	14 May 18	26,978	–	4,775	22,203	4,775[6]	£146,020	25%	31 Dec 20	14 May 21	14 May 23
Deferred Award	14 May 18	9,928	–	–	–	9,928	£303,598	N/A	N/A	14 May 22	N/A
Performance Award	18 Apr 19	34,854	–	–	–	34,854	£824,994	25%	31 Dec 21	18 Apr 22	18 Apr 24
Deferred Award	18 Apr 19	8,951	–	–	–	8,951	£211,870	N/A	N/A	18 Apr 23	N/A
Performance Award	7 May 20	–	34,351	–	–	34,351	£825,111	25%	31 Dec 22	7 May 23	7 May 25
Deferred Award	7 May 20	–	9,952	–	–	9,952	£239,047	N/A	N/A	7 May 24	N/A
Jeff Woyda											
Performance Award	17 Apr 15	5,094	–	–	–	5,094[5]	£114,360	25%	31 Dec 17	16 Apr 18	N/A
Deferred Award	15 Apr 16	3,341	–	3,341	–	–	£75,306	N/A	N/A	15 Apr 20	N/A
Performance Award	18 Apr 17	5,748	–	–	–	5,748[5]	£159,047	25%	31 Dec 19	17 Apr 20	N/A
Deferred Award	18 Apr 17	2,288	–	–	–	2,288	£63,309	N/A	N/A	18 Apr 21	N/A
Performance Award	14 May 18	17,168	–	3,038	14,130	3,038[6]	£92,902	25%	31 Dec 20	14 May 21	14 May 23
Deferred Award	14 May 18	2,503	–	–	–	2,503	£76,542	N/A	N/A	14 May 22	N/A
Performance Award	18 Apr 19	22,179	–	–	–	22,179	£524,977	25%	31 Dec 21	18 Apr 22	18 Apr 24
Deferred Award	18 Apr 19	2,314	–	–	–	2,314	£54,772	N/A	N/A	18 Apr 23	N/A
Performance Award	7 May 20	–	21,859	–	–	21,859	£525,053	25%	31 Dec 22	7 May 23	7 May 25
Deferred Award	7 May 20	–	2,573	–	–	2,573	£61,803	N/A	N/A	7 May 24	N/A

1 Performance Awards are granted as nil-cost options, which lapse ten years after the date of grant to the extent not previously exercised. All Performance Awards are subject to performance measures (50% based on relative TSR measured over a three-year performance period and 50% based on EPS at the end of the performance period).
Deferred Awards represent deferred bonus and are granted as restricted share awards. Further restricted share awards will be made to Andi Case and Jeff Woyda in 2021 in respect of the deferral of 10% of their 2020 bonus.
2 Deferred Awards which vested during the year were valued at £457,982 on the date of vesting. None of the Directors exercised share options during the year.
3 Face value calculated using the share price used to determine the number of shares under the award as set out below. This share price was calculated using the average middle market quotation over the three-day period on the dates specified:
– Awards made on 17 April 2015: £22.45 (14-16 April 2015)
– Awards made on 15 April 2016: £22.54 (12-14 April 2016)
– Awards made on 18 April 2017: £27.67 (11-13 April 2017)
– Awards made on 14 May 2018: £30.58 (13-17 April 2018)
– Awards made on 18 April 2019: £23.67 (15-17 April 2019)
– Awards made on 7 May 2020: £24.02 (4-6 May 2020)
4 Assumes that threshold is met in respect of both the TSR and EPS performance measures.
5 Vested on the date shown above, but option not yet exercised.
6 Although the performance period for these awards ended on 31 December 2020, the awards will formally vest on 14 May 2021.

Executive Directors' interests in share options over ordinary shares under the Company's all-employee share plans are as follows:

ShareSave participation

Type of award	Date of grant	Options held at 1 January 2020	Options granted during the year	Options exercised during the year	Options lapsed during the year	Options held at 31 December 2020	Option price	Normal exercise period	Face value[1]
Jeff Woyda									
ShareSave (option)	1 Oct 18	813	–	–	–	813	£22.12	1 Nov 21–30 Apr 22	£17,984

1 Face value calculated using the share price used to determine the number of shares under the award (i.e. the option price). The option price (£22.12) was calculated using the average middle market quotation over 5-7 September 2019, after the application of a 20% discount.

Directors' interests in shares

In order to further align the interests of the Executive Directors with those of shareholders, the Company has implemented share ownership guidelines which require Executive Directors to build a shareholding equivalent to 200% of salary. Until this is met they are required to retain 50% of any share award that vests (on a net of tax basis). The Executive Directors have both met the guideline levels.

The beneficial interests of the Executive Directors (and their connected persons) in the Company's shares are set out below:

Executive Directors' shareholdings (audited)

	No of ordinary shares		% of salary required to be held in shares		Unvested LTIPs (subject to performance conditions)		Vested and unexercised LTIPs (no longer subject to performance conditions)		Deferred bonus awards[1] (subject to service conditions)		ShareSave options (not subject to performance conditions)	
	31 Dec 20	31 Dec 19	**31 Dec 20**	31 Dec 19	**31 Dec 20**	31 Dec 19	**31 Dec 20**	31 Dec 19	**31 Dec 20**	31 Dec 19	**31 Dec 20**	31 Dec 19
Andi Case	**514,458**	506,241	**200**	200	**69,205**[2]	70,865	**25,016**[2]	11,208	**39,449**	45,003	**–**	–
Jeff Woyda	**80,602**	78,833	**200**	200	**44,038**[2]	45,095	**13,880**[2]	5,094	**9,678**	10,446	**813**	813

1 Deferred bonus awards are granted as restricted share awards.
2 The award granted on 14 May 2018, which will formally vest on 14 May 2021, was based on performance over a three-year period to 31 December 2020. The extent to which performance conditions have been met has already been determined, and this vesting outcome has been reflected in the figures disclosed. Page 112 provides further detail on the vesting outcome.

The beneficial interests of the Non-Executive Directors (and their connected persons) in the Company's shares are set out below:

Non-Executive Directors' shareholdings (audited)

	Appointment date (if later than 1 January 2019)	Resignation date (if earlier than 31 December 2020)	**31 December 2020**[1]	31 December 2019
Current Directors				
Sir Bill Thomas	13 Feb 19		**2,083**	2,083
Peter Backhouse			**10,912**	14,000
Sue Harris	7 Oct 20		**–**	–
Laurence Hollingworth	23 Jul 20		**5,000**	–
Dr Tim Miller			**–**	–
Birger Nergaard[2]			**30,869**	30,869
Heike Truol	31 Jan 20		**–**	–
Former Director				
Marie-Louise Clayton			**1,100**	1,100

1 Shareholdings disclosed as at 31 December 2020, or date of resignation if earlier.
2 Ordinary shares held by Acane AS on behalf of Birger Nergaard and his connected persons.

Pensions (audited)
Andi Case and Jeff Woyda receive a cash supplement (up to 15% of base salary) in lieu of pension (net of employer's NI), which is included in the single figure table on page 110 as pension. No contributions were paid into Group pension schemes on their behalf.

Payments to past Directors (audited)
No payments were made during the year ended 31 December 2020 to any person who was not a Director of the Company at the time payment was made, but who had previously been a Director.

Payments for loss of office (audited)
No payments were made in respect of loss of office during the year ended 31 December 2020.

Details of service contracts and letters of appointment
Details of the current Executive Directors' service contracts are as follows:

	Date of contract	Unexpired term	Notice period
Andi Case	23 June 2008[1]	12 months	12 months
Jeff Woyda	3 October 2006	12 months	12 months

1 The effective date of the contract is 17 June 2008.

Service contracts are available for inspection at the Company's registered office.

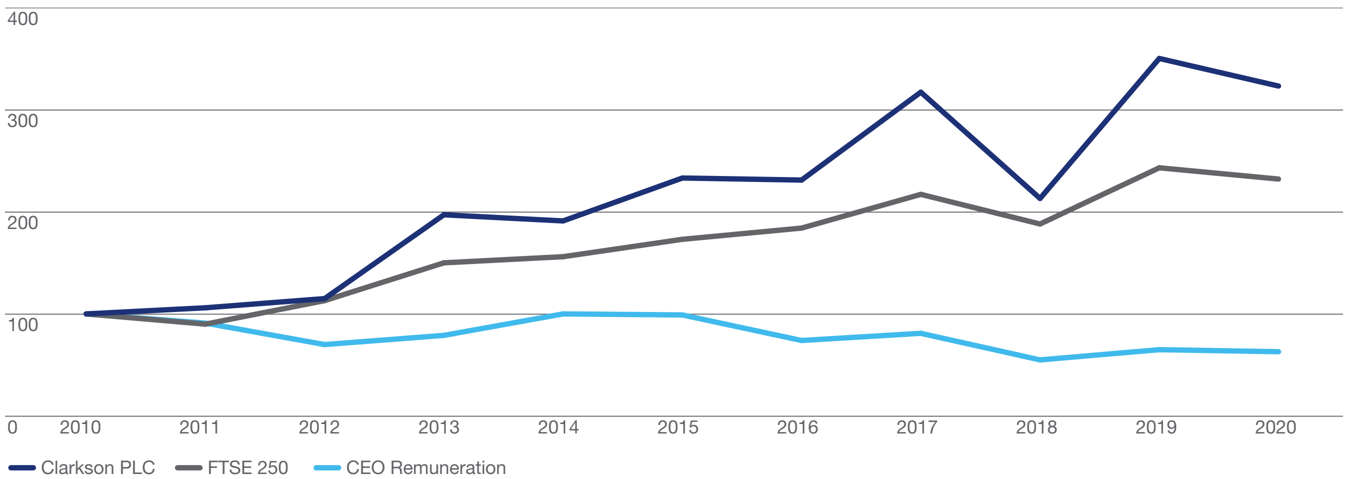
Details of the Non-Executive Directors' appointment terms are as follows:

	Date of initial appointment	Date current term commenced	Unexpired term at 31 December 2020	Notice period
Sir Bill Thomas	13 February 2019	13 February 2019	14 months	3 months
Peter Backhouse	12 September 2013	12 September 2019	21 months	3 months
Sue Harris	7 October 2020	7 October 2020	33 months	3 months
Laurence Hollingworth	23 July 2020	23 July 2020	31 months	3 months
Dr Tim Miller	22 May 2018	22 May 2018	5 months	3 months
Birger Nergaard	2 February 2015	2 February 2021[1]	1 month	3 months
Heike Truol	31 January 2020	31 January 2020	25 months	3 months

1 Birger Nergaard's reappointment for a further three-year term was approved by the Board in January 2021.

Non-Executive Directors are appointed by letter of appointment for a fixed term not exceeding three years, renewable on the agreement of both the Company and the Director, and are subject to re-election at each AGM. Each appointment can be terminated before the end of the three-year period with three months' notice due.

Performance graph
This graph compares the total shareholder return (that is, share price growth assuming reinvestment of any dividends) of £100 invested in the Company's shares and £100 invested in the FTSE 250 Index, which the Remuneration Committee considers appropriate for comparison purposes given the Company has been a member of this index over the period. The CEO's total remuneration, indexed from the same date, is also added for comparison.



Total remuneration table

The table below shows the total remuneration figure for the CEO for each of the last ten financial years:

CEO remuneration

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Single total figure of remuneration (£000)	**3,150**	3,265	2,758	4,043	3,706	4,958	4,970	3,944	3,486	4,523
Vested LTIP (as a % of maximum)	**18%**	30%	0%	30%	15%	70%	69%	50%	47%	98%

Annual change in remuneration of Directors and employees

The table below shows the percentage change in the remuneration of each Director (salary/fees, taxable benefits and annual bonus) between the 2019 and 2020 financial years, compared to the average of those components of pay for all employees. The Company has chosen to voluntarily disclose this information as Clarkson PLC is not an employing company.

Relative pay

	Salary/fee and taxable benefits increase/decrease 2019/20 % change	Annual bonus increase/decrease 2019/20 % change
Executive Directors		
Andi Case	+0.61%	-0.31%
Jeff Woyda	-0.06%	-0.31%
Non-Executive Directors		
Sir Bill Thomas	0%	N/A
Peter Backhouse	0%	N/A
Sue Harris[1]	N/A	N/A
Laurence Hollingworth[2]	N/A	N/A
Dr Tim Miller	0%	N/A
Birger Nergaard	0%	N/A
Heike Truol[3]	N/A	N/A
Former Director		
Marie-Louise Clayton	0%	N/A
Employees		
Average employee	+3.83%	+1.97%

1 Appointed 7 October 2020.
2 Appointed 23 July 2020.
3 Appointed 31 January 2020.

CEO pay ratio

The table below shows the pay ratio information in relation to the total remuneration of the CEO compared to the pay of the Company's UK employees for 2020. Over time, disclosure over a rolling ten-year period will be built up.

Financial year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	**Option A**	**72:1**	**42:1**	**25:1**
2019	Option A	84:1	49:1	27:1

The Remuneration Committee has selected Option A as the method for calculating the CEO pay ratio. Option A calculates a single figure for every employee in the year to 31 December 2020 and identifies the employees that fall at the 25th, 50th and 75th percentiles. This method was chosen as it is considered the most accurate way of identifying the relevant employees and aligns to how the single figure table is calculated.

The Company has included the following elements of pay in its calculation: annual basic salary, allowances, bonuses, commission payments, share awards, employer's pension contributions, and p11D benefits. These pay elements were separated into recurring, bonus and benefit components. The recurring components were scaled relative to the proportion of 2020 worked by each individual employee. This year, bonus pay elements have been scaled relative to the full-time equivalent of part-time employees. The scaled recurring pay elements and bonuses were then added to the benefits value. The scaling of bonuses relative to a full-time equivalent value differs slightly to the methodology used in last years' disclosure. As such, the above values for 2019 have been adjusted, ensuring consistency of methodology and allowing for a legitimate comparison.

This resulted in a single figure for each employee, from which the individuals at the 25th, 50th and 75th percentiles could be identified. The Remuneration Committee believes the median pay ratio for 2020 to be consistent with the reward policies for the Company's UK employees taken as a whole. UK-based employees have been selected as the most appropriate comparator as the CEO is a full-time UK-based employee.

The table below sets out the total pay and benefits for individuals at the 25th, 50th and 75th percentiles, and the salary element within this.

Financial year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	Total pay and benefits	£41,000	£70,500	£118,041
	Salary element of total pay and benefits	£35,000	£55,000	£100,988

Relative importance of spend on pay

The following table compares the total remuneration paid in respect of all employees of the Group in 2019 and 2020, underlying profit, and distributions made to shareholders in the same years:

	2020 £m	2019 £m	% change
Underlying profit for the year	**35.2**	37.9	-7%
Dividends	**23.7**	23.0	+3%
Employee remuneration costs, of which:	**239.0**	222.0	+8%
Executive Directors' total pay excluding LTIP (continuing)	**4.0**	4.2	-5%
Executive Directors' annual bonus (continuing)	**3.0**	3.0	0%

External advisors

Following an external selection process, the Remuneration Committee appointed FIT Remuneration Consultants LLP (FIT) as its advisor in October 2018. FIT provides no other services to the Remuneration Committee, has no further connection with the Company or individual Directors and is a signatory to the Remuneration Consultants Group's Code of Conduct. The Remuneration Committee reviews the effectiveness of its advisor on an annual basis and is satisfied that the quality of advice received during the year was sufficient and that the advice provided by FIT is objective and independent.

The fees paid by the Company to FIT during the financial year for advice to the Remuneration Committee and in relation to share plans were £44,030 (2019: £64,231). Fees were charged on normal terms.

Statement of shareholder voting at AGM

The following votes were received from shareholders at the last AGM at which the relevant resolutions were proposed:

	Date of meeting	In favour	% cast	Against	% cast	Withheld
Remuneration Policy	6 May 2020	14,637,062	67.61	7,011,582	32.39	1,982,594
Remuneration report	6 May 2020	14,517,181	67.06	7,131,559	32.94	1,982,497

Details of the actions taken by the Board in response to the votes against these resolutions registered at the 2020 AGM are included in the Remuneration Committee Chair's statement on pages 106 and 107.

This report was approved on behalf of the Board and signed on its behalf by:

Dr Tim Miller
Remuneration Committee Chair
5 March 2021

Appendix: Directors' Remuneration Policy

We include the main tables from the shareholder-approved Directors' Remuneration Policy. A full version of the Policy (which was approved by shareholders on 6 May 2020) can be found in the annual report for the year ended 31 December 2019 (available on our website at www.clarksons.com).

As indicated in previous reports, the Remuneration Committee recognises that listed company practice as regards their Executive Directors has changed over the years and that, for any new appointments to the Board, the Policy will be broadly consistent with current market practice. While there are no current plans to appoint a new Executive Director, the Remuneration Committee confirms that any new appointments under the proposed Policy will also be subject to the following:

- Capping the annual bonus opportunity;
- Deferring a greater proportion of the annual bonus;
- Compensation for fixed pay only on severance;
- No enhancement on a change of control;
- The rate of any employer pension contributions will be aligned with that available to the majority of the wider workforce in the UK (or any other country in which the executive is based).

For any new Executive Director appointments, the proposed Policy should be read as incorporating such additional requirements. In addition, the Committee will consider at the time other developments in market practice when constructing such an offer.

	Purpose and link to strategy	Operation	Maximum opportunity	Performance framework
Base salary	– To attract and retain high performing Executive Directors who are critical for the business – Set at a level to provide a core reward for the role and cover essential living costs	– Normally reviewed annually – Paid monthly – Salaries are determined taking into account: – the experience, responsibility, effectiveness and market value of the executive – the pay and conditions in the workforce	– There is no prescribed maximum annual increase. The Committee is guided by the general increase for the broader workforce but on occasion may recognise an increase in certain circumstances, such as assumed additional responsibility or an increase in the scale or scope of the role or, in the case of a new executive, a move towards the desired rate over a period of time where salary was initially set below the intended positioning	n/a
Benefits	– To provide a market standard suite of basic benefits in kind to ensure the Executive Directors' well-being	– Taxable benefits may include: – car allowance – healthcare insurance – club membership – Participation in HMRC-approved (or equivalent) schemes – Other benefits may be payable where appropriate – Any reasonable business-related expenses (including tax thereon) may be reimbursed if determined to be a taxable benefit	– A car allowance in line with market norm. The value of other benefits is based on the cost to the Company and is not predetermined – HMRC (or equivalent) scheme participation up to prevailing scheme limits	n/a

	Purpose and link to strategy	Operation	Maximum opportunity	Performance framework
Annual bonus (including deferred shares)	– To reward significant annual profit performance – To ensure that the bonus plan is competitive with our peers. As a result, bonus forms a significant proportion of the remuneration package – To ensure that if there is a reduction in profitability, the level of bonus payable falls away sharply	– 90% of the bonus is paid in cash and, although they have no contractual obligation, the Executive Directors have agreed that 10% of annual bonus payable is deferred in shares, vesting after four years – Executive Directors have voting rights and receive dividends on deferred shares – Performance criteria are reviewed and recalibrated carefully each year to ensure they are linked to strategic business goals, take full account of economic conditions and are sufficiently demanding to control the total bonus pool and individual allocations – Clawback provision operates for overpayments due to misstatement or error	– In line with Clarksons' peers, the annual bonus is not subject to a formal individual cap. This policy, which is contractual for the current Chief Executive Officer and Chief Financial Officer & Chief Operating Officer, encourages the maximisation of profit, and ensures that Executive Directors are aligned with all stakeholders in the business	Bonus is determined by Group performance measured over one year on the following basis: – below a 'profit floor' set by the Committee each year, no bonus is triggered – above the floor, an escalating percentage of profits is payable into a bonus pool for progressively higher profit before tax performance – profit for bonus calculations may be adjusted by the Committee where appropriate and does not include business that has not been invoiced – for Executive Directors with revenue-generating broking responsibilities, a further key determinant of the annual bonus is the significance of personally-generated broking revenues – a proportion of an individual's share of the bonus pool may be based on the achievement of personal objectives set by the Committee at the start of the year
Long-term incentives	– To incentivise and reward significant long-term financial performance and share price performance relative to the stock market – To encourage share ownership and provide further alignment with shareholders	– Awards are performance-related and are normally structured as nil cost options – Awards are granted each year following the publication of annual results – Clawback provision operates for overpayments due to misstatement or error	– Annual maximum limit of 150% of base salary for awards subject to long-term performance targets (200% of base salary in exceptional circumstances) – Dividend equivalents (in cash or shares) may accrue between grant and vesting, to the extent that shares under award ultimately vest	– Currently, the awards are subject to performance conditions measured on a combination of three-year EPS growth and relative TSR – The Committee may introduce new measures or reweight the current EPS and TSR performance measures so that they are directly aligned with the Company's strategic objectives for each performance period – Normally measured over a three-year performance period – 25% of an award will vest for achieving threshold performance, increasing pro-rata to full vesting for the achievement of stretch performance targets

	Purpose and link to strategy	Operation	Maximum opportunity	Performance framework
Pension	– To provide a market competitive pension arrangement	– Executive Directors participate in a Company defined contribution pension scheme and/or receive a cash allowance in lieu of pension contributions	– Employer contributions are up to 15% of basic salary or an equivalent cash allowance net of employer's NI	n/a
Non-Executive Directors' fees	– To attract and retain high calibre Non-Executive Directors through the provision of market competitive fees	– Reviewed annually – Paid monthly – Fees are determined taking into account: – the experience, responsibility, effectiveness and time commitments of the Non-Executive Directors – the pay and conditions in the workforce – Additional fees may be payable in relation to extra responsibilities undertaken such as chairing a Board Committee and/or a Senior Independent Director role or being a member of a Committee – Any reasonable business-related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit	– As for the Executive Directors, there is no prescribed maximum annual increase – Fee increases are guided by the general increase for the broader workforce but on occasion may recognise an increase in certain circumstances, such as assumed additional responsibility or an increase in the scale or scope of the role	n/a
Share ownership guidelines	– To provide alignment between the longer-term interests of Directors and shareholders	– Executive Directors are expected to build up and maintain shareholdings in the Company – Executives are required to retain at least half of the net of tax vested number of shares awarded and received until the guideline has been achieved	– Chief Executive Officer: 200% of salary – Other Executive Directors: 200% of salary	n/a

Directors' report

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2020. The Directors' report and the Strategic report (pages 14 to 125) together constitute the management report for the purpose of Rule 4.1.8R of the Disclosure Guidance and Transparency Rules. Other information relevant to the report, including information required pursuant to the Companies Act 2006 and UK Listing Rule 9.8.4R, is incorporated below by reference.

	Detail	Section	Location
Information incorporated by reference			
As permitted by the Companies Act 2006, the disclosures to the right, which are included in the Strategic report, are incorporated into the Directors' report by reference:	An indication of likely future developments in the business of the Company and its subsidiary undertakings.	Strategic report	Pages 16, 17 and 20 to 53
	An indication of the activities of the Company and its subsidiary undertakings in the field of research and development.	Strategic report	Pages 16, 17 and 20 to 43
	Employment of disabled persons.	Strategic report	Page 62
	Employee engagement (including participation in share plans).	Strategic report	Page 61
	Engagement with suppliers, customers and others.	Strategic report	Pages 54, 55 and 68
The Company is required to disclose certain information under Listing Rule 9.8.4R in the Directors' report or advise where such information is set out. The information can be found in the sections of the 2020 annual report set out to the right:	Details of long-term incentive schemes.	Directors' remuneration report	Pages 109 to 121
	Any waiver of emoluments by a Director of the Company or any subsidiary undertaking.	Directors' remuneration report	Page 112
Directors			
Directors	The names and biographical details of the Directors who served on the Board and Board Committees during the year, including changes that have occurred during the year and up to the date of this report, are shown in the Corporate governance report and incorporated into the Directors' report by reference.	Corporate governance	Pages 82 to 85
Appointment and retirement of Directors	The Company's Articles of Association, the Code, the Companies Act 2006 and related legislation govern the appointment and retirement of Directors.		
	In accordance with the Code and the Company's Articles of Association, all Directors are subject to election by shareholders at the first AGM following their appointment, and subject to annual re-election thereafter. The 2021 Notice of AGM sets out the reasons why the Board believes each Director should be re-elected (or elected in the case of Sue Harris and Laurence Hollingworth).	Corporate governance	Pages 95 and 96
Directors' powers	Subject to relevant company law and the Company's Articles of Association, the Directors may exercise all powers of the Company. Further details regarding authorities in relation to the allotment of shares and the repurchase of shares are set out on the next page.		
Directors' insurance and indemnities	Directors' and officers' liability insurance was maintained by the Company throughout 2020 and to the date of this report. Qualifying indemnity provisions are in place for the benefit of the Non-Executive Directors.		
Directors' interests	The interests of the Directors and their connected persons in the Company's shares are set out in the Directors' remuneration report.	Directors' remuneration report	Page 114

	Detail	Section	Location
Shares			
Share capital	At 31 December 2020, the Company's issued share capital consisted of 30,399,893 ordinary shares of £0.25 each. Further details on the issued share capital, including any changes during the year, can be found in the notes to the financial statements.	Note 25 to the consolidated financial statements	Page 165
Rights attaching to shares	All ordinary shares have equal voting rights, including the right to one vote at a general meeting, to receive an equal proportion of any dividends declared and paid, and to an equal amount of any surplus assets distributed in the event of a winding-up.		
	There are no restrictions on the transfer of the Company's ordinary shares or on the exercise of voting rights attached to them, other than: – where the Company has exercised its right to suspend their voting rights or prohibit their transfer following the omission by their holders or any person interested in them to provide the Company with information requested by it in accordance with Part 22 of the Companies Act 2006; – where the holder is precluded from exercising voting rights by the Financial Conduct Authority's Listing Rules or the City Code on Takeovers and Mergers; and – pursuant to the Company's share dealing rules where the Directors and designated employees require approval to deal in the Company's shares. The Company is not aware of any further agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.		
Authority to allot shares	The Company requests authority from shareholders for the Directors to allot shares on an annual basis, and a similar resolution will be proposed at the 2021 AGM. At the 2020 AGM, the Directors were authorised to allot shares up to an aggregate nominal amount of £2,530,992 or up to £5,061,985 in connection with a rights issue, and were empowered to allot equity securities for cash on a non pre-emptive basis up to an aggregate nominal amount of £379,648.		
Purchase of own shares	At the 2020 AGM, the Company obtained shareholder approval to purchase up to 3,037,191 of its own ordinary shares of £0.25 each (representing 10% of its issued share capital). No shares were purchased under this authority during the year.		
	At the 2021 AGM, the Directors will again seek authority to purchase the Company's own shares.		
Employee share scheme rights	The Company has established an Employee Share Trust (EST) for the purpose of facilitating the operation of the Company's share plans. The EST waives any voting rights and dividends that may be declared in respect of such shares which have not been allocated for the settlement of awards made under the Company's share plans. Employees may direct the EST as to how to exercise voting rights over shares in which they have a beneficial interest.		

	Detail	Section	Location
Substantial shareholders	As of 31 December 2020, the Company had been notified under the Disclosure Guidance and Transparency Rules of the following holdings of voting rights in its issued share capital:		

Shareholder	%of total voting rights
RS Platou Holding AS	6.63
Invesco Ltd	5.15
Heronbridge Investment Management LLP	4.99
Royce & Associates LLC	4.93
Franklin Templeton Institutional, LLC	4.87
Kames Capital plc	3.57

	Detail	Section	Location
	The Company has not received any further notifications between 31 December 2020 and the date of this report.		
Significant agreements	The service contracts of the CEO and CFO & COO include provisions regarding a change of control of the Company. Further details are included in the current Directors' Remuneration Policy (which is available on the Company's website in the 2019 annual report). There are no further agreements between any Group company and any of its employees or any Director of any Group company which provide for compensation to be paid to an employee or a Director for termination of employment or for loss of office as a consequence of a takeover of the Company. There are no significant agreements to which the Company is a party that take effect, alter or terminate upon a change of control following a takeover bid for the Company.	2019 annual report	Pages 124 and 125
Dividend	The Directors recommend a final dividend of 54p per ordinary share for the year ended 31 December 2020. Subject to shareholder approval at the AGM, the final dividend will be paid on 28 May 2021 to shareholders on the register at the close of business on 14 May 2021. The interim dividend paid during the year was 25p which, together with the final dividend, will provide a total dividend of 79p per ordinary share for the year (2019: 78p). In addition, a further interim dividend of 53p was paid during the year (in lieu of the 2019 final dividend, approval for which the Board decided to withdraw from the 2020 AGM and defer due to the impact of COVID-19).		
External auditor	The Board recommend that PricewaterhouseCoopers LLP (PwC) be reappointed as the Company's auditor with effect from the 2021 AGM, at which resolutions regarding PwC's reappointment and to authorise the Board to set their remuneration will be proposed.	Audit and Risk Committee report	Page 104
Articles of Association	The Company's Articles of Association were adopted at the 2019 AGM. Any amendments to the Articles of Association can only be made by a special resolution at a general meeting of shareholders.		
Political donations	The Group did not make any political donations or incur any political expenditure in the UK or the EU during 2020.		
Financial instruments	Our risk management objectives and policies in relation to the use of financial instruments can be found in the notes to the consolidated financial statements.	Note 28 to the consolidated financial statements	Pages 167 to 170

	Detail	Section	Location
Emissions reporting	Details relating to required emissions reporting are set out within the Our impact section.	Our impact	Pages 58 and 59
Corporate governance statement	The Corporate governance report is incorporated by reference into this Directors' report and includes details of our compliance with the Code and how the Company has applied the main Principles. The Corporate governance report also includes a description of the Board's Diversity Policy.	Corporate governance	Pages 80 to 121
Internal control and risk management systems	A description of the main features of the Group's internal control and risk management systems in relation to the financial reporting process can be found in the Strategic report.	Strategic report	Pages 70 to 78
Annual General Meeting	The 2021 AGM will be held electronically by audiocast at 12 noon on 5 May 2021. Details of the resolutions to be proposed are set out in a separate Notice of Meeting, which will be posted to those shareholders who receive hard copy documents and which will be available on the Group's website for those who have elected to receive documents electronically.	Corporate Governance	Pages 90 and 91
Events since the balance sheet date	Since 31 December 2020, there have been no material items to report.		
Disclosure of information to the auditor	Each of the Directors who held office at the date of approval of this Directors' report confirms that, so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all steps that ought to have been taken to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.		
Statutory details for Clarkson PLC	The Company is a public company limited by shares, incorporated in the United Kingdom and registered in England and Wales with registered number 01190238. Its registered office is at Commodity Quay, St Katharine Docks, London E1W 1BF. The Company's shares are listed on the London Stock Exchange under the ticker CKN, and the Company is a constituent of the FTSE 250. It has no ultimate parent company, and details of the Company's substantial shareholders (as notified to the Company under the Disclosure Guidance and Transparency Rules) are set out on page 124.	Directors' report	Page 124
Branches	A number of the Company's subsidiary undertakings maintain branches outside of the UK.	Note W to the Parent Company financial statements	Pages 186 to 191

By order of the Board:

Deborah Abrehart
Group Company Secretary
5 March 2021

Directors' responsibilities statement

Directors' responsibilities statement

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the Group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- state whether, for the Group and Parent Company, international accounting standards in conformity with the requirements of the Companies Act 2006 and, for the Group, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are responsible for the maintenance and integrity of the Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in this annual report, confirm that, to the best of their knowledge:
- the Group and Parent Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group and profit of the Parent Company; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' report is approved:
- so far as the Director is aware, there is no relevant audit information of which the Group's and Parent Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Parent Company's auditors are aware of that information.

On behalf of the Board:

Sir Bill Thomas
Chair
5 March 2021

Independent auditors' report to the members of Clarkson PLC

Report on the audit of the financial statements

Opinion

In our opinion, Clarkson PLC's Group financial statements and Parent Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's and Parent Company's loss and the Group's and Parent Company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Parent Company balance sheets as at 31 December 2020; the Consolidated income statement and the Consolidated statement of comprehensive income, the Consolidated and Parent Company cash flow statements and the Consolidated and Parent Company statements of changes in equity for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 2 to the Group financial statements, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

Other than those disclosed in note 3 to the financial statements, we have provided no non-audit services to the Group in the period under audit.

Our audit approach

Overview

Audit scope

- Our audit included full scope audits of seven components (two of which are financially significant) and specified procedures on certain balances and transactions in respect of two other components. This gave us coverage of 94% (2019: 84%) of the Group's underlying profit before taxation and 91% (2019: 79%) of the Group's revenue.

Key audit matters

- Risk of impairment of trade receivables (Group)
- Carrying value of goodwill (Group)
- Carrying value of investments in subsidiaries (Parent Company)
- Impact of COVID-19 (Group and Parent Company)

Materiality

- Overall Group materiality: £2,200,000 (2019: £2,350,000) based on 5% of profit before taxation, adjusted for exceptional items and acquisition related costs ('underlying profit before taxation').
- Overall Parent Company materiality: £1,980,000 (2019: £2,090,000) based on 1% of total assets, reduced to an amount less than the Group overall materiality.
- Performance materiality: £1,650,000 (Group) and £1,485,000 (Parent Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Independent auditors' report to the members of Clarkson PLC continued

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to international trade regulations and regulatory licence requirements for the Group's Securities business, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Inspecting correspondence with regulators and tax authorities.
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Evaluating management's controls designed to prevent and detect irregularities.
- Identifying and testing journals, in particular journal entries posted with unusual account combinations, postings by unusual users or with unusual descriptions.
- Challenging assumptions and judgements made by management in their critical accounting estimates including the key audit matters described below.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Impact of COVID-19 is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Risk of impairment of trade receivables (Group) Refer to note 15 of the financial statements and note 2 for the Directors' disclosures of the related accounting policies, judgements and estimates for further information. At the year-end the Group had trade receivables of £72.4m before a loss allowance for expected credit losses of £12.3m. The macroeconomic environment means the Group has experienced continued uncertainty over the collectability of trade receivables from specific customers. Management applies the requirements of IFRS 9 'Financial Instruments' to determine the loss allowance for expected credit losses. The determination as to whether a trade receivable is collectable, and the measurement of any expected credit loss involves judgement. Specific factors which management considers include the age of the balance, location and known financial condition of certain customers, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of the counterparty. Management uses this information to determine whether a loss allowance for impairment is required either for expected credit losses on a specific transaction or for a customer's balance overall. For certain customers there is no net recognition of revenue where doubt exists as to the ability to collect any consideration at the time of invoicing. We focused on this area because it requires a high level of management judgement and due to the materiality of the amounts involved.	Our audit procedures included: – For specific allowances for expected credit losses, we selected a sample of items and understood management's rationale for why an impairment was required. The impairments relate to customers in default, administration or legal disputes or those where no net revenue is recognised from the outset due to doubt regarding collectability of consideration at the time of invoicing; – Verifying whether payments had been received since the year-end, reviewing historical payment patterns and inspecting any correspondence with customers on expected settlement dates; – The remaining trade receivables which were not specifically impaired were subject to management's determined expected credit loss calculation. We examined and tested source data and the mathematical accuracy of management's supporting calculations; this considered the amount of prior years' loss allowance that had been utilised for bad debt write-offs during the year and also the history of current receivables reaching default or extended overdue positions; and – We tested adjustments made by management to reflect certain market conditions (both in terms of the Group's markets and territories where the receivables are due). From the work we performed we consider the level of impairment loss to be consistent with the evidence obtained.

Key audit matter	How our audit addressed the key audit matter
Carrying value of goodwill (Group) Refer to note 14 of the financial statements and note 2 for the Directors' disclosures of the related accounting policies, judgements and estimates for further information. The goodwill balance is allocated across several cash generating units (CGUs) and is subject to an annual impairment test. Management prepared a value-in-use model ('discounted cash flow') to estimate the present value of forecast future cash flows for each CGU. This was then compared with the carrying value of the net assets of each CGU (including goodwill) to determine if there was an impairment. Determining if an impairment charge is required for goodwill involves significant judgements about forecast future performance and cash flows of the CGUs. It also involves determining an appropriate discount rate and long-term growth rate. The risk that we focused on during the audit was that the goodwill is overstated and that an impairment charge may be required. In particular, we focused on the Offshore broking and Securities CGUs which have been most affected by challenging economic conditions, as described in the Business review section of these financial statements. Following a reorganisation of the Securities business during the year, this legacy CGU has been split into two new CGUs, Project Finance and Securities, reflecting the independently generated cashflows of these two businesses. The Offshore broking and Securities CGUs had pre-impairment carrying values of £70.1m and £63.6m respectively and contained goodwill. Management's impairment test determined that the recoverable amount of the CGUs including the goodwill was lower than the carrying value. As a result, a pre-tax impairment charge of £60.6m (2019: £47.5m) was recognised in the Consolidated income statement. We focused on this matter due to the size of the balance and the significant judgements and estimation involved to determine whether the carrying value of goodwill is supportable.	Our audit procedures included: – For each CGU, we obtained management's annual impairment assessment and verified the mathematical accuracy of the calculations and that the methodology used was in line with the requirements of IAS 36 'Impairment of Assets'; – We obtained and evaluated corroborative evidence supporting the future cash flow forecasts of each CGU. We compared the forecasts used in the impairment model to the latest Board approved budget and management forecasts, and compared prior year budget to actual results in order to assess historical estimation uncertainty and factor this into our challenge of current year projections. For the Offshore broking and Securities CGUs, we also considered available external market data to challenge the profile of future projections; – We challenged the rationale for the split of the legacy Securities CGU in the year as well as the allocation of goodwill between the two new Securities and Project Finance CGUs. We confirmed that the reorganisation did not avoid a larger impairment if the legacy Securities CGU had remained unchanged; – We challenged the reasonableness of the discount rates by comparing the cost of capital for the Group with comparable organisations and consulting with our own valuation experts; and – We considered the long-term cyclical performance of the Securities and Offshore broking CGUs and verified that this had been appropriately factored into the long-term forecasts. We found the Directors' assumptions to be supportable. For the Offshore broking and Securities CGUs we performed sensitivity analysis to ascertain the extent of changes in assumptions that would impact the amount of goodwill impairment recognised. Our findings were discussed with the Audit and Risk Committee and we concluded the impairment charge recognised was supportable. We evaluated the disclosures in note 14 regarding the related assumptions and sensitivities of the impaired Offshore broking and Securities CGUs and concluded these appropriately draw attention to the significant areas of estimation uncertainty. We also evaluated the presentation of the impairment charge as an exceptional item and concluded this was appropriate given its nature and material amount.
Carrying value of investments in subsidiaries (Parent Company) Refer to notes A and F of the Parent Company financial statements for the Directors' disclosure of the related accounting policies, judgements and estimates for further information. As detailed in the 'Carrying value of goodwill' key audit matter above, an impairment of the Offshore broking and Securities goodwill arose due to challenging economic conditions. Accordingly, an impairment charge has been recognised in the balance sheet of the Parent Company in relation to the original investment in Clarkson Platou AS. After the impairment charge of £54.7m (2019: £67.1m), the carrying amount of investments in UK and overseas subsidiaries in the Parent Company balance sheet is £168.0m as at 31 December 2020. We focused on this matter due to the size of the balance and the significant judgements and estimation involved to determine whether the carrying value of investments is appropriate in the Parent Company balance sheet.	We obtained management's impairment of investment in subsidiaries assessment with supporting computations and: – Verified that the inputs to the assessment were mathematically accurate and, where appropriate, consistent with the goodwill impairment test set out in the key audit matter above; – Recalculated the charge based on consistent assumptions used within the Group's impairment assessment; – Compared the carrying value of the investment to the value-in-use and confirmed that the shortfall agrees to the impairment recognised; and – Verified the appropriate treatment of the commensurate transfer to the merger reserve in the Consolidated and Parent Company statements of changes in equity. Based on the work performed, we concur with the amount of impairment recognised and that the commensurate transfer to merger reserves is appropriate. We evaluated the disclosures made in note F and found that sensitivity disclosures appropriately draw attention to the significant areas of estimation uncertainty.

Independent auditors' report to the members of Clarkson PLC continued

Key audit matter	How our audit addressed the key audit matter
Impact of COVID-19 (Group and Parent Company) The COVID-19 pandemic has had a significant impact on the global economy, with the severity of the impact varying across the shipping markets the Group operates in. The pandemic has also brought increased estimation uncertainty to certain areas of the financial statements. Management has considered a number of macro-economic factors, together with the effect of COVID-19, on the business and has determined there was increased risk arising in respect of the 'Carrying value of goodwill' and the 'Carrying value of investments in subsidiaries', as described in the key audit matters above. The ongoing uncertainty in the global economy has been reflected in management's consideration and incorporation of forward looking information within the expected credit loss model, as described in the 'Risk of impairment of trade receivables' key audit matter above. Management has considered its short and medium-term forecasts as part of the Group and Parent Company's going concern and viability assessment, including modelling the impact of reduced revenues and underlying profit before taxation as a result of macro-economic risk factors including COVID-19. Having considered these scenarios and the range of possible actions available, management has concluded that there is no material uncertainty in respect of these conclusions. Management's way of working, including the operation of controls, has changed as a result of a large number of employees working remotely and using technology enabled working practices.	Our procedures and conclusions in respect of the risk of impairment of trade receivables and the carrying values of goodwill (Group) and investments in subsidiaries (Parent Company) are set out in the key audit matters above. We considered the appropriateness of management's disclosures in the financial statements of the impact of the COVID-19 pandemic and the increased uncertainty on its accounting estimates and found these to be adequate. With respect to management's going concern and viability assessment, we evaluated management's base case and downside scenarios as described below in the sections 'Conclusions relating to going concern' and 'Corporate governance statement'. We considered whether changes to working practices brought about by COVID-19 had an adverse impact on the effectiveness of management's business processes and IT controls. We did not identify any significant deterioration in the control environment as a result of remote working.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

The financial statements are a consolidation of components, comprising the Group's operating businesses and centralised functions. In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the components by us, as the Group engagement team, or by component auditors of other PwC network firms and other firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole. Our audit included full scope audits of seven components (two of which are financially significant) and specified procedures on certain balances and transactions in respect of two other components. This gave us coverage of 94% of the Group's underlying profit before taxation (2019: 84%) and 91% (2019: 79%) of the Group's revenue. The financially significant components were based in the UK and Norway. Our work included directly auditing the largest UK component and receiving reporting from our component audit teams. This, together with the additional procedures performed centrally at the Group level, including testing the consolidation process, gave us the evidence we needed for our opinion on the financial statements as a whole.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Parent Company
Overall materiality	£2,200,000 (2019: £2,350,000).	£1,980,000 (2019: £2,090,000).
How we determined it	5% of profit before taxation, adjusted for exceptional items and acquisition related costs ('underlying profit before taxation')	1% of total assets, reduced to an amount less than the Group overall materiality
Rationale for benchmark applied	In our view, profit before taxation, adjusted for exceptional items and acquisition related costs ('underlying profit before taxation'), represents the most appropriate measure of underlying performance.	The Parent Company does not have trading activities. In our view a balance sheet benchmark represents an appropriate measure. However, as it is an in-scope component for our Group audit, we have reduced the materiality to an amount less than the Group overall materiality.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £340,000 and £1,980,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £1,650,000 for the Group financial statements and £1,485,000 for the Parent Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £110,000 (Group audit) (2019: £117,000) and £99,000 (Parent Company audit) (2019: £105,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern
Our evaluation of the Directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included:
– evaluating management's base case and downside scenarios, challenging and corroborating key assumptions;
– testing the accuracy of cash flow models used to assess available liquidity during the going concern period;
– ensuring consistency with the key assumptions used in other areas of our audit such as the assessment of goodwill impairment; and
– reading management's disclosures in the financial statements and relevant "other information" in the Annual Report and checking consistency with the financial statements and our knowledge based on our audit.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Parent Company's ability to continue as a going concern.

In relation to the Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Independent auditors' report to the members of Clarkson PLC continued

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Directors' Remuneration
In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and Parent Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Parent Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Parent Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Parent Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements
As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the Directors on 9 July 2009 to audit the financial statements for the year ended 31 December 2009 and subsequent financial periods. The period of total uninterrupted engagement is 12 years, covering the years ended 31 December 2009 to 31 December 2020.

Christopher Burns (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
5 March 2021

Consolidated income statement
for the year ended 31 December

	Notes	2020 Before exceptional items and acquisition related costs £m	2020 Exceptional items (note 5) £m	2020 Acquisition related costs (note 6) £m	2020 After exceptional items and acquisition related costs £m	2019 Before exceptional items and acquisition related costs £m	2019 Exceptional items (note 5) £m	2019 Acquisition related costs (note 6) £m	2019 After exceptional items and acquisition related costs £m
Revenue	3, 4	**358.2**	**–**	**–**	**358.2**	363.0	–	–	363.0
Cost of sales		**(13.3)**	**–**	**–**	**(13.3)**	(14.3)	–	–	(14.3)
Trading profit		**344.9**	**–**	**–**	**344.9**	348.7	–	–	348.7
Administrative expenses		**(298.5)**	**(60.6)**	**(0.5)**	**(359.6)**	(298.2)	(47.5)	(1.6)	(347.3)
Operating profit/(loss)	3, 4	**46.4**	**(60.6)**	**(0.5)**	**(14.7)**	50.5	(47.5)	(1.6)	1.4
Finance revenue	3	**1.2**	**–**	**–**	**1.2**	1.3	–	–	1.3
Finance costs	3	**(3.1)**	**–**	**–**	**(3.1)**	(2.9)	–	–	(2.9)
Other finance revenue – pensions	3	**0.2**	**–**	**–**	**0.2**	0.4	–	–	0.4
Profit/(loss) before taxation		**44.7**	**(60.6)**	**(0.5)**	**(16.4)**	49.3	(47.5)	(1.6)	0.2
Taxation	7	**(9.5)**	**–**	**0.1**	**(9.4)**	(11.4)	–	0.3	(11.1)
Profit/(loss) for the year		**35.2**	**(60.6)**	**(0.4)**	**(25.8)**	37.9	(47.5)	(1.3)	(10.9)
Attributable to:									
Equity holders of the Parent Company		**32.1**	**(60.6)**	**(0.4)**	**(28.9)**	36.0	(47.5)	(1.3)	(12.8)
Non-controlling interests		**3.1**	**–**	**–**	**3.1**	1.9	–	–	1.9
Profit/(loss) for the year		**35.2**	**(60.6)**	**(0.4)**	**(25.8)**	37.9	(47.5)	(1.3)	(10.9)
Earnings/(loss) per share									
Basic	8	**106.0p**			**(95.2p)**	118.8p			(42.4p)
Diluted	8	**105.8p**			**(95.2p)**	118.6p			(42.4p)

Consolidated statement of comprehensive income
for the year ended 31 December

	Notes	2020 £m	2019 £m
Loss for the year		**(25.8)**	(10.9)
Other comprehensive loss:			
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on employee benefit schemes – net of tax	24	**1.0**	(3.1)
Changes in the fair value of equity instruments at fair value through other comprehensive income – net of tax		**(2.1)**	–
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange differences on retranslation of foreign operations		**(2.9)**	(16.4)
Foreign currency hedges recycled to profit or loss – net of tax	26	**1.5**	0.7
Foreign currency hedge revaluations – net of tax	26	**1.6**	0.9
Other comprehensive loss		**(0.9)**	(17.9)
Total comprehensive loss for the year		**(26.7)**	(28.8)
Attributable to:			
Equity holders of the Parent Company		**(29.8)**	(30.5)
Non-controlling interests		**3.1**	1.7
Total comprehensive loss for the year		**(26.7)**	(28.8)

Consolidated balance sheet
as at 31 December

	Notes	2020 £m	2019 £m
Non-current assets			
Property, plant and equipment	10	**24.3**	25.6
Investment properties	11	**1.2**	1.2
Right-of-use assets	12	**47.0**	53.4
Intangible assets	13	**182.9**	238.2
Trade and other receivables	15	**3.1**	2.1
Investments	16	**2.9**	4.8
Employee benefits	24	**18.1**	15.5
Deferred tax assets	7	**10.6**	9.1
		290.1	349.9
Current assets			
Inventories	17	**1.3**	1.1
Trade and other receivables	15	**76.6**	77.0
Income tax receivable		**0.2**	0.1
Investments	16	**31.1**	15.6
Cash and cash equivalents	18	**173.4**	175.7
		282.6	269.5
Current liabilities			
Interest-bearing loans and borrowings	19	**–**	(1.2)
Trade and other payables	20	**(160.6)**	(151.3)
Lease liabilities	21	**(8.4)**	(8.7)
Income tax payable		**(7.9)**	(9.1)
Provisions	22	**(0.5)**	(0.3)
		(177.4)	(170.6)
Net current assets		**105.2**	98.9
Non-current liabilities			
Interest-bearing loans and borrowings	19	**(0.1)**	(0.1)
Trade and other payables	20	**(2.7)**	(2.4)
Lease liabilities	21	**(47.7)**	(53.7)
Provisions	22	**(1.5)**	(1.5)
Employee benefits	24	**(6.1)**	(4.5)
Deferred tax liabilities	7	**(8.8)**	(6.0)
		(66.9)	(68.2)
Net assets		**328.4**	380.6
Capital and reserves			
Share capital	25	**7.6**	7.6
Other reserves	26	**104.6**	158.4
Retained earnings		**211.9**	211.5
Equity attributable to shareholders of the Parent Company		**324.1**	377.5
Non-controlling interests		**4.3**	3.1
Total equity		**328.4**	380.6

The financial statements on pages 134 to 171 were approved by the Board on 5 March 2021, and signed on its behalf by:

Sir Bill Thomas
Chair

Jeff Woyda
Chief Financial Officer & Chief Operating Officer

Registered number: 1190238

Consolidated statement of changes in equity
for the year ended 31 December

	Notes	Share capital £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
		Attributable to equity holders of the Parent Company					
Balance at 1 January 2020		**7.6**	**158.4**	**211.5**	**377.5**	**3.1**	**380.6**
(Loss)/profit for the year		–	–	(28.9)	(28.9)	3.1	(25.8)
Other comprehensive income/(loss)		–	0.2	(1.1)	(0.9)	–	(0.9)
Total comprehensive income/(loss) for the year		**–**	**0.2**	**(30.0)**	**(29.8)**	**3.1**	**(26.7)**
Transfer from merger reserve		–	(54.7)	54.7	–	–	–
Transactions with owners:							
Share issues	26	–	0.6	–	0.6	–	0.6
Employee share schemes	26	–	0.1	(0.5)	(0.4)	–	(0.4)
Tax on other employee benefits	7	–	–	(0.2)	(0.2)	–	(0.2)
Tax on other items in equity	7	–	–	0.1	0.1	–	0.1
Dividend paid	9	–	–	(23.7)	(23.7)	(1.8)	(25.5)
Contributions to non-controlling interests		–	–	–	–	(0.1)	(0.1)
Total transactions with owners		**–**	**0.7**	**(24.3)**	**(23.6)**	**(1.9)**	**(25.5)**
Balance at 31 December 2020		**7.6**	**104.6**	**211.9**	**324.1**	**4.3**	**328.4**

	Notes	Share capital £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
		Attributable to equity holders of the Parent Company					
Balance at 1 January 2019		7.6	237.1	185.9	430.6	4.0	434.6
Impact of change in accounting policies		–	–	(3.9)	(3.9)	–	(3.9)
Adjusted balance at 1 January 2019		7.6	237.1	182.0	426.7	4.0	430.7
(Loss)/profit for the year		–	–	(12.8)	(12.8)	1.9	(10.9)
Other comprehensive loss		–	(14.6)	(3.1)	(17.7)	(0.2)	(17.9)
Total comprehensive (loss)/income for the year		–	(14.6)	(15.9)	(30.5)	1.7	(28.8)
Transfer from merger reserve		–	(67.1)	67.1	–	–	–
Transactions with owners:							
Share issues	26	–	0.8	–	0.8	–	0.8
Employee share schemes	26	–	2.2	0.3	2.5	–	2.5
Tax on other employee benefits	7	–	–	0.8	0.8	–	0.8
Tax on other items in equity	7	–	–	0.2	0.2	–	0.2
Dividend paid	9	–	–	(23.0)	(23.0)	(2.7)	(25.7)
Contributions from non-controlling interests		–	–	–	–	0.1	0.1
Total transactions with owners		–	3.0	(21.7)	(18.7)	(2.6)	(21.3)
Balance at 31 December 2019		7.6	158.4	211.5	377.5	3.1	380.6

Consolidated cash flow statement
for the year ended 31 December

	Notes	2020 £m	2019 £m
Cash flows from operating activities			
(Loss)/profit before taxation		**(16.4)**	0.2
Adjustments for:			
Foreign exchange differences	3	**2.8**	0.4
Depreciation	3, 10, 11, 12	**13.7**	13.3
Share-based payment expense	23	**1.4**	1.1
Loss on sale of investments		**0.1**	–
Amortisation of intangibles	3, 13	**0.8**	1.4
Impairment of intangibles	3, 13	**60.6**	47.5
Difference between pension contributions paid and amount recognised in the income statement		**0.3**	(0.2)
Finance revenue	3	**(1.2)**	(1.3)
Finance costs	3	**3.1**	2.9
Other finance revenue – pensions	3	**(0.2)**	(0.4)
Increase in inventories	17	**(0.2)**	(0.3)
Decrease/(increase) in trade and other receivables		**0.3**	(2.9)
Increase in bonus accrual		**7.9**	7.1
Increase in trade and other payables		**3.4**	8.0
Increase in provisions		**0.2**	0.2
Cash generated from operations		**76.6**	77.0
Income tax paid		**(10.7)**	(9.2)
Net cash flow from operating activities		**65.9**	67.8
Cash flows from investing activities			
Interest received		**0.5**	1.2
Purchase of property, plant and equipment	10	**(3.5)**	(3.9)
Purchase of intangible assets	13	**(6.3)**	(5.0)
Proceeds from sale of investments		**8.7**	10.9
Proceeds from sale of property, plant and equipment		**0.4**	0.1
Purchase of investments		**(7.9)**	(11.8)
Transfer to current investments (cash on deposit)	16	**(20.3)**	–
Proceeds from sale of investments in associates		**0.5**	–
Acquisition of subsidiaries, including deferred consideration	13	**(1.1)**	–
Cash acquired on acquisitions	13	**0.7**	–
Dividends received from investments	3	**0.2**	0.1
Net cash flow from investing activities		**(28.1)**	(8.4)
Cash flows from financing activities			
Interest paid and other charges		**(2.7)**	(2.8)
Dividend paid	9	**(23.7)**	(23.0)
Dividend paid to non-controlling interests		**(1.8)**	(2.7)
Proceeds from borrowings		**–**	1.2
Repayments of borrowings		**(1.2)**	–
Payments of lease liabilities		**(8.9)**	(8.6)
Proceeds from shares issued		**0.6**	0.8
Contributions (to)/from non-controlling interests		**(0.1)**	0.1
ESOP shares acquired		**(0.1)**	–
Net cash flow from financing activities		**(37.9)**	(35.0)
Net (decrease)/increase in cash and cash equivalents		**(0.1)**	24.4
Cash and cash equivalents at 1 January		**175.7**	156.5
Net foreign exchange differences		**(2.2)**	(5.2)
Cash and cash equivalents at 31 December	18	**173.4**	175.7

Notes to the consolidated financial statements

1 Corporate information

The Group and Parent Company financial statements of Clarkson PLC for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Directors on 5 March 2021. Clarkson PLC is a Public Limited Company, listed on the London Stock Exchange, incorporated and registered in England and Wales and domiciled in the UK.

The term 'Company' refers to Clarkson PLC and 'Group' refers to the Company, its consolidated subsidiaries and the relevant assets and liabilities of the share purchase trusts.

Copies of the annual report will be circulated to all shareholders and will also be available from the registered office of the Company at Commodity Quay, St Katharine Docks, London E1W 1BF.

2 Statement of accounting policies

2.1 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2020. Additional accounting policies for the Parent Company are set out in note A.

The financial statements are presented in pounds sterling and all values are rounded to the nearest one hundred thousand pounds sterling (£0.1m) except when otherwise indicated.

The consolidated income statement is shown in columnar format to assist with understanding the Group's results by presenting profit for the year before exceptional items and acquisition related costs; this is referred to as 'underlying profit'. When there are items which are non-recurring in nature and considered to be material in size, these are shown as 'exceptional items'. The column 'acquisition related costs' includes the amortisation of acquired intangible assets and the expensing of the cash and share-based elements of consideration linked to ongoing employment obligations on acquisitions. These notes form an integral part of the financial statements on pages 134 to 171.

Statement of compliance

The financial statements of Clarkson PLC have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (IFRS) and the applicable legal requirements of the Companies Act 2006. The consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The consolidated financial statements have been prepared on the going concern basis, under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and fair value through other comprehensive income.

The Group has considerable financial resources available to it, a strong balance sheet and has consistently generated an underlying operating profit and good cash inflow. As a result of this, the Directors believe that the Group is well placed to manage its business risks successfully, despite the challenging market backdrop created by COVID-19. Management has stress tested a range of scenarios, modelling different assumptions with respect to the Group's cash resources. Areas considered include varying levels of profit and cash generation to reflect a significant impact on world seaborne trade similar to that experienced in the global financial crisis in 2008 and the period thereafter. Under all these scenarios, the Group is able to generate profits and cash, and has positive net funds available to it. Accordingly, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operation for at least the next 12 months. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Except where noted, the accounting policies set out in this note have been applied consistently to all periods presented in these consolidated financial statements.

Basis of consolidation

The Group's consolidated financial statements incorporate the results and net assets of Clarkson PLC and all its subsidiary undertakings made up to 31 December each year.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are unconsolidated from the date that control ceases.

See note W to the Parent Company financial statements for full details on subsidiaries.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation, however for the purposes of segmental reporting, internal recharges are included within the appropriate segments.

2.2 Changes in accounting policy and disclosures

New and amended standards adopted by the Group

Further to the specific new standards set out below, there were no other new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 January 2020, that had a material impact on the Group or Parent Company:

- Definition of material – amendments to IAS 1 and IAS 8;
- Definition of a business – amendments to IFRS 3;
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7; and
- Revised Conceptual Framework for Financial Reporting.

The Group also elected to adopt the following amendments early:
- Annual improvements to IFRS Standards 2018-2020 Cycle; and
- Where applicable: COVID-19-related Rent Concessions – amendments to IFRS 16.

2 Statement of accounting policies continued

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards, amendments and interpretations issued but not yet effective for the financial year beginning 1 January 2020 and not early adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group's financial statements in the current or future reporting periods.

2.3 Critical accounting judgements and estimates

The following are the critical accounting judgements, apart from those involving estimations (dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Judgements

Revenue recognition

IFRS 15 'Revenue from Contracts with Customers' requires the Group to assess its revenue streams, including whether the recognition of revenue should be at a 'point in time' or 'over time'. Where revenue is at a point in time, a judgement is also required as to at what point this is. The Group has defined and determined its performance obligations, which continues to be the successful satisfaction of the negotiated contract between counterparties and therefore recognises revenue at this point in time. This is a critical judgement, since if the performance obligation was deemed to be satisfied at an earlier point or over time, the revenue recognition would differ.

In addition, for certain clients, the Group considers that there is uncertainty at the time of invoicing as to whether the clients are capable of settling their invoices due to Clarksons. The Group continues to trade with such clients which are deemed to be key market participants or preferred counterparties for certain transactions. At the point of revenue recognition, these amounts are invoiced but provisions are made which directly offset against revenue, on the basis consideration is not certain. See note 2.19 for further details.

Alternative performance measures

The Group excludes adjusting items (exceptional items and acquisition related costs) from its underlying earnings measure. The Directors believe that alternative performance measures can provide users of the financial statements with a better understanding of the Group's underlying financial performance, if used properly. If improperly used and presented, these measures could mislead the users of the financial statements by obscuring the real profitability and financial position of the Group. Directors' judgement is required as to what items qualify for this classification.

Recognition of software assets

A judgement is made regarding the decision to capitalise expenditure on the balance sheet relating to the development of software assets across the Group per IAS 38. This includes considering if the future economic benefit from the asset can be readily identified and estimated and will flow to the relevant entity in the Group. Once capitalised, a further judgement is made to determine the point at which the software becomes fully operational and thus when the asset will begin to be amortised through the income statement over its useful economic life.

IFRS 16 'Leases'

Key judgements made in calculating the initial measurement include determining the lease term where extension or termination options exist. In such instances, all facts and circumstances that may create an economic incentive to exercise an extension option, or not exercise a termination option, have been considered to determine the lease term. Extension periods (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated), such as for options with renewal dates in the next 12 months.

Estimates include calculating the discount rate which is based on the incremental borrowing rate, using a series of inputs including government bond yields and adjustments to take into account entity-specific risk-profiles.

A judgement is made at the commencement of a lease as to whether elements of the contract are lease components or non-lease components. If an element doesn't convey the right to control the use of an identified asset for a period of time in exchange for consideration then this is treated as a non-lease component. The most significant non-lease component attributable to the Group are service charges.

Estimation uncertainty

The assumptions and estimates at the end of the current reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Impairment of trade receivables

Trade receivables are amounts due from customers in the ordinary course of business. Trade receivables are classified as current assets if collection is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current assets. The provision for impairment of receivables represents management's best estimate of expected credit losses to arise on trade receivables at the balance sheet date. Determining the amount of the provision includes analysis of specific customers' creditworthiness which may be impaired as indicated by the age of the invoice, the existence of any disputes, recent historical payment patterns and any known information regarding the client's financial position. In a limited number of circumstances, where doubt exists as to the ability to collect payment, a provision is made at the time of invoicing (see Judgements: Revenue recognition above). For clients where a specific provision is not recognised, management is required to estimate expected credit losses in accordance with IFRS 9 'Financial Instruments'. This estimate takes into account the Group's history of bad debt write-offs and extended unpaid invoices for each of its segments and also views on market conditions both for certain business lines and territories. Determining the amount of a provision for impairment is inherently challenging and in a given year there is a risk this estimate may materially change in the following year, either due to successful, unforeseen collections or sudden collapses of clients. This is therefore deemed to be a critical accounting estimate. See note 15 for further details.

2 Statement of accounting policies continued

Impairment testing of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which assets on the balance sheet have been allocated. The value-in-use calculation requires estimation of future cash flows expected to arise for the cash-generating unit, the selection of suitable discount rates and the estimation of future growth rates. As determining such assumptions is inherently uncertain and subject to future factors, there is the potential that these may differ in subsequent periods and therefore materially change the conclusions reached. In light of this, sensitivity disclosures are given if a reasonably possible change in assumptions could lead to the recoverable amount being lower than the carrying amount. See note 14 for further details.

Employee benefits

The determination of the Group's defined benefit obligation depends on certain assumptions, such as the selection of the discount rate, inflation rates and mortality rates. These assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the Group's financial statements within the next year. See note 24 for further details.

2.4 Property, plant and equipment

Land held for use in the production or supply of goods or services, or for administrative purposes, is stated on the balance sheet at its historic cost.

Freehold and long leasehold properties, leasehold improvements, office furniture and equipment and motor vehicles are recorded at cost less accumulated depreciation and any recognised impairment loss. Cost includes the original purchase price of the asset.

Land is not depreciated. Depreciation on other assets is charged on a straight-line basis over the estimated useful life (after allowing for estimated residual value based on current prices) of the asset, and is charged from the time an asset becomes available for its intended use. Estimated useful lives are as follows:

Freehold and long leasehold properties	10–60 years
Leasehold improvements	Over the period of the lease
Office furniture and equipment	2–10 years
Motor vehicles	4–5 years

Estimates of useful lives and residual scrap values are assessed annually.

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss.

2.5 Investment properties

Land and buildings held for long-term investment and to earn rental income are classified as investment properties. Investment properties are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged on a straight-line basis over the estimated useful life of the asset, and is charged from the time an asset becomes available for its intended use. Estimated useful lives are as follows:

Investment properties	60 years

In addition to historical cost accounting, the Directors have also presented, through additional narrative, the fair value of the investment properties in note 11.

2.6 Business combinations and goodwill

Business combinations are accounted for using the acquisition method.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

All transaction costs are expensed in the income statement as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in the income statement. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units identified according to operating segment.

2.7 Intangible assets

Separately acquired intangible assets are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Costs incurred on development projects, relating to the introduction or design of new systems or improvement of the existing systems, are only capitalised as intangible assets if capitalisation criteria under IAS 38 'Intangible Assets' are met, that is, where the related expenditure is separately identifiable, the costs are measurable and management is satisfied as to the ultimate technical and commercial viability of the project such that it will generate future economic benefits based on all relevant available information. Capitalised development costs are amortised from the date the system is fully operational over their expected useful lives (not exceeding five years). Other costs linked to development projects that do not meet the above criteria such as data population, research expenditure and staff training costs are recognised within administrative expenses as incurred.

2 Statement of accounting policies continued

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement within administrative expenses.

Intangible assets are amortised as follows:

Trade name and non-contractual commercial relationships
Amortisation is calculated using estimates of revenues generated by each asset over their estimated useful lives of up to five years.

Forward order book on acquisition
Amortisation is calculated based on expected future cash flows estimated to be up to five years.

Development costs
Amortisation is calculated based on estimated useful life, which will not exceed five years, when ready for use.

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, or other available fair value indicators.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Goodwill
The Group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment annually.

Impairment of goodwill is determined by assessing the recoverable amount of the cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at 31 December.

2.9 Investments and other financial assets

Classification
Financial assets within the scope of IFRS 9 'Financial Instruments' are classified as financial assets at fair value through profit or loss (FVPL), financial assets at fair value through other comprehensive income (FVOCI) and financial assets at amortised cost.

The Group determines the classification of its financial assets on initial recognition, taking into account the purpose for which the financial assets were acquired.

Financial assets at fair value through profit or loss (FVPL)
These assets are measured at fair value. Net gains and losses are recognised in profit or loss in finance revenue or finance costs. Any interest or dividend income are recognised in profit or loss in finance revenue or finance costs. No assets were designated at initial recognition of IFRS 9.

Financial assets at fair value through other comprehensive income (FVOCI)
These assets are measured at fair value. The Group has elected to treat its investment in CargoMetrics Technologies LLC as a FVOCI asset based on the business model for that asset and, as it is an equity investment not held for trading, has made an irrevocable election to present fair value gains and losses on revaluation in other comprehensive income. Dividends are recognised when the entity's right to receive payment is established, it is probable the economic benefits will flow to the entity and the amount can be measured reliably. Dividends are recognised in the income statement unless they clearly represent recovery of a part of the cost of the investment. Changes in fair value are recognised in other comprehensive income and are never recycled to the income statement, even if the asset is sold or impaired.

Recognition and measurement
Fair value
The fair value of investments in equity instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such valuation techniques include using recent arm's-length market transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis, or other valuation models.

Amortised cost
Loans and receivables are measured at amortised cost. This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

2 Statement of accounting policies continued

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

2.10 Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

Impairment losses for trade receivables are recognised within revenue. A provision for impairment is made when there is objective evidence that the Group will not be able to collect all of the amounts due. The provision is determined with reference to specific analysis of increased credit loss risk clients and lifetime expected credit losses applied to all other trade receivables (the simplified approach). The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectable.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method and excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of between one day and three months.

2.13 Derivative financial instruments and hedge accounting

The Group uses various derivative financial instruments to reduce exposure to foreign exchange movements. These can include foreign currency contracts and currency options. All derivative financial instruments are initially recognised on the balance sheet at their fair value adjusted for transaction costs.

The fair values of financial instrument derivatives are determined by reference to quoted prices in an active market.

The method of recognising the movements in the fair value of the derivative depends on whether the instrument has been designated as a hedging instrument (determined with reference to IFRS 9 'Financial Instruments') and, if so, the cash flow being hedged. To qualify for hedge accounting, the terms of the hedge must be clearly documented at inception and there must be an expectation that the derivative will be highly effective in offsetting changes in the cash flow of the hedged risk. Hedge effectiveness is tested throughout the life of the hedge and if at any point it is concluded that the relationship can no longer be expected to remain highly effective in achieving its objective, the hedge relationship is terminated. The Group designates the hedged risk as movements in the spot rate, with changes in the forward rate recognised in other comprehensive income.

Gains and losses on financial instrument derivatives which qualify for hedge accounting are recognised according to the nature of the hedge relationship and the item being hedged.

Cash flow hedges: derivative financial instruments are classified as cash flow hedges when they hedge the Group's exposure to changes in cash flows attributable to a particular asset or liability or a highly probable forecast transaction. Gains or losses on designated cash flow hedges are recognised directly in equity in other comprehensive income, to the extent that they are determined to be effective. Any remaining portion of the gain or loss is recognised immediately in the income statement. On recognition of the hedged asset or liability, any gains or losses that had previously been recognised directly in equity are included in the initial measurement of the fair value of the asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity remains there and is recognised in the income statement when the forecast transaction is ultimately recognised. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Where financial instrument derivatives do not qualify for hedge accounting, changes in the fair market value are recognised immediately in the income statement.

2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2 Statement of accounting policies continued

2.16 Employee benefits

The Group operates various post-employment schemes, including both defined contribution and defined benefit pension plans.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension arrangements on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset/liability recognised in the balance sheet in respect of defined benefit pension plans is the difference between the present value of the defined benefit obligation at the end of the reporting period and the fair value of plan assets. Where the Group does not have an unconditional right to a scheme's surplus, this asset is not recognised in the balance sheet. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in income.

The net interest revenue/cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This revenue/cost is included in other finance revenue – pensions in the income statement.

2.17 Share-based payment transactions

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby consideration is received in the form of equity instruments for services rendered (equity-settled transactions).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value of these awards were valued using either a Monte Carlo valuation model or a Black-Scholes model, depending on the type of award being valued. See note 23 for further details.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share. See note 8 for further details.

The social security contributions payable in connection with the share options are considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

2.18 Share capital

Ordinary shares are recognised in equity as share capital at their nominal value. The difference between consideration received and the nominal value is recognised in the share premium account, except when applying the merger relief provision of the Companies Act 2006.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Company shares held in trust in connection with the Group's employee share schemes are deducted from consolidated shareholders' equity. Purchases, sales and transfers of the Company's shares are disclosed as changes in consolidated shareholders' equity. The assets and liabilities of the trusts are consolidated in full into the Group's consolidated financial statements.

2.19 Revenue recognition

Revenue is recognised in accordance with satisfaction of performance obligations of contracts.

Broking

Shipbroking and offshore revenue consists of commission receivable and is predominantly recognised at a point in time. The point in time is deemed to be when the underlying parties to the transaction have completed their respective obligations and successfully fulfilled the contract between them as brokered and overseen by Clarksons.

The transaction price is fixed and determined with reference to the contracted commission rate for the broker. Broking revenue contracts vary, with certain contracts having a single performance obligation and others, such as newbuilds, containing multiple performance obligations. In the case of single performance obligation contracts, the transaction is allocated wholly against that performance obligation. In the case of multiple performance obligation contracts, the transaction price is allocated with reference to the agreed stages of completion in the underlying contract. The price for such stages is agreed between the underlying counterparties and Clarksons' commission is derived as a percentage of this. The stage of completion is deemed a reasonable proxy for the allocation of the total consideration transaction price to performance obligations in the contract.

Time charter commission revenue is recognised over time in line with the period of time for which the vessel is being chartered, which is deemed to be the most faithful representation of the service provided over the period of the contract. The transaction price is apportioned evenly over the life of the charter per the contract.

Futures broking commissions are recognised when the services have been performed.

2 Statement of accounting policies continued

Financial

Revenue consists of commissions and fees receivable from financial services activities. Fees from investment banking activities, syndication and other financial solutions are recognised at a point in time, on a success basis, when certain criteria in applicable agreements have been met. Financial revenue usually involves a single performance obligation (being successful execution of the relevant financial services activity). The transaction price is allocated wholly to the point in time when this performance obligation is satisfied. The transaction price usually is determined as a fixed percentage of the underlying financial services transaction.

Support

Agency income is recognised at a point in time when vessels arrive in port. The transaction price is clearly defined in the contract as the fee for providing the service and an agreed charge is made for disbursements, if applicable.

Revenue from the sale of goods is recognised on delivery of goods to the customer. The transaction price is clearly defined in the sales order for each product ordered.

Port service income is recognised on the vessel load or discharge completion date and stores rent on an over time basis. The transaction price is clearly defined in the contract as the fee per tonne of product loaded, stored or discharged.

Freight forwarding income is recognised on the date of despatch of goods or services. The transaction price is clearly defined as per the quote provided to the customer for the storage or transportation of goods.

The transaction price is allocated wholly to the performance obligation.

Research

Revenue comprises both fees for one-off projects, which are recognised as and when services are performed, and sales of shipping publications and other information, which is recognised when the research products are delivered. Subscriptions to periodicals and other information are recognised over time, which is determined with reference to the subscription period and therefore the most faithful representation of how the client consumes the benefit. The transaction price is agreed in the contract and is on a per product basis and either recognised wholly at a point in time, or in the case of subscriptions, it is spread evenly over the subscription period. The transaction price is allocated wholly to the performance obligation.

Contract assets/liabilities

Except for Research, which is generally invoiced in advance, invoicing typically aligns with the timing that performance obligations are satisfied. Payment terms are set out in note 15.

At the year-end, there may be amounts where invoices have not been raised but performance obligations are deemed satisfied. These are recognised as contract assets and mainly arise in Broking and Financial. In Research, amounts invoiced ahead of performance obligations being satisfied are included as contract liabilities.

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group considers the executive members of the Company's Board to be the chief operating decision-maker.

Transactions between operating segments are at arm's length.

2.21 Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date when the fair value was determined.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into pounds sterling at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period as an approximation of rates prevailing at the date of the transaction. Exchange differences arising, if any, are recognised in the consolidated statement of comprehensive income and transferred to the Group's currency translation reserve. Such translation differences are recognised as income or expense in the period in which an operation is disposed of. Cumulative translation differences have been set to zero at the date of transition to IFRSs.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.22 Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current income tax is recognised in the income statement, except on items relating to equity, in which case the related current income tax is recognised directly in equity.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2 Statement of accounting policies continued

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority, where there is an intention to settle the balances on a net basis.

2.23 Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the lessee's incremental borrowing rate, as the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is based on the rate payable for loans of a similar term and asset value or from a series of inputs including government bond yields and adjustments to take into account entity-specific risk-profiles.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments) less any lease incentives receivable; variable lease payments that depend on an index or rate; amounts expected to be payable by the lessee under residual value guarantees; the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) if one of the following occur:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate.
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Non-lease components are charged to the income statement in line with the services being provided.

The right-of-use assets comprise the initial measurement of the corresponding lease liability less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation.

Whenever the Group incurs an obligation for costs to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 with a corresponding entry within the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset and starts at the commencement date of the lease. See note 2.8 for the policy on impairment.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

All of the Group's leases are classified as operating leases with rental income from these leases recognised on a straight-line basis over the term of the relevant lease.

2.24 Exceptional items

Exceptional items are significant items of a non-recurring nature and considered material in both size and nature. These are disclosed separately to enable a full understanding of the Group's financial performance.

3 Revenue and expenses

	2020 £m	2019 £m
Revenue		
Revenue from contracts with customers	**357.9**	362.6
Revenue from other sources: Rental income	**0.3**	0.4
	358.2	363.0

Revenue is disaggregated further in note 4, which is the level at which it is analysed within the business. Further information on the timing of transfer of goods and services for revenue streams is included in note 2. The forward order book comprises contracts where the Group's performance obligations are not satisfied and accordingly, no revenue is recognised. The Directors' best estimate of the deliverable forward order book for 2021 is US$116m/£85m (2019 for 2020: US$113m/£85m). Revenue is net of movements in the loss allowance for trade receivables. Included in revenue is £6.2m (2019: £5.3m) that was included in the contract liability balance at the beginning of the year.

	2020 £m	2019 £m
Finance revenue		
Bank interest income	**0.5**	1.1
Dividend income	**0.2**	0.1
Other finance revenue	**0.5**	0.1
	1.2	1.3

	2020 £m	2019 £m
Finance costs		
Bank interest charges	**0.1**	0.2
Interest expenses on lease liabilities	**2.1**	2.1
Other finance costs	**0.9**	0.6
	3.1	2.9

	2020 £m	2019 £m
Other finance revenue – pensions		
Net benefit income	**0.2**	0.4

Operating profit/(loss)

Operating profit/(loss) from continuing operations is stated after charging:

	2020 £m	2019 £m
Depreciation	**13.7**	13.3
Amortisation of intangible assets	**0.8**	1.4
Impairment of intangible assets	**60.6**	47.5
Net foreign exchange losses	**2.8**	0.4
Research and development	**13.2**	11.2
Short-term lease expense	**0.4**	0.4

3 Revenue and expenses continued

Auditor's remuneration	2020 £000	2019 £000
Fees payable to the Company's auditor for the audit of the Company's and Group financial statements	**265**	238
Fees payable to the Company's auditor and their associates for other services:		
The auditing of financial statements of subsidiaries of the Company	**288**	307
Audit-related assurance services	**79**	65
Other services	**12**	–
	644	610

Audit-related assurance services consists of £40,000 (2019: £40,000) in relation to the half-year review and £39,000 (2019: £25,000) of other audit-related services. Other services relates to the provision of attestation relating to restructuring in Norway.

Employee compensation and benefits expense	2020 £m	2019 £m
Wages and salaries	**211.9**	197.4
Social security costs	**17.7**	17.0
Expense of share-based payments	**1.4**	1.1
Pension costs – defined contribution plans	**8.0**	6.5
	239.0	222.0

The numbers above include remuneration and pension entitlements for each Director. Details are included in the Directors' remuneration report in the Directors' emoluments and compensation table on page 110.

The average monthly number of persons employed by the Group during the year, including Executive Directors, is analysed below:

	2020	2019
Broking	**1,184**	1,122
Financial	**110**	121
Support	**238**	229
Research	**119**	115
	1,651	1,587

4 Segmental information

The Group considers the executive members of the Company's Board to be the chief operating decision-maker. The Board receives segmental operating and financial information on a regular basis. The segments are determined by the class of business the Company provides and are Broking, Financial, Support and Research. This is consistent with the way the Group manages itself and with the format of the Group's internal financial reporting.

Clarksons' Broking division represents services provided to shipowners and charterers in the transportation by sea of a wide range of cargoes. It also represents services provided to buyers and sellers/yards relating to sale and purchase transactions. Also included is a futures broking operation which arranges principal-to-principal cash-settled contracts for differences based upon standardised freight contracts.

The Financial division represents full-service investment banking, specialising in the maritime, oil services and natural resources sectors. Clarksons also provides structured asset finance services and structured projects in the shipping, offshore and real estate sectors.

Support includes port and agency services representing ship agency services provided throughout the UK and Egypt.

Research services encompass the provision of shipping-related information and publications.

All areas of the business work closely together to provide the best possible service to our clients. Internal recharges are included within the appropriate segments. Segment revenue represents revenue from external customers.

The Group is not reliant on any major customer that contributes more than 10% of Group revenue.

4 Segmental information continued

Business segments

	Revenue 2020 £m	Revenue 2019 £m	Results 2020 £m	Results 2019 £m
Broking	**282.6**	283.0	**55.4**	55.5
Financial	**33.9**	35.5	**2.5**	3.3
Support	**24.9**	27.7	**1.7**	3.1
Research	**16.8**	16.8	**5.6**	5.4
Segment revenue/underlying profit	**358.2**	363.0	**65.2**	67.3
Head office costs			**(18.8)**	(16.8)
Operating profit before exceptional items and acquisition related costs			**46.4**	50.5
Exceptional items			**(60.6)**	(47.5)
Acquisition related costs			**(0.5)**	(1.6)
Operating (loss)/profit after exceptional items and acquisition related costs			**(14.7)**	1.4
Finance revenue			**1.2**	1.3
Finance costs			**(3.1)**	(2.9)
Other finance revenue – pensions			**0.2**	0.4
(Loss)/profit before taxation			**(16.4)**	0.2
Taxation			**(9.4)**	(11.1)
Loss for the year			**(25.8)**	(10.9)

Business segments

	Assets 2020 £m	Assets 2019 £m	Liabilities 2020 £m	Liabilities 2019 £m
Broking	**403.2**	424.1	**163.9**	164.3
Financial	**74.5**	124.5	**21.9**	23.4
Support	**33.1**	30.2	**13.3**	11.2
Research	**11.5**	14.2	**10.6**	10.5
Segment assets/liabilities	**522.3**	593.0	**209.7**	209.4
Unallocated assets/liabilities	**50.4**	26.4	**34.6**	29.4
	572.7	619.4	**244.3**	238.8

Unallocated assets predominantly relate to head office cash balances and cash on deposit, the pension scheme surplus and tax assets. Unallocated liabilities include the pension scheme deficit, tax liabilities and head office accruals.

Business segments

	Non-current asset additions				Depreciation		Amortisation and impairment	
	Property, plant and equipment 2020 £m	**Intangible assets 2020 £m**	Property, plant and equipment 2019 £m	Intangible assets 2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Broking	**5.4**	**7.5**	10.8	4.9	**11.4**	11.2	***18.3**	**14.4
Financial	**0.3**	**–**	0.2	0.1	**1.1**	1.0	***43.1**	**34.5
Support	**0.7**	**–**	2.4	–	**1.0**	0.9	**–**	–
Research	**–**	**–**	–	–	**0.2**	0.2	**–**	–
	6.4	**7.5**	13.4	5.0	**13.7**	13.3	**61.4**	48.9

* Includes an impairment charge of £17.5m for Broking and £43.1m for Financial.
** Includes an impairment charge of £13.0m for Broking and £34.5m for Financial.

4 Segmental information continued

Geographical segments – by origin of invoice

	Revenue	
	2020 £m	2019 £m
Europe, Middle East and Africa*	**275.8**	275.3
Americas	**19.6**	23.3
Asia Pacific	**62.8**	64.4
	358.2	363.0

Geographical segments – by location of assets

	Non-current assets**	
	2020 £m	2019 £m
Europe, Middle East and Africa*	**237.8**	282.5
Americas	**8.8**	10.9
Asia Pacific	**14.8**	31.9
	261.4	325.3

* Includes revenue for the UK of £170.4m (2019: £172.8m) and non-current assets for the UK of £118.8m (2019: £114.1m).
** Non-current assets exclude deferred tax assets and employee benefits.

5 Exceptional items

As a result of the impairment testing of goodwill, an impairment charge was recognised of £60.6m (2019: £47.5m). See note 14 for further details.

6 Acquisition related costs

Included in acquisition related costs is £0.3m (2019: £nil) relating to amortisation of intangibles acquired as part of the Martankers acquisition and cash charges of £0.1m (2019: £nil) relating to that acquisition. The cash charges are contingent on employees remaining in service and are therefore spread over the service period.

Also included is £nil (2019: £1.0m) relating to amortisation of intangibles and £0.1m (2019: £0.6m) of cash and share-based payment charges in relation to previous acquisitions.

7 Taxation

Tax charged in the consolidated income statement is as follows:

	2020 £m	2019 £m
Current tax		
Tax on profits for the year	**11.1**	11.3
Adjustments in respect of prior years	**(2.1)**	(0.4)
	9.0	10.9
Deferred tax		
Origination and reversal of temporary differences	**0.4**	0.2
	0.4	0.2
Total tax charge in the income statement	**9.4**	11.1

7 Taxation continued

Tax relating to items (credited)/charged to equity is as follows:

		2020 £m	2019 £m
Current tax			
Other items in equity		**(0.1)**	1.1
		(0.1)	1.1
Deferred tax			
Employee benefits	– on pension benefits	**0.1**	(0.5)
	– other employee benefits	**0.2**	(0.8)
Foreign currency contracts		**0.7**	0.4
Other items in equity		**–**	(0.5)
		1.0	(1.4)
Total tax charge/(credit) in the statement of changes in equity		**0.9**	(0.3)

Reconciliation of tax charge

The tax charge in the consolidated income statement for the year is higher (2019: higher) than the average standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are reconciled below:

	2020 £m	2019 £m
(Loss)/profit before taxation	**(16.4)**	0.2
(Loss)/profit at UK average standard rate of corporation tax of 19% (2019: 19%)	**(3.1)**	–
Effects of:		
Impairment charge not deductible for tax purposes	**11.5**	9.0
Expenses not deductible for tax purposes	**1.7**	1.8
Non-taxable income	**(0.4)**	0.1
Lower tax rates on overseas earnings	**(0.9)**	(1.2)
Tax losses not recognised	**0.9**	0.8
Adjustments relating to prior year	**(0.6)**	0.8
Other adjustments	**0.3**	(0.2)
Total tax charge in the income statement	**9.4**	11.1

Deferred tax

Deferred tax charged/(credited) in the consolidated income statement is as follows:

	2020 £m	2019 £m
Employee benefits	**(0.1)**	(0.5)
In relation to earnings of overseas subsidiaries	**0.3**	0.2
Other temporary differences	**0.2**	0.5
Deferred tax charge in the income statement	**0.4**	0.2

7 Taxation continued

Deferred tax included in the balance sheet is as follows:

		2020 £m	2019 £m
Deferred tax assets			
Employee benefits	– on pension benefits	**1.2**	0.7
	– other employee benefits	**7.6**	7.6
Tax losses		**0.5**	0.2
Other temporary differences		**1.3**	0.6
		10.6	9.1
Deferred tax liabilities			
Employee benefits	– on pension benefits	**(3.4)**	(2.6)
In relation to earnings of overseas subsidiaries		**(1.6)**	(1.3)
Foreign currency contracts		**(0.9)**	(0.1)
Other temporary differences		**(2.9)**	(2.0)
		(8.8)	(6.0)

Included in the above are deferred tax assets of £2.7m (2019: £2.9m) and deferred tax liabilities of £0.1m (2019: £0.1m) which are due within one year. Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable.

All deferred tax movements arise from the origination and reversal of temporary differences. The Group did not recognise a deferred tax asset of £3.2m (2019: £2.7m) in respect of unused tax losses, which predominantly have either no expiry date or expiry dates of ten years or more.

Deferred taxes at the balance sheet date have been measured using the appropriate enacted tax rates and are reflected in these financial statements.

During the year, the planned reversal of the reduction in corporate tax rate from 19% to 17% in the UK was substantively enacted. In March 2021, the Prime Minister announced that he intended to raise the corporate tax rate from 19% to 25% from 1 April 2023. This announcement does not constitute substantive enactment and therefore deferred tax rates at the balance sheet date continue to be measured at the enacted tax rate of 19%.

8 Earnings/(loss) per share

Basic earnings/(loss) per share amounts are calculated by dividing profit/(loss) for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share amounts are calculated by dividing profit/(loss) for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares in issue during the year, plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings/(loss) per share.

The following reflects the income and share data used in the basic and diluted earnings/(loss) per share computations:

	2020 £m	2019 £m
Underlying profit for the year attributable to ordinary equity holders of the Parent Company	**32.1**	36.0
Reported loss for the year attributable to ordinary equity holders of the Parent Company	**(28.9)**	(12.8)

	2020	2019
Weighted average number of ordinary shares (excluding share purchase trusts' shares) – basic	**30,342,678**	30,263,972
Dilutive effect of share options	**62,716**	38,828
Dilutive effect of acquisition related shares	**–**	19,919
Weighted average number of ordinary shares (excluding share purchase trusts' shares) – diluted	**30,405,394**	30,322,719

The share awards relating to Directors, where the performance conditions have not yet been met at the balance sheet date, are not included in the above numbers. The weighted average number of these shares was 113,243 (2019: 118,347).

9 Dividends

	2020 £m	2019 £m
Declared and paid during the year:		
Interim dividend for 2020 of 53p per share (final dividend for 2018: 51p per share)	16.1	15.4
Interim dividend for 2020 of 25p per share (2019: 25p per share)	7.6	7.6
Dividend paid	**23.7**	**23.0**
Proposed for approval at the AGM (not recognised as a liability at 31 December):		
Final dividend for 2020 proposed of 54p per share (2019: 53p per share)	16.4	16.1

10 Property, plant and equipment

31 December 2020

	Freehold and long leasehold properties £m	Leasehold improvements £m	Office furniture and equipment £m	Motor vehicles £m	Total £m
Original cost					
At 1 January 2020	9.3	18.5	23.3	1.5	52.6
Additions	–	0.2	3.0	0.3	3.5
Disposals	–	–	(0.5)	(0.2)	(0.7)
Foreign exchange differences	(0.1)	–	(0.2)	–	(0.3)
At 31 December 2020	**9.2**	**18.7**	**25.6**	**1.6**	**55.1**
Accumulated depreciation					
At 1 January 2020	1.7	7.4	17.0	0.9	27.0
Charged during the year	0.2	1.5	2.8	0.3	4.8
Disposals	–	–	(0.3)	(0.2)	(0.5)
Foreign exchange differences	–	–	(0.5)	–	(0.5)
At 31 December 2020	**1.9**	**8.9**	**19.0**	**1.0**	**30.8**
Net book value at 31 December 2020	**7.3**	**9.8**	**6.6**	**0.6**	**24.3**

31 December 2019

	Freehold and long leasehold properties £m	Leasehold improvements £m	Office furniture and equipment £m	Motor vehicles £m	Total £m
Original cost					
At 1 January 2019	7.9	18.3	22.7	1.4	50.3
Additions	1.6	0.5	1.5	0.3	3.9
Disposals	–	(0.1)	(0.5)	(0.2)	(0.8)
Foreign exchange differences	(0.2)	(0.2)	(0.4)	–	(0.8)
At 31 December 2019	9.3	18.5	23.3	1.5	52.6
Accumulated depreciation					
At 1 January 2019	1.6	6.1	14.9	0.7	23.3
Charged during the year	0.2	1.6	2.9	0.3	5.0
Disposals	–	(0.1)	(0.4)	(0.2)	(0.7)
Foreign exchange differences	(0.1)	(0.2)	(0.4)	0.1	(0.6)
At 31 December 2019	1.7	7.4	17.0	0.9	27.0
Net book value at 31 December 2019	7.6	11.1	6.3	0.6	25.6

11 Investment properties

	2020 £m	2019 £m
Cost		
At 1 January and 31 December	**2.1**	2.1
Accumulated depreciation		
At 1 January	**0.9**	0.9
Charged during the year	**–**	–
At 31 December	**0.9**	0.9
Net book value at 31 December	**1.2**	1.2

The fair value of the investment properties at 31 December 2020 was £2.2m (2019: £2.3m). This was based on valuations from independent valuers who have the appropriate professional qualifications and recent experience of valuing properties in the location and of the type being valued.

12 Right-of-use assets

	Leasehold properties 2020 £m	Leasehold properties 2019 £m
Cost		
As at 1 January	**61.5**	53.7
Additions	**2.9**	9.5
Additions arising from acquisitions	**0.1**	–
Disposals	**(0.5)**	–
Foreign exchange differences	**(0.6)**	(1.7)
At 31 December	**63.4**	61.5
Accumulated depreciation		
As at 1 January	**8.1**	–
Charged during the year	**8.9**	8.3
Disposals	**(0.4)**	–
Foreign exchange differences	**(0.2)**	(0.2)
At 31 December	**16.4**	8.1
Net book value at 31 December	**47.0**	53.4

13 Intangible assets

31 December 2020

	Goodwill £m	Development costs £m	Other intangible assets £m	Total £m
Cost				
At 1 January 2020	**288.2**	**10.1**	**30.3**	**328.6**
Additions	**0.5**	**6.3**	**0.7**	**7.5**
Foreign exchange differences	**(1.3)**	**–**	**(0.1)**	**(1.4)**
At 31 December 2020	**287.4**	**16.4**	**30.9**	**334.7**
Accumulated amortisation and impairment				
At 1 January 2020	**59.9**	**0.3**	**30.2**	**90.4**
Charged during the year	**–**	**0.5**	**0.3**	**0.8**
Impairment	**60.6**	**–**	**–**	**60.6**
Foreign exchange differences	**0.1**	**–**	**(0.1)**	**–**
At 31 December 2020	**120.6**	**0.8**	**30.4**	**151.8**
Net book value at 31 December 2020	**166.8**	**15.6**	**0.5**	**182.9**

31 December 2019

	Goodwill £m	Development costs £m	Other intangible assets £m	Total £m
Cost				
At 1 January 2019	299.4	5.4	31.1	335.9
Additions	0.3	4.7	–	5.0
Foreign exchange differences	(11.5)	–	(0.8)	(12.3)
At 31 December 2019	288.2	10.1	30.3	328.6
Accumulated amortisation and impairment				
At 1 January 2019	12.4	–	30.1	42.5
Charged during the year	–	0.3	1.1	1.4
Impairment	47.5	–	–	47.5
Foreign exchange differences	–	–	(1.0)	(1.0)
At 31 December 2019	59.9	0.3	30.2	90.4
Net book value at 31 December 2019	228.3	9.8	0.1	238.2

In 2020 the Group made acquisitions, which are detailed below, resulting in goodwill of £0.5m (2019: £0.3m). The total consideration was £1.1m (2019: £0.3m), of which £nil (2019: £0.2m) is deferred.

Development costs are amortised based on their estimated useful life, which will not exceed five years, when ready for use.

In 2020, the other intangible asset additions of £0.7m relate to the forward order book and customer relationships in relation to an acquisition made in the year.

All intangible assets are held in the currency of the businesses acquired and are subject to foreign exchange retranslations to the closing rate at each year-end.

Acquisitions

On 1 February 2020, the Group acquired 100% of the share capital of Madrid-based shipbroker Martankers I, S.L.U., which subsequently changed its name to Clarksons Martankers, S.L.U.

The acquisition provides an established opening for Clarksons in Spain and will help the Group gain share in the bulk chemicals and gas markets, strengthening our global market-leading position.

Cash consideration of £1.1m was paid on the acquisition date.

The goodwill of £0.5m is attributable to the acquired team and the synergies that will arise as part of the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

13 Intangible assets continued
In addition, a further £0.1m will be payable in cash to key employees contingent on them remaining in employment for four years. An additional sum up to £1.4m will also be payable in four years subject to the same service conditions and Martankers achieving certain earnings targets over the four years. For both of the above, the cost will be charged to the income statement over the service period. For the year ended 31 December 2020, this cost was £0.1m.

The following table summarises the consideration paid, the fair value of the assets acquired and the liabilities assumed relating to the acquisition:

Recognised amounts of identifiable assets acquired and liabilities assumed:	Total £m
Intangible assets	0.7
Right-of-use assets	0.1
Trade and other receivables	0.3
Cash and cash equivalents	0.7
Total assets	1.8
Trade and other payables	(0.8)
Income tax payable	(0.1)
Lease liability	(0.1)
Deferred tax liability	(0.2)
Total liabilities	(1.2)
Total identifiable net assets	0.6
Goodwill	0.5
Total consideration paid in cash	1.1

The revenue included in the consolidated income statement since 1 February 2020 contributed by Martankers was £1.3m. Martankers contributed profit after taxation of £0.2m over the same period.

Had Martankers been consolidated from 1 January 2020, the consolidated income statement would show revenue of £358.4m and profit before taxation and exceptional items and acquisition related costs of £44.7m. This information is not necessarily indicative of the 2020 results of the combined Group had the purchases actually been made at the beginning of the period presented, or indicative of the future consolidated performance given the nature of the business acquired.

14 Impairment testing of goodwill
Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating division. The project finance division was split out into a separate CGU from the securities CGU in the second half of the year following a reorganisation of the securities business.

The carrying amount of goodwill acquired through business combinations is as follows:

	2020 £m	2019 £m
Dry cargo chartering	**12.0**	12.0
Container chartering	**1.8**	1.8
Tankers chartering	**10.7**	10.7
Specialised products chartering	**12.9**	12.4
Gas chartering	**2.7**	2.7
Sale and purchase broking	**46.4**	46.6
Offshore broking	**47.1**	65.3
Securities*	**14.1**	57.7
Project finance*	**12.9**	12.9
Port and agency services	**2.9**	2.9
Research services	**3.3**	3.3
	166.8	228.3

* The 2019 comparatives have been split out as per the CGU change in 2020, referenced above.

The movement in the aggregate carrying value is analysed in more detail in note 13.

14 Impairment testing of goodwill continued
Goodwill is allocated to CGUs which are tested for impairment at least annually. The goodwill arising in each CGU is similar in nature and thus the testing for impairment uses the same approach.

The recoverable amounts of the CGUs are assessed using a value-in-use model. Value-in-use is calculated as the net present value of the projected risk-adjusted cash flows of the CGU to which the goodwill is allocated.

The key assumptions used for value-in-use calculations are as follows:
- the pre-tax discount rate for the chartering and broking CGUs is 10.5% (2019: 9.8%), port and agency services is 10.5% (2019: 9.8%), research services is 10.5% (2019: 9.8%) and for securities and project finance is 11.0% (2019: 9.3%). As all broking and chartering CGUs have operations that are global in nature and similar risk profiles, the same discount rate has been used;
- these discount rates are based on the Group's weighted average cost of capital (WACC) and adjusted for CGU-specific risk factors. The Group's WACC is a function of the Group's cost of equity, derived using a Capital Asset Pricing Model. The cost of equity includes a number of variables to reflect the inherent risk of the business being evaluated; and
- the cash flow projections are based on financial budgets and strategic plans approved by the Board, extrapolated over a five-year period. These assume a level of revenue and profits which are based on both past performance and expectations for future market development and take into account the cyclicality of the business in which the CGU operates. Cash flows beyond the five-year period are extrapolated in perpetuity using a conservative growth rate of 1.7% (2019: 1.7%) across all CGUs.

The results of the Directors' review of goodwill indicate remaining headroom for all CGUs other than offshore broking and securities. There are no reasonably possible changes in assumptions for all CGUs other than offshore broking and securities that could give rise to the recoverable amount of the CGU being lower than the carrying amount.

Recognising the continued challenging trading conditions in the offshore broking and securities markets, the Directors have revised the estimate of future cash flows expected from these CGUs. Following these revisions, an impairment loss has been recognised, shown as an exceptional item (note 5), as follows:

		2020			2019		
	Reportable segment	**Goodwill impairment £m**	**Recoverable amount (value-in-use) £m**	**Discount rate %**	Goodwill impairment £m	Recoverable amount (value-in-use) £m	Discount rate %
CGU							
Offshore broking	Broking	**17.5**	**52.6**	**10.5**	13.0	71.1	9.8
Securities*	Financial	**43.1**	**20.5**	**11.0**	34.5	78.5	9.3
At 31 December		**60.6**	**73.1**		47.5	149.6	

* 2019 includes project finance.

The recoverable amount continues to be subject to sensitivities. An increase in the discount rate of 0.5% would decrease value-in-use by £3.0m for offshore broking and £0.7m for securities. An increase in long-term growth rate to 2.0% would increase value-in-use by £2.3m for offshore broking and £0.6m for securities. A decrease in pre-tax cash flows of 5% would decrease value-in-use by £2.5m for offshore broking and £0.9m for securities.

In light of global macro-economic and geo-political uncertainty, the Board keeps the carrying value of goodwill under constant review. In the event that any of the markets in which we operate has a sustained downturn, an impairment of the relevant CGU's goodwill may be required.

15 Trade and other receivables

	2020 £m	2019 £m
Non-current		
Other receivables	**1.1**	1.3
Foreign currency contracts	**2.0**	0.8
	3.1	2.1
Current		
Trade receivables	**60.1**	62.3
Other receivables	**7.8**	6.1
Foreign currency contracts	**2.6**	–
Prepayments	**4.7**	4.7
Contract assets	**1.4**	3.9
	76.6	77.0

15 Trade and other receivables continued

Trade receivables are non-interest bearing and are generally on terms payable within 90 days. As at 31 December 2020, the allowance for impairment of trade receivables was £12.3m (2019: £14.2m). The allowance is based on experience and ongoing market information about the creditworthiness of specific counterparties and expected credit losses in respect of the remaining balances.

The Group has unconditional rights to consideration in respect of trade receivables, except for £1.4m (2019: £0.9m) which relates to amounts invoiced in respect of subscriptions where revenue is recognised over time and the right to payment is conditional on satisfying this performance obligation. These amounts are deferred as revenue and included within the contract liability balance. See note 20.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of invoices over a period of 36 months before 1 January 2020 and the corresponding historical credit losses experienced within this period. These are then adjusted, if necessary, to reflect current and forward-looking information, such as the general economic condition of the market in which the counterparty operates.

The following table shows the exposure to credit risk and expected credit losses of trade receivables as at 31 December:

	2020			2019		
	Expected loss rate	**Gross carrying amount £m**	**Loss allowance £m**	Expected loss rate	Gross carrying amount £m	Loss allowance £m
0 – 3 months	**2.5%**	**52.7**	**1.3**	2.9%	54.5	1.6
3 – 12 months	**30.4%**	**12.5**	**3.8**	26.6%	12.8	3.4
Over 12 months	**100.0%**	**7.2**	**7.2**	100.0%	9.2	9.2
		72.4	**12.3**		76.5	14.2

Movements in the loss allowance for trade receivables were as follows:

	2020 £m	2019 £m
At 1 January	**14.2**	14.4
Release of loss allowance	**(7.2)**	(6.1)
Receivables written off during the year as uncollectible	**(3.0)**	(2.1)
Increase in loss allowance	**8.7**	8.6
Foreign exchange differences	**(0.4)**	(0.6)
At 31 December	**12.3**	14.2

Included within the movements in the loss allowance were amounts which were provided at the time of invoicing for which no revenue has been recognised, because collectability was not considered probable; see note 2. The other classes within trade and other receivables do not include any impaired items.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2020 £m	2019 £m
US dollar	**42.6**	43.9
Sterling	**11.1**	11.5
Norwegian krone	**4.7**	4.6
Other currencies	**1.7**	2.3
	60.1	62.3

16 Investments

	2020 £m	2019 £m
Non-current		
Financial assets at fair value through profit or loss	1.2	1.0
Financial assets at fair value through other comprehensive income	1.7	3.8
	2.9	4.8
Current		
Cash on deposit	22.8	2.5
Financial assets at fair value through profit or loss	8.3	13.1
	31.1	15.6

The financial asset at fair value through other comprehensive income represents an investment in CargoMetrics Technologies LLC. The non-current financial assets at fair value through profit or loss relate to equity and other investments. The Group held deposits totalling £22.8m (2019: £2.5m) with maturity periods greater than three months. Current financial assets at fair value through profit or loss relate to convertible bonds in the Financial segment.

17 Inventories

	2020 £m	2019 £m
Finished goods	1.3	1.1

The cost of inventories recognised as an expense and included in cost of sales amounted to £8.2m (2019: £8.8m).

18 Cash and cash equivalents

	2020 £m	2019 £m
Cash at bank and in hand	172.4	173.4
Short-term deposits	1.0	2.3
	173.4	175.7

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £173.4m (2019: £175.7m).

Included in cash at bank and in hand is £4.1m (2019: £2.0m) of restricted funds relating to employee taxes and other commitments.

19 Interest-bearing loans and borrowings

	2020 £m	2019 £m
Current		
Bank loans	–	1.2
Non-current		
Bank loans	0.1	0.1

The current bank loans were in relation to the funding of the convertible bonds business within the Financial segment with interest being charged at LIBOR plus 0.4% per annum. These have been repaid during the year.

Non-current bank loans are due for repayment by the end of 2024. Interest is being charged between 3.29% and 4.75% per annum.

20 Trade and other payables

	2020 £m	2019 £m
Current		
Trade payables	**17.0**	17.0
Other payables	**10.1**	13.9
Other tax and social security	**6.8**	4.7
Deferred consideration	**0.1**	0.2
Foreign currency contracts	**–**	0.1
Accruals	**119.6**	109.1
Deferred income	**0.1**	0.1
Contract liabilities	**6.9**	6.2
	160.6	151.3
Non-current		
Other payables	**2.7**	2.4
	2.7	2.4

Included in accruals are bonuses which will be paid out subsequent to the year-end.

Trade payables and other payables are non-interest bearing and are normally settled on demand.

21 Lease liabilities

	2020 £m	2019 £m
Current		
Lease liabilities	**8.4**	8.7
Non-current		
Lease liabilities	**47.7**	53.7

A maturity analysis of undiscounted lease liability payments is included within note 28.

Included within lease liabilities are £13.6m (2019: £14.2m) of leases where payments are linked to an index. The liabilities in relation to these leases are only adjusted as and when the change in rental cash flows takes effect.

22 Provisions

	2020 £m	2019 £m
Current		
At 1 January	**0.3**	0.2
Arising during the year	**0.2**	0.1
At 31 December	**0.5**	0.3
Non-current		
At 1 January	**1.5**	1.6
Utilised during the year	**–**	(0.1)
At 31 December	**1.5**	1.5

Provisions have been recognised for the dilapidation of various leasehold premises which will be utilised on cessation of the lease and for certain employee benefits.

23 Share-based payment plans

	2020 £m	2019 £m
Expense arising from equity-settled share-based payment transactions	1.4	1.1

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2020 or 2019.

Share options

Long-term incentive awards

Details of the long-term incentive awards are included in the Directors' remuneration report on page 120. Awards made to the Directors are given in the Directors' remuneration report on page 113. The fair value of these awards was valued using a Monte Carlo valuation model.

ShareSave scheme

The ShareSave scheme (or local equivalent) enables eligible employees to acquire options to purchase ordinary shares in the Company at a discount. To participate in the scheme, the employees are required to save a set amount each month, up to a maximum of £500 per month, for a period of 24–36 months, depending on their jurisdiction. Under the terms of the scheme, at the end of the savings period the employees are entitled to purchase shares using their savings at a price of 15–20% (depending on jurisdiction) below the market price at grant date. Only employees that remain in service at the end of the savings period and make the required savings from their monthly salary for the savings period will become entitled to purchase the shares. Employees who cease their employment, do not save the required amount from their monthly salary, or elect not to exercise their option to purchase shares will be refunded their full savings. The fair value of these awards was valued using a Black-Scholes model.

Movements in the year

The following table illustrates the number of, and movements in, share options during the year:

	Outstanding at 1 January 2020	Granted in year	Lapsed in year	Exercised in year	Outstanding at 31 December 2020	Exercisable at 31 December 2020	Weighted average contractual life Years
Long-term incentive awards[1]	154,977	56,210	(50,261)	(5,748)	155,178	31,083	8.00
2016 ShareSave[2]	4,413	–	–	(4,413)	–	–	–
2017 ShareSave[3]	61,618	–	(3,293)	(22,687)	35,638	35,638	0.24
2018 ShareSave[4]	77,486	–	(10,790)	(1,422)	65,274	–	1.33
2019 ShareSave[5]	215,066	–	(25,456)	(840)	188,770	–	2.25
2020 ShareSave[6]	–	131,008	(1,907)	–	129,101	–	3.29
	513,560	187,218	(91,707)	(35,110)	573,961	66,721	

The range of exercise prices for outstanding share options are: [1] £nil, [2] £17.19, [3] £22.50, [4] £22.12, [5] £18.30–£20.74, [6] £19.28–£19.87.

The weighted average exercise price for each movement in share options are as follows:

	Outstanding at 1 January 2020 £	Granted in year £	Lapsed in year £	Exercised in year £	Outstanding at 31 December 2020 £	Exercisable at 31 December 2020 £
Long-term incentive awards	–	–	–	–	–	–
ShareSave	19.90	19.29	19.75	21.56	19.61	22.50
Total	13.90	13.50	8.93	18.03	14.31	12.02

The weighted average share price at the date of exercise was £26.01.

23 Share-based payment plans continued

The following table illustrates the number of, and movements in, share options for the previous year:

	Outstanding at 1 January 2019	Granted in year	Lapsed in year	Exercised in year	Outstanding at 31 December 2019	Exercisable at 31 December 2019	Weighted average contractual life Years
Long-term incentive awards[1]	145,377	57,033	(47,433)	–	154,977	16,302	8.25
2016 ShareSave[2]	50,652	–	(521)	(45,718)	4,413	–	0.33
2017 ShareSave[3]	87,054	–	(25,436)	–	61,618	–	1.25
2018 ShareSave[4]	162,334	–	(84,848)	–	77,486	–	2.33
2019 ShareSave[5]	–	215,754	(688)	–	215,066	–	3.33
	445,417	272,787	(158,926)	(45,718)	513,560	16,302	

The range of exercise prices for outstanding share options are: [1] £nil, [2] £17.19, [3] £22.50, [4] £22.12, [5] £18.30–£20.74.

The weighted average exercise price for each movement in share options are as follows:

	Outstanding at 1 January 2019 £	Granted in year £	Lapsed in year £	Exercised in year £	Outstanding at 31 December 2019 £	Exercisable at 31 December 2019 £
Long-term incentive awards	–	–	–	–	–	–
ShareSave[2]	21.40	18.41	22.16	17.19	19.90	–
Total	14.41	14.56	15.55	17.19	13.90	–

The weighted average share price at the date of exercise was £27.77.

Significant inputs

The inputs into the models used to value options granted in the period fell within the following ranges:

	2020	2019
Share price at date of grant (£)	**23.00–24.00**	23.70–24.45
Exercise price (£)	**0.00–19.87**	0.00–20.74
Expected term (years)	**2.0–3.3**	2.0–3.3
Risk-free interest rate (%)	**-0.1–0.0**	0.3–0.8
Expected dividend yield (%)	**0.0–3.4**	0.0–3.1
Expected volatility (%)	**36.1–36.5**	34.0–34.5

Expected volatility is calculated using historical data, where available, over the period of time commensurate with the remaining performance period for long-term incentive awards and the expected award term for the ShareSave scheme, as at the date of grant.

Other employee incentives

During the year, 285,941 shares (2019: 316,338 shares) at a weighted average price of £23.57 (2019: £23.67) were awarded to employees in settlement of 2019 (2018) cash bonuses. There was no expense in 2020 nor 2019 as a result of these awards.

The fair value of these shares was determined based on the market price at the date of grant.

As part of previous acquisitions, certain elements of consideration are payable in the form of shares in Clarkson PLC. Where these are contingent on the employees remaining in service, the cost of these shares are charged to the consolidated income statement over the service period. The 2020 charge in relation to such awards is £nil (2019: £0.3m).

24 Employee benefits

The Group operates three final salary defined benefit pension schemes, being the Clarkson PLC scheme, the Plowrights scheme and the Stewarts scheme, all within the UK. The schemes are all registered as occupational pension schemes with HMRC and are subject to UK legislation and oversight from the Pensions Regulator. These are funded by the payment of contributions to separate trusts administered by Trustees who are required to act in the best interests of the schemes' beneficiaries. Responsibility for governance of each scheme lies with the respective board of trustees in accordance with the rules applicable to that scheme. Currently each board of trustees includes a representative of the relevant principal employer. The schemes' assets are invested in a range of pooled pension investment funds managed by professional fund managers.

Defined benefit pension arrangements give rise to open ended commitments and liabilities for the sponsoring company. As a consequence, the Company closed its original defined benefit section of the Clarkson PLC scheme to new entrants on 31 March 2004. This section was closed to further accrual for all existing members as from 31 March 2006. The Plowrights scheme was closed to further accrual from 1 January 2006. The Stewarts scheme was closed to further accrual on 1 January 2004.

Every three years, a pension scheme must obtain from an actuary a report containing a valuation and a recommendation on rates of contribution. UK legislation requires that pension schemes are funded prudently and must adhere to the statutory funding objective. Triennial valuations for all the schemes have been prepared as detailed below.

The valuation of the Clarkson PLC scheme showed a pension surplus on an ongoing basis of £7.3m (106%) as at 31 March 2019. Following the 2016 valuation, Clarkson PLC and the Trustees had agreed to cease funding with effect from 1 October 2016.

The valuation of the Plowrights scheme showed a pension surplus on an ongoing basis of £2.1m (105%) as at 31 March 2019. Clarkson PLC and the Trustees agreed to cease funding with effect from 1 December 2019. The expenses for the scheme will be met from the surplus assets.

The valuation of the Stewarts scheme showed a pension deficit on an ongoing basis of £0.9m as at 1 September 2018. Clarksons Platou (Offshore) Limited has agreed with the Trustees to pay contributions to remove the deficit over a period ending 31 October 2021 at the rate of £0.39m per annum which will include scheme expenses.

For the Clarkson PLC scheme, an allowance for GMP Equalisation in transfers out has been included in the 2020 disclosures. The increase in liabilities was treated as a past service cost and recognised immediately in the 2020 defined benefit cost.

The Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The scheme liabilities are calculated using a discount rate set with reference to corporate bond yields; if scheme assets underperform this yield, this will create a deficit. During 2018, the largest two schemes de-risked by replacing their equity holdings with less volatile investments.

Changes in bond yields

A decrease in corporate bond yields will increase scheme liabilities, although this will be partially offset by an increase in the value of the schemes' bond holdings.

Inflation risk

Some of the Group pension obligations are linked to inflation. The majority of the schemes' assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy

The majority of the schemes' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the schemes' liabilities.

Other pension arrangements

Overseas defined contribution arrangements have been determined in accordance with local practice and regulations.

The Group also operates various other defined contribution pension arrangements. Where required, the Group also makes contributions to these schemes.

The Group incurs no material expenses in the provision of post-retirement benefits other than pensions.

24 Employee benefits continued

The following information relates to the sum of the three separate schemes.

Recognised in the balance sheet

	2020 £m	2019 £m
Fair value of schemes' assets	**204.5**	194.7
Present value of funded defined benefit obligations	**(188.6)**	(179.9)
	15.9	14.8
Effect of asset ceiling in relation to the Plowrights scheme	**(3.9)**	(3.8)
Net benefit asset recognised in the balance sheet	**12.0**	11.0

The net benefit asset disclosed above is the combined total of the three schemes. The Clarkson PLC scheme has a surplus of £18.1m (2019: £15.5m), the Plowrights scheme has a surplus of £nil (2019: £nil) and the Stewarts scheme has a deficit of £6.1m (2019: £4.5m). As there is no right of set-off between the schemes, the benefit asset of £18.1m (2019: £15.5m) is disclosed separately on the balance sheet from the benefit liability of £6.1m (2019: £4.5m).

The surplus in the Clarkson PLC scheme is recognised, as there are future economic benefits available in the form of a reduction in future contributions to the defined contribution section of the scheme and, in the event of wind up, excess surplus is refundable to the Group. There are no such future economic benefits in respect of the Plowrights scheme and therefore the surplus of £3.9m (2019: £3.8m) cannot be recognised.

A deferred tax asset on the benefit liability amounting to £1.2m (2019: £0.7m) and a deferred tax liability on the benefit asset of £3.4m (2019: £2.6m) is shown in note 7.

Recognised in the income statement

	2020 £m	2019 £m
Recognised in other finance revenue – pensions:		
Expected return on schemes' assets	**3.9**	5.2
Interest cost on benefit obligation and asset ceiling	**(3.7)**	(4.8)
Recognised in administrative expenses:		
Past service costs	**(0.4)**	–
Scheme administrative expenses	**(0.3)**	(0.3)
Net benefit (charge)/income recognised in the income statement	**(0.5)**	0.1

Recognised in the statement of comprehensive income

	2020 £m	2019 £m
Actual return on schemes' assets	**22.2**	20.5
Less: expected return on schemes' assets	**(3.9)**	(5.2)
Actuarial gain on schemes' assets	**18.3**	15.3
Actuarial loss on defined benefit obligations	**(17.2)**	(22.1)
Actuarial gain/(loss) recognised in the statement of comprehensive income	**1.1**	(6.8)
Tax (charge)/credit on actuarial gain/(loss)	**(0.1)**	1.1
Effect of asset ceiling in relation to the Plowrights scheme	**–**	3.2
Tax charge on asset ceiling	**–**	(0.6)
Net actuarial gain/(loss) on employee benefit obligations	**1.0**	(3.1)
Cumulative amount of actuarial losses recognised in the statement of comprehensive income	**(1.7)**	(2.8)

Schemes' assets

	%	2020 £m	%	2019 £m
Equities*	**2.8**	**5.7**	2.8	5.5
Government bonds*	**39.4**	**80.5**	39.7	77.3
Corporate bonds*	**32.8**	**67.1**	32.9	64.0
Investment funds*	**24.2**	**49.5**	23.7	46.2
Cash and other assets	**0.8**	**1.7**	0.9	1.7
	100.0	**204.5**	100.0	194.7

* Based on quoted market prices.

24 Employee benefits continued

Net defined benefit asset

Changes in the fair value of the net defined benefit asset are as follows:

31 December 2020

	Present value of obligation £m	Fair value of plan assets £m	Total £m	Impact of asset ceiling £m	Total £m
At 1 January 2020	(179.9)	194.7	14.8	(3.8)	11.0
Expected return on assets	–	3.9	3.9	–	3.9
Interest costs	(3.6)	–	(3.6)	(0.1)	(3.7)
Employer contributions	–	0.4	0.4	–	0.4
Administrative expenses	–	(0.3)	(0.3)	–	(0.3)
Past service costs	(0.4)	–	(0.4)	–	(0.4)
Benefits paid	12.5	(12.5)	–	–	–
Actuarial (loss)/gain	(17.2)	18.3	1.1	–	1.1
At 31 December 2020	(188.6)	204.5	15.9	(3.9)	12.0

31 December 2019

	Present value of obligation £m	Fair value of plan assets £m	Total £m	Impact of asset ceiling £m	Total £m
At 1 January 2019	(168.0)	188.8	20.8	(6.8)	14.0
Expected return on assets	–	5.2	5.2	–	5.2
Interest costs	(4.6)	–	(4.6)	(0.2)	(4.8)
Employer contributions	–	0.5	0.5	–	0.5
Administrative expenses	–	(0.3)	(0.3)	–	(0.3)
Benefits paid	14.8	(14.8)	–	–	–
Actuarial (loss)/gain	(22.1)	15.3	(6.8)	3.2	(3.6)
At 31 December 2019	(179.9)	194.7	14.8	(3.8)	11.0

The Group expects, based on the valuations and funding requirements including expenses, to contribute £0.3m to its defined benefit pension schemes in 2021 (2019 for 2020: £0.4m).

The principal weighted average valuation assumptions are as follows:

	2020 %	2019 %
Rate of increase in pensions in payment	3.0	3.1
Price inflation (RPI)	3.0	3.0
Price inflation (CPI)	2.0	2.2
Discount rate for scheme liabilities	1.4	2.1

The mortality assumptions used to assess the defined benefit obligations at 31 December 2020 and 31 December 2019 are based on the 'SAPS' standard mortality tables (SP3A for the Clarkson PLC scheme with a scheme specific adjustment of 90%, SP3A Light for the Plowrights scheme and SP2A for the Stewarts scheme). These tables have been adjusted to allow for anticipated future improvements in life expectancy using the standard projection model published in 2020 (31 December 2019: model published in 2019). Examples of the assumed future life expectancy are given in the table below:

		Additional years 2020	Additional years 2019
Post-retirement life expectancy on retirement at age 65:			
Pensioners retiring in the year	– male	21.8–23.4	21.8–23.4
	– female	23.7–25.1	23.7–25.1
Pensioners retiring in 20 years' time	– male	23.1–24.6	23.2–24.6
	– female	25.3–26.6	25.2–26.5

24 Employee benefits continued

Experience adjustments

	2020 £m	2019 £m
Experience gain on schemes' assets	**18.3**	15.3
Gain/(loss) on schemes' liabilities due to changes in demographic assumptions	**0.4**	(1.6)
Loss on schemes' liabilities due to changes in financial assumptions	**(17.6)**	(18.5)
Loss on schemes' liabilities due to experience adjustments	**–**	(2.1)
Gain on asset ceiling	**–**	3.3
Actuarial gain/(loss)	**1.1**	(3.6)
Income tax on actuarial gain/(loss)	**(0.1)**	0.5
Actuarial gain/(loss) – net of tax	**1.0**	(3.1)

Sensitivities

The table below shows the sensitivity of the defined benefit obligation to changes to the most significant actuarial assumptions. The impact of changes to each assumption is shown in isolation although, in practice, changes to assumptions may occur at the same time and can either offset or compound the overall impact on the defined benefit obligation. A change of 0.25% is deemed appropriate given the movement in assumptions during the current and previous years. The sensitivities have been calculated using the same methodology as the main calculations. The weighted average duration of the defined obligation is 19 years.

	2020		2019	
	Change in assumption	**Change in defined benefit obligation**	Change in assumption	Change in defined benefit obligation
Discount rate for scheme liabilities	**+0.25%**	**-4.1%**	+0.25%	-3.9%
	-0.25%	**4.3%**	-0.25%	4.2%
Price inflation (RPI)	**+0.25%**	**3.4%**	+0.25%	3.2%
	-0.25%	**-3.2%**	-0.25%	-3.0%

An increase of one year in the assumed life expectancy for both males and females would increase the benefit obligation by 4.6% (2019: 4.2%).

25 Share capital

Ordinary shares of 25p each, issued and fully paid:

	Number of shares	2020 £m	Number of shares	2019 £m
At 1 January	**30,370,776**	**7.6**	30,325,058	7.6
Additions	**29,117**	**–**	45,718	–
At 31 December	**30,399,893**	**7.6**	30,370,776	7.6

During the year, the Company issued 29,117 shares in relation to the ShareSave scheme. The difference between the exercise price of £22.50 and the nominal value of £0.25 was taken to the share premium account, see note 26.

Shares held by employee trusts

The trustees have waived their right to dividends on the unallocated shares held in the employee share trust.

26 Other reserves

31 December 2020

	Share premium £m	ESOP reserve £m	Employee benefits reserve £m	Capital redemption reserve £m	Hedging reserve £m	Merger reserve £m	Currency translation reserve £m	Total £m
At 1 January 2020	31.5	–	3.0	2.0	0.6	110.4	10.9	158.4
Other comprehensive income/(loss):								
Foreign exchange differences on retranslation of foreign operations	–	–	–	–	–	–	(2.9)	(2.9)
Foreign currency hedges recycled to profit or loss – net of tax	–	–	–	–	1.5	–	–	1.5
Foreign currency hedge revaluations – net of tax	–	–	–	–	1.6	–	–	1.6
Total other comprehensive income/(loss)	–	–	–	–	3.1	–	(2.9)	0.2
Transfer to profit and loss	–	–	–	–	–	(54.7)	–	(54.7)
Share issues	0.6	–	–	–	–	–	–	0.6
Employee share schemes:								
Share-based payments expense	–	–	1.4	–	–	–	–	1.4
Transfer to profit and loss on vesting	–	0.5	(0.6)	–	–	–	–	(0.1)
Net ESOP shares acquired	–	(1.2)	–	–	–	–	–	(1.2)
Total employee share schemes	–	(0.7)	0.8	–	–	–	–	0.1
At 31 December 2020	32.1	(0.7)	3.8	2.0	3.7	55.7	8.0	104.6

31 December 2019

	Share premium £m	ESOP reserve £m	Employee benefits reserve £m	Capital redemption reserve £m	Hedging reserve £m	Merger reserve £m	Currency translation reserve £m	Total £m
At 1 January 2019	30.7	(2.8)	3.6	2.0	(1.0)	177.5	27.1	237.1
Other comprehensive income/(loss):								
Foreign exchange differences on retranslation of foreign operations	–	–	–	–	–	–	(16.2)	(16.2)
Foreign currency hedges recycled to profit or loss – net of tax	–	–	–	–	0.7	–	–	0.7
Foreign currency hedge revaluations – net of tax	–	–	–	–	0.9	–	–	0.9
Total other comprehensive income/(loss)	–	–	–	–	1.6	–	(16.2)	(14.6)
Transfer to profit and loss	–	–	–	–	–	(67.1)	–	(67.1)
Share issues	0.8	–	–	–	–	–	–	0.8
Employee share schemes:								
Share-based payments expense	–	–	1.1	–	–	–	–	1.1
Transfer to profit and loss on vesting	–	1.0	(1.7)	–	–	–	–	(0.7)
Net ESOP shares utilised	–	1.8	–	–	–	–	–	1.8
Total employee share schemes	–	2.8	(0.6)	–	–	–	–	2.2
At 31 December 2019	31.5	–	3.0	2.0	0.6	110.4	10.9	158.4

26 Other reserves continued

Nature and purpose of other reserves

ESOP reserve

The ESOP reserve in the Group represents 27,982 shares (2019: 2,228 shares) held by the share purchase trusts to meet obligations under various incentive schemes. The shares are stated at cost. The market value of these shares at 31 December 2020 was £0.8m (2019: £0.1m). At 31 December 2020 none of these shares were under option (2019: none). During the year the share purchase trusts acquired 371,200 shares at a weighted average price of £24.94 (2019: 246,902 shares at £24.08), offset with shares utilised to settle employee incentives, see note 23 for further details of share incentive schemes. For the purposes of the cash flow statement, the above are netted within the movements in bonus accrual.

Employee benefits reserve

The employee benefits reserve is used to record the value of equity-settled share-based payments provided to employees. Details are included in note 23.

Capital redemption reserve

The capital redemption reserve arose on previous share buy-backs by Clarkson PLC.

Hedging reserve

This reserve comprises the effective portion of the fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred. Realised hedges are recycled to the statement of comprehensive income. Movements are net of tax. Further details on hedging are shown in note 28.

Merger reserve

This comprises the premium on the share placing in November 2014 and the shares issued in February 2015 as part of the acquisition of Clarksons Platou AS (formerly RS Platou ASA). No share premium is recorded in the financial statements, through the operation of the merger relief provisions of the Companies Act 2006. In 2020 and 2019, the Company impaired its investment in relation to this acquisition. As a result, corresponding transfers were made out of this reserve to retained earnings. The transfer from merger reserve is different from the impairment charge recognised in the Group due to the relative carrying values recorded in the Group and Parent Company accounts.

Currency translation reserve

The currency translation reserve represents the currency translation differences arising from the consolidation of foreign operations.

27 Financial commitments and contingencies

Contingencies

The Group has given no financial commitments to suppliers (2019: none).

The Group has given no guarantees (2019: none).

From time to time, the Group is engaged in litigation in the ordinary course of business. The Group carries professional indemnity insurance.

There is currently no litigation that is expected to have a material adverse financial impact on the Group's consolidated results or net assets.

The Group also maintained throughout the financial year Directors' and Officers' liability insurance in respect of its Directors.

28 Financial risk management objectives and policies

The Group's principal financial liabilities comprise trade and other payables and lease liabilities. The Group's principal financial assets are trade receivables, investments and cash and cash equivalents and short-term deposits, which arise directly from its operations.

The Group has not entered into derivative transactions other than the forward currency contracts explained later in this section. It is, and has been throughout 2020 and 2019, the Group's policy that no trading in derivatives shall be undertaken for speculative purposes.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and foreign exchange risk. The Board reviews and agrees policies for managing each of these risks which are summarised below.

28 Financial risk management objectives and policies continued

Credit risk

The Group seeks to trade only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis and any potential bad debts identified at an early stage. The maximum exposure is the carrying amounts as disclosed in note 15; based on experience and ongoing market information about the creditworthiness of counterparties, we reasonably expect to collect all amounts unimpaired. There are no significant concentrations of credit risk within the Group.

Trade receivables are written off when there is no reasonable expectation of recovery, such as the commencement of legal proceedings, financial difficulties of the counterparty, or a significant time period has elapsed since the debt was due. Impairment losses on trade receivables are presented within revenue. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets are written off when there is no reasonable expectation of recovery, such as the commencement of legal proceedings, financial difficulties of the counterparty, or a significant time period has elapsed since the debt was due.

With respect to credit risk arising from cash and cash equivalents and deposits held as current investments, these are considered low risk as the financial institutions used are closely monitored by the Group treasury function to ensure they are held with creditworthy institutions and to ensure there is no over-exposure to any one institution.

For all financial assets held, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The Group seeks to ensure that sufficient liquidity exists in the right locations to meet the Group's financial obligations and related funding requirements in a timely manner, including dividends and taxes, and provide funds for capital expenditure and investment opportunities as they arise. Cash and cash equivalent balances are held with the primary objective of capital security and availability, with a secondary objective of generating returns. Funding requirements are monitored by the Group's Finance function with cash flow forecasting performed at both an entity and Group level. As a normal part of its operations, the Group could face liquidity issues if it experienced a sustained reduction in profitability, problems in the collection of debts from clients or unplanned expenditure.

The tables below summarise the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments.

31 December 2020

	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	5 to 10 years £m	Total £m
Interest-bearing loans and borrowings	–	–	0.1	–	0.1
Trade and other payables	27.1	–	2.7	–	29.8
Deferred consideration	–	0.1	–	–	0.1
Gross settled foreign currency contracts:					
Outflow	9.1	31.1	32.8	–	73.0
Inflow	(9.7)	(33.1)	(34.8)	–	(77.6)
Lease liabilities	2.8	7.6	36.7	17.5	64.6
	29.3	5.7	37.5	17.5	90.0

31 December 2019

	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	5 to 10 years £m	Total £m
Interest-bearing loans and borrowings	–	1.2	0.1	–	1.3
Trade and other payables	30.9	–	2.4	–	33.3
Deferred consideration	–	0.2	–	–	0.2
Gross settled foreign currency contracts:					
Outflow	9.4	20.7	14.9	–	45.0
Inflow	(9.4)	(20.6)	(15.7)	–	(45.7)
Lease liabilities	2.8	8.5	37.8	24.1	73.2
	33.7	10.0	39.5	24.1	107.3

28 Financial risk management objectives and policies continued

The following table shows the total liabilities arising from financing activities.

	2020			2019		
	Interest-bearing loans and borrowings £m	**Lease liabilities £m**	**Total £m**	Interest-bearing loans and borrowings £m	Lease liabilities £m	Total £m
At 1 January	**1.2**	**62.3**	**63.5**	–	63.0	63.0
Cash flows	**(1.2)**	**(8.9)**	**(10.1)**	1.2	(8.6)	(7.4)
Other non-cash movements	**–**	**2.9**	**2.9**	–	9.5	9.5
Foreign exchange adjustment	**0.1**	**(0.2)**	**(0.1)**	0.1	(1.5)	(1.4)
At 31 December	**0.1**	**56.1**	**56.2**	1.3	62.4	63.7

Other non-cash movements include the net impact of additions, modifications and terminations during the year.

Foreign exchange risk

The Group has transactional currency exposures arising from revenues and expenses in currencies other than its functional currency, which can significantly impact results and cash flows. The Group's revenue is mainly denominated in US dollars and the majority of expenses are denominated in local currencies. The Group also has balance sheet exposures, either at the local entity level where monetary assets and liabilities are held in currencies other than the functional currency, or at a Group level on the retranslation of non-sterling balances into the Group's functional currency.

Our aim is to manage this risk by reducing the impact of any fluctuations. The Group hedges currency exposure through forward sales of US dollar revenues. US dollars are also sold on the spot market to meet local currency expenditure requirements. Rates of exchange, non-sterling balances and asset exposures by currency are continually assessed.

The Group is most sensitive to changes in the US dollar exchange rates. The following table demonstrates the sensitivity to a reasonably possible change in this rate, with all other variables held constant, of the Group's profit before taxation and equity.

	Strengthening/ (weakening) in rate	Effect on profit before taxation £m	Effect on equity £m
2020	**5%**	**1.0**	**(2.1)**
	(5%)	**(0.9)**	**1.9**
2019	5%	1.2	(0.7)
	(5%)	(1.1)	0.7

Derivative financial instruments

It is the Group's policy to cover or hedge a proportion of its future transactional US dollar revenues in the UK with foreign currency contracts. The strategy is to protect the Group against a significant weakening of the US dollar. See note 4 for total revenues generated in the UK which are predominantly US dollar denominated. The Group considers the hedge to be effective if each forward contract is settled with the bank and the US dollars sold represent collections from previous months' invoicing. Should the hedging ratio be greater than one (that is, contracted sales are greater than US dollar revenues) then the hedge is deemed to be ineffective. Where these are designated and documented as hedging instruments in the context of IFRS 9 and are demonstrated to be effective, mark-to-market gains and losses are recognised directly in equity (see note 26). These are transferred to the income statement, within revenue, upon receipt of cash and conversion to sterling of the underlying item being hedged. All of the contracts settled during the year were effective. There were no contracts deemed ineffective during the year.

The fair value of foreign currency contracts at 31 December are as follows:

	Assets		Liabilities	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Foreign currency contracts	**4.6**	0.8	**–**	0.1

At 31 December 2020 the Group had forward contracts of US$55m due for settlement in 2021 at an average rate of US$1.28/£1 and US$45m due for settlement in 2022 at an average rate of US$1.29/£1 (2019: US$40m due for settlement in 2020 at an average rate of US$1.33/£1, US$15m due for settlement in 2021 at an average rate of US$1.27/£1 and US$5m due for settlement in 2022 at an average rate of US$1.27/£1).

28 Financial risk management objectives and policies continued

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Total capital is calculated as equity as shown in the consolidated balance sheet.

The Group manages its capital structure, and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2020 or 31 December 2019. These financial statements are prepared on the going concern basis and the Group continues to pay dividends.

A number of the Group's trading entities are subject to regulation by the Norwegian FSA, the FCA in the UK, the MAS in Singapore and the NFA, SEC and FINRA in the US. Regulatory capital at an entity level depends on the jurisdiction in which it is incorporated. In each case, the approach is to hold an appropriate surplus over the local minimum requirement. Each regulated entity complied with their regulatory capital requirements throughout the year.

29 Financial instruments

Fair values

IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:
- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December.

	Level 1		Level 2		Level 3	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Assets						
Investments at fair value through profit or loss (FVPL)	**0.5**	0.4	**9.0**	13.7	**–**	–
Investments at fair value through other comprehensive income (FVOCI)	**–**	–	**–**	–	**1.7**	3.8
Foreign currency contracts	**–**	–	**4.6**	0.8	**–**	–
	0.5	0.4	**13.6**	14.5	**1.7**	3.8
Liabilities						
Other payables	**2.8**	6.5	**–**	–	**–**	–
Foreign currency contracts	**–**	–	**–**	0.1	**–**	–
	2.8	6.5	**–**	0.1	**–**	–

FVPL investments are valued based on quoted prices in an active market (Level 1) or based on quoted prices for similar assets (Level 2); FVOCI investments are categorised as level 3 as the shares are not listed on an exchange and there were no recent observable arm's length transactions in the shares. The fair value of the foreign currency contracts are calculated by management based on external valuations received. These valuations are calculated based on forward exchange rates at the balance sheet date. Other payables relates to short sales of equity investments and are valued using quoted prices in an active market.

29 Financial instruments continued

The classification of financial assets and financial liabilities at 31 December is as follows:

Financial assets

	2020					2019				
	Hedging instruments £m	Fair value through profit or loss £m	Fair value through other compre-hensive income £m	Amortised cost £m	Total £m	Hedging instruments £m	Fair value through profit or loss £m	Fair value through other compre-hensive income £m	Amortised cost £m	Total £m
Other receivables	–	–	–	8.9	8.9	–	–	–	7.4	7.4
Investments	–	9.5	1.7	22.8	34.0	–	14.1	3.8	2.5	20.4
Trade receivables	–	–	–	60.1	60.1	–	–	–	62.3	62.3
Foreign currency contracts	4.6	–	–	–	4.6	0.8	–	–	–	0.8
Cash and cash equivalents	–	–	–	173.4	173.4	–	–	–	175.7	175.7
	4.6	9.5	1.7	265.2	281.0	0.8	14.1	3.8	247.9	266.6

Financial liabilities

	2020			2019			
	Fair value through profit or loss £m	Amortised cost £m	Total £m	Hedging instruments £m	Fair value through profit or loss £m	Amortised cost £m	Total £m
Interest-bearing loans and borrowings	–	0.1	0.1	–	–	1.3	1.3
Trade payables	–	17.0	17.0	–	–	17.0	17.0
Other payables	2.8	10.0	12.8	–	6.5	9.8	16.3
Foreign currency contracts	–	–	–	0.1	–	–	0.1
Deferred consideration	–	0.1	0.1	–	–	0.2	0.2
Lease liabilities	–	56.1	56.1	–	–	62.4	62.4
	2.8	83.3	86.1	0.1	6.5	90.7	97.3

The carrying value of current and non-current financial assets and liabilities is deemed to equate to the fair value at 31 December 2020 and 2019.

Net losses on financial assets at fair value through profit or loss amounted to £0.4m (2019: £0.1m). Net losses on financial assets at fair value through other comprehensive income were £2.1m (2019: £nil). Net losses on financial liabilities at fair value through profit or loss amounted to £0.3m (2019: £0.2m). Gains/(losses) on trade receivables (measured at amortised cost) are shown in note 15.

30 Related party transactions

As in 2019, the Group did not enter into any related party transactions during the year, except as noted below.

Compensation of key management personnel (including Directors)

There were no key management personnel in the Group apart from the Clarkson PLC Directors. Details of their compensation are set out below.

	2020 £m	2019 £m
Short-term employee benefits	4.5	4.6
Post-employment benefits	0.1	0.1
Share-based payments	0.4	0.3
	5.0	5.0

Full remuneration details are provided in the Directors' remuneration report on pages 106 to 121.

As mentioned in the Board of Directors on page 84, Sue Harris is a Non-Executive Director of Schroder & Co. Limited and Chair of the Audit and Risk Committee of the Wealth Management Division, who are investment managers of the defined benefit section of the Clarkson PLC pension scheme. During the year, Jeff Woyda was appointed to the Board of Trustees of The Clarkson Foundation.

Parent Company balance sheet
as at 31 December

	Notes	2020 £m	2019 £m
Non-current assets			
Property, plant and equipment	C	**12.6**	12.9
Investment properties	D	**0.3**	0.3
Right-of-use assets	E	**19.9**	21.9
Investments in subsidiaries	F	**168.0**	224.2
Employee benefits	P	**18.1**	15.5
Deferred tax assets	G	**1.6**	1.8
		220.5	276.6
Current assets			
Trade and other receivables	H	**18.7**	17.5
Income tax receivable		**0.6**	–
Investments	I	**20.5**	0.5
Cash and cash equivalents	J	**0.1**	0.1
		39.9	18.1
Current liabilities			
Trade and other payables	K	**(13.1)**	(11.4)
Lease liabilities	L	**(2.9)**	(2.7)
Income tax payable		**–**	(0.4)
		(16.0)	(14.5)
Net current assets		**23.9**	3.6
Non-current liabilities			
Lease liabilities	L	**(24.0)**	(26.6)
Provisions	M	**(1.0)**	(1.0)
Deferred tax liabilities	N	**(4.4)**	(3.3)
		(29.4)	(30.9)
Net assets		**215.0**	249.3
Capital and reserves			
Share capital	Q	**7.6**	7.6
Other reserves	R	**93.6**	146.5
Retained earnings		**113.8**	95.2
Total equity		**215.0**	249.3

The Company's loss for the year was £14.3m (2019: £43.2m loss).

The financial statements on pages 172 to 191 were approved by the Board on 5 March 2021, and signed on its behalf by:

Sir Bill Thomas
Chair

Jeff Woyda
Chief Financial Officer & Chief Operating Officer

Registered number: 1190238

Parent Company statement of changes in equity
for the year ended 31 December

	Notes	Share capital £m	Other reserves £m	Retained earnings £m	Total equity £m
		Attributable to equity holders of the Parent Company			
Balance at 1 January 2020		**7.6**	**146.5**	**95.2**	**249.3**
Loss for the year		**–**	**–**	**(14.3)**	**(14.3)**
Other comprehensive income:					
Actuarial gain on employee benefit schemes – net of tax	P	**–**	**–**	**2.3**	**2.3**
Total comprehensive loss for the year		**–**	**–**	**(12.0)**	**(12.0)**
Transfer from merger reserve		**–**	**(54.7)**	**54.7**	**–**
Transactions with owners:					
Share issues	R	**–**	**0.6**	**–**	**0.6**
Employee share schemes		**–**	**1.2**	**(0.4)**	**0.8**
Dividend paid	B	**–**	**–**	**(23.7)**	**(23.7)**
Total transactions with owners		**–**	**1.8**	**(24.1)**	**(22.3)**
Balance at 31 December 2020		**7.6**	**93.6**	**113.8**	**215.0**

	Notes	Share capital £m	Other reserves £m	Retained earnings £m	Total equity £m
		Attributable to equity holders of the Parent Company			
Balance at 1 January 2019		7.6	212.4	99.1	319.1
Impact of change in accounting policies		–	–	(2.6)	(2.6)
Adjusted balance at 1 January 2019		7.6	212.4	96.5	316.5
Loss for the year		–	–	(43.2)	(43.2)
Other comprehensive loss:					
Actuarial loss on employee benefit schemes – net of tax	P	–	–	(2.5)	(2.5)
Total comprehensive loss for the year		–	–	(45.7)	(45.7)
Transfer from merger reserve		–	(67.1)	67.1	–
Transactions with owners:					
Share issues	R	–	0.8	–	0.8
Employee share schemes		–	0.4	–	0.4
Tax on other employee benefits		–	–	0.3	0.3
Dividend paid	B	–	–	(23.0)	(23.0)
Total transactions with owners		–	1.2	(22.7)	(21.5)
Balance at 31 December 2019		7.6	146.5	95.2	249.3

Parent Company cash flow statement
for the year ended 31 December

	Notes	2020 £m	2019 £m
Cash flows from operating activities			
Loss before taxation		**(15.2)**	(43.1)
Adjustments for:			
Foreign exchange differences		**(0.3)**	–
Depreciation	C, D, E	**4.3**	4.3
Share-based payment expense		**0.4**	0.3
Impairment of investment in subsidiaries	F	**56.2**	67.1
Difference between pension contributions paid and amount recognised in the income statement		**0.6**	0.1
Finance revenue		**(48.2)**	(30.7)
Finance costs		**0.8**	0.9
Other finance revenue – pensions		**(0.3)**	(0.5)
(Increase)/decrease in trade and other receivables		**(0.4)**	0.8
Increase/(decrease) in bonus accrual		**1.1**	(5.6)
Increase in trade and other payables		**0.6**	1.8
Cash utilised from operations		**(0.4)**	(4.6)
Income tax received		**0.5**	–
Net cash flow from operating activities		**0.1**	(4.6)
Cash flows from investing activities			
Interest received		**0.1**	0.2
Purchase of property, plant and equipment	C	**(1.7)**	(0.3)
Transfer to current investments (cash on deposit)	I	**(20.0)**	–
Dividends received from investments		**48.1**	30.5
Net cash flow from investing activities		**26.5**	30.4
Cash flows from financing activities			
Interest paid		**(0.8)**	(0.9)
Dividend paid	B	**(23.7)**	(23.0)
Payments of lease liabilities		**(2.7)**	(2.7)
Proceeds from shares issued		**0.6**	0.8
Net cash flow from financing activities		**(26.6)**	(25.8)
Net increase in cash and cash equivalents		**–**	–
Cash and cash equivalents at 1 January		**0.1**	0.1
Net foreign exchange differences		**–**	–
Cash and cash equivalents at 31 December	J	**0.1**	0.1

Notes to the Parent Company financial statements

A Statement of accounting policies
The accounting policies applied in the preparation of the Parent Company financial statements are the same as those set out in note 2 to the consolidated financial statements, and have been applied consistently to all periods.

Statement of compliance
The financial statements of Clarkson PLC have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (IFRS) and the applicable legal requirements of the Companies Act 2006.

The Parent Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Parent Company income statement or statement of comprehensive income. The loss for the Parent Company for the year was £14.3m (2019: £43.2m loss).

Changes in accounting policy and disclosures
As stated in note 2 to the consolidated financial statements, there were no new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 January 2020, that had a material impact on the Parent Company.

Critical accounting judgements and estimates
Impairment of investments in subsidiaries
Determining whether investments in subsidiaries are impaired requires an estimation of the value-in-use of the subsidiary. The value-in-use calculation requires estimation of future cash flows expected to arise for the subsidiary, the selection of suitable discount rates and the estimation of future growth rates. As determining such assumptions is inherently uncertain and subject to future factors, there is the potential these may differ in subsequent periods and therefore materially change the conclusions reached.

Impairments of amounts owed by Group companies
The provision for impairment of amounts owed by Group companies represents management's best estimate of expected credit losses to arise on the receivable at the balance sheet date. Determining the amount of the provision involves a degree of judgement and there is a risk this estimate may materially change in the following year due to change in circumstances of the subsidiary.

Investments in subsidiaries
The Parent Company recognises its investments in subsidiaries at cost less provision for impairment. The Parent Company assesses at each reporting date whether there is an indication that an investment may be impaired. If any such indication exists, the Parent Company estimates the investment's recoverable amount. An investment's recoverable amount is the higher of its fair value less costs to sell and its value-in-use and is determined for an individual investment. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the investment.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Parent Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the investment is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the investment in prior years.

Share-based payment transactions
The fair value of the compensation given to subsidiaries in respect of share-based payments is recognised as a capital contribution over the vesting period, reduced by any payments received from subsidiaries.

B Dividends

	2020 £m	2019 £m
Declared and paid during the year:		
Interim dividend for 2020 of 53p per share (final dividend for 2018: 51p per share)	**16.1**	15.4
Interim dividend for 2020 of 25p per share (2019: 25p per share)	**7.6**	7.6
Dividend paid	**23.7**	23.0
Proposed for approval at the AGM (not recognised as a liability at 31 December):		
Final dividend for 2020 proposed of 54p per share (2019: 53p per share)	**16.4**	16.1

C Property, plant and equipment

31 December 2020

	Freehold and long leasehold properties £m	Leasehold improvements £m	Office furniture and equipment £m	Total £m
Original cost				
At 1 January 2020	1.9	14.4	7.3	23.6
Additions	–	–	1.7	1.7
At 31 December 2020	1.9	14.4	9.0	25.3
Accumulated depreciation				
At 1 January 2020	0.5	4.5	5.7	10.7
Charged during the year	–	1.0	1.0	2.0
At 31 December 2020	0.5	5.5	6.7	12.7
Net book value at 31 December 2020	1.4	8.9	2.3	12.6

31 December 2019

	Freehold and long leasehold properties £m	Leasehold improvements £m	Office furniture and equipment £m	Total £m
Original cost				
At 1 January 2019	1.9	14.4	7.0	23.3
Additions	–	–	0.3	0.3
At 31 December 2019	1.9	14.4	7.3	23.6
Accumulated depreciation				
At 1 January 2019	0.4	3.5	4.7	8.6
Charged during the year	0.1	1.0	1.0	2.1
At 31 December 2019	0.5	4.5	5.7	10.7
Net book value at 31 December 2019	1.4	9.9	1.6	12.9

D Investment properties

	2020 £m	2019 £m
Cost		
At 1 January and 31 December	0.6	0.6
Accumulated depreciation		
At 1 January and 31 December	0.3	0.3
Net book value at 31 December	0.3	0.3

The fair value of the investment property at 31 December 2020 was £1.0m (2019: £1.0m). This was based on valuations from an independent valuer who has the appropriate professional qualification and recent experience of valuing properties in the location and of the type being valued.

E Right-of-use assets

	2020 £m	2019 £m
Cost		
At 1 January	**24.1**	24.1
Additions	**0.3**	–
At 31 December	**24.4**	24.1
Accumulated depreciation		
At 1 January	**2.2**	–
Charged during the year	**2.3**	2.2
At 31 December	**4.5**	2.2
Net book value at 31 December	**19.9**	21.9

F Investments in subsidiaries

	2020 £m	2019 £m
Cost		
At 1 January	**224.2**	291.1
Additions	**–**	0.2
Impairment	**(56.2)**	(67.1)
At 31 December	**168.0**	224.2

Due to the continued challenging trading conditions in the offshore broking and securities markets, the Company has revised the recoverable amount of its investment in Clarksons Platou AS, resulting in an impairment of £54.7m (2019: £67.1m). The recoverable amount is subject to sensitivities. An increase in the pre-tax discount rate of 0.5% would decrease value-in-use by £6.5m and an increase in long-term growth rate, from 1.7% to 2.0%, would increase value-in-use by £5.2m. A decrease in pre-tax cash flows of 5% would decrease value-in-use by £6.3m. A further impairment was taken in Clarksons Platou Italia Srl of £1.5m. In 2019, the addition related to a transfer from a subsidiary.

G Deferred tax assets

		2020 £m	2019 £m
Employee benefits	– other employee benefits	**1.3**	1.5
Other temporary differences		**0.3**	0.3
		1.6	1.8

Included in the above are deferred tax assets of £0.7m (2019: £1.0m) which are expected to be utilised within one year. Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. All deferred tax movements arise from the origination and reversal of temporary differences.

H Trade and other receivables

	2020 £m	2019 £m
Prepayments and accrued income	**0.7**	0.7
Owed by Group companies	**18.0**	16.8
	18.7	17.5

The Company has no trade receivables (2019: none). In 2019, included in amounts owed by Group companies was a loan of £3.8m with no fixed maturity date. Interest was being charged at LIBOR plus 3.0% per annum. All other amounts owed by Group companies are payable on demand with no interest being charged. As at 31 December 2020, the Company calculated the expected credit loss of amounts owed by Group companies to be £0.1m (2019: £0.1m). Further details of related party receivables are included in note V.

I Investments

	2020 £m	2019 £m
Cash on deposit	**20.5**	0.5

The Company held £20.5m (2019: £0.5m) in a deposit with a 95-day notice period. This deposit is held with an A-rated financial institution.

J Cash and cash equivalents

	2020 £m	2019 £m
Cash at bank and in hand	0.1	0.1

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is £0.1m (2019: £0.1m).

K Trade and other payables

	2020 £m	2019 £m
Owed to Group companies	1.5	1.9
Accruals	10.6	8.8
Deferred income	1.0	0.7
	13.1	11.4

All amounts owed to Group companies are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Further details of related party payables are included in note V.

L Lease liabilities

	2020 £m	2019 £m
Current		
Lease liabilities	2.9	2.7
Non-current		
Lease liabilities	24.0	26.6

M Provisions

	2020 £m	2019 £m
Non-current		
At 1 January and 31 December	1.0	1.0

Provisions have been recognised for the dilapidation of various leasehold premises which will be utilised on cessation of the lease. A maturity analysis of undiscounted lease liability payments is included within note T. None of the leases contain extension options and rentals are not linked to any index.

N Deferred tax liabilities

	2020 £m	2019 £m
Employee benefits – on pension benefit asset	3.4	2.6
Other temporary differences	1.0	0.7
	4.4	3.3

None of the above deferred tax liabilities are due within one year.

All deferred tax movements arise from the origination and reversal of temporary differences.

O Share-based payment plans

	2020 £m	2019 £m
Expense arising from equity-settled share-based payment transactions	0.4	0.3

For more information on the Parent Company share-based payment plans, see note 23 of the consolidated financial statements.

P Employee benefits

The Group operates two final salary defined benefit pension schemes, being the Clarkson PLC scheme and the Plowrights scheme, both within the UK. The schemes are all registered as occupational pension schemes with HMRC and are subject to UK legislation and oversight from the Pensions Regulator. These are funded by the payment of contributions to separate trusts administered by Trustees who are required to act in the best interests of the schemes' beneficiaries. Responsibility for governance of each scheme lies with the respective board of trustees in accordance with the rules applicable to that scheme. Currently each board of trustees includes a representative of the relevant principal employer. The schemes' assets are invested in a range of pooled pension investment funds managed by professional fund managers.

Defined benefit pension arrangements give rise to open ended commitments and liabilities for the sponsoring company. As a consequence, the Company closed its original defined benefit section of the Clarkson PLC scheme to new entrants on 31 March 2004. This section was closed to further accrual for all existing members as from 31 March 2006. The Plowrights scheme was closed to further accrual from 1 January 2006.

Every three years, a pension scheme must obtain from an actuary a report containing a valuation and a recommendation on rates of contribution. UK legislation requires that pension schemes are funded prudently and must adhere to the statutory funding objective. Triennial valuations for both schemes have been prepared as detailed below.

The valuation of the Clarkson PLC scheme showed a pension surplus on an ongoing basis of £7.3m (106%) as at 31 March 2019. Following the 2016 valuation, Clarkson PLC and the Trustees had agreed to cease funding with effect from 1 October 2016.

The valuation of the Plowrights scheme showed a pension surplus on an ongoing basis of £2.1m (105%) as at 31 March 2019. Clarkson PLC and the Trustees agreed to cease funding with effect from 1 December 2019. The expenses for the scheme will be met from the surplus assets.

For the Clarkson PLC scheme, an allowance for GMP Equalisation in transfers out has been included in the 2020 disclosures. The increase in liabilities was treated as a past service cost and recognised immediately in the 2020 defined benefit cost.

The Company is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The scheme liabilities are calculated using a discount rate set with reference to corporate bond yields; if scheme assets underperform this yield, this will create a deficit. During 2018, the two schemes de-risked by replacing their equity holdings with less volatile investments.

Changes in bond yields

A decrease in corporate bond yields will increase scheme liabilities, although this will be partially offset by an increase in the value of the schemes' bond holdings.

Inflation risk

Some of the Group pension obligations are linked to inflation. The majority of the schemes' assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy

The majority of the schemes' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the schemes' liabilities.

Other pension arrangements

The Company operates a defined contribution pension scheme. Where required, the Company also makes contributions to this scheme.

The Company incurs no material expenses in the provision of post-retirement benefits other than pensions.

The following information relates to the sum of the two separate schemes.

Notes to the Parent Company financial statements continued

P Employee benefits continued

The following tables summarise amounts recognised in the balance sheet and the components of net benefit charge recognised in the income statement:

Recognised in the balance sheet

	2020 £m	2019 £m
Fair value of schemes' assets	**191.6**	182.4
Present value of funded defined benefit obligations	**(169.6)**	(163.1)
	22.0	19.3
Effect of asset ceiling in relation to the Plowrights scheme	**(3.9)**	(3.8)
Net benefit asset recognised in the balance sheet	**18.1**	15.5

The net benefit asset disclosed above is the combined total of the two schemes. The Clarkson PLC scheme has a surplus of £18.1m (2019: £15.5m) and the Plowrights scheme has a surplus of £nil (2019: £nil).

The surplus in the Clarkson PLC scheme is recognised, as there are future economic benefits available in the form of a reduction in future contributions to the defined contribution section of the scheme and, in the event of wind up, excess surplus is refundable to the Group. There are no such future economic benefits in respect of the Plowrights scheme and therefore the surplus of £3.9m (2019: £3.8m) cannot be recognised.

A deferred tax liability on the benefit asset of £3.4m (2019: £2.6m) is shown in note N.

Recognised in the income statement

	2020 £m	2019 £m
Recognised in other finance revenue – pensions:		
Expected return on schemes' assets	**3.6**	4.9
Interest cost on benefit obligation and asset ceiling	**(3.3)**	(4.4)
Recognised in administrative expenses:		
Past service cost	**(0.4)**	–
Scheme administrative expenses	**(0.2)**	(0.3)
Net benefit (charge)/income recognised in the income statement	**(0.3)**	0.2

Recognised in the statement of comprehensive income

	2020 £m	2019 £m
Actual return on schemes' assets	**21.5**	18.6
Less: expected return on schemes' assets	**(3.6)**	(4.9)
Actuarial gain on schemes' assets	**17.9**	13.7
Actuarial loss on defined benefit obligations	**(14.9)**	(20.0)
Actuarial gain/(loss) recognised in the statement of comprehensive income	**3.0**	(6.3)
Tax (charge)/credit on actuarial gains/(losses)	**(0.7)**	1.1
Effect of asset ceiling in relation to the Plowrights scheme	**–**	3.3
Tax charge on asset ceiling	**–**	(0.6)
Net actuarial gain/(loss) on employee benefit obligations	**2.3**	(2.5)
Cumulative amount of actuarial gains/(losses) recognised in the statement of comprehensive income	**1.2**	(1.8)

Schemes' assets

	2020 %	2020 £m	2019 %	2019 £m
Government bonds*	**41.3**	**79.1**	41.9	76.2
Corporate bonds*	**33.0**	**63.3**	33.0	60.3
Investment funds*	**24.8**	**47.5**	24.3	44.4
Cash and other assets	**0.9**	**1.7**	0.8	1.5
	100.0	**191.6**	100.0	182.4

* Based on quoted market prices.

P Employee benefits continued

Net defined benefit asset

Changes in the fair value of the net defined benefit asset are as follows:

31 December 2020

	Present value of obligation £m	Fair value of plan assets £m	Total £m	Impact of asset ceiling £m	Total £m
At 1 January 2020	**(163.1)**	**182.4**	**19.3**	**(3.8)**	**15.5**
Expected return on assets	**–**	**3.6**	**3.6**	**–**	**3.6**
Interest costs	**(3.3)**	**–**	**(3.3)**	**(0.1)**	**(3.4)**
Administration expenses	**–**	**(0.2)**	**(0.2)**	**–**	**(0.2)**
Past service costs	**(0.4)**	**–**	**(0.4)**	**–**	**(0.4)**
Benefits paid	**12.1**	**(12.1)**	**–**	**–**	**–**
Actuarial (loss)/gain	**(14.9)**	**17.9**	**3.0**	**–**	**3.0**
At 31 December 2020	**(169.6)**	**191.6**	**22.0**	**(3.9)**	**18.1**

31 December 2019

	Present value of obligation £m	Fair value of plan assets £m	Total £m	Impact of asset ceiling £m	Total £m
At 1 January 2019	(153.5)	178.5	25.0	(6.8)	18.2
Expected return on assets	–	4.9	4.9	–	4.9
Interest costs	(4.1)	–	(4.1)	(0.3)	(4.4)
Employer contributions	–	0.1	0.1	–	0.1
Administration expenses	–	(0.3)	(0.3)	–	(0.3)
Benefits paid	14.5	(14.5)	–	–	–
Actuarial (loss)/gain	(20.0)	13.7	(6.3)	3.3	(3.0)
At 31 December 2019	(163.1)	182.4	19.3	(3.8)	15.5

The Company expects, based on the valuations and funding requirements including expenses, to contribute £nil to its defined benefit pension schemes in 2021 (2019 for 2020: £nil).

The principal valuation assumptions are as follows:

	2020 %	2019 %
Rate of increase in pensions in payment	**2.8**	3.0
Price inflation (RPI)	**3.0**	3.0
Price inflation (CPI)	**2.0**	2.2
Discount rate for scheme liabilities	**1.4**	2.1

The mortality assumptions used to assess the defined benefit obligations at 31 December 2020 and 31 December 2019 are based on the 'SAPS' standard mortality tables (SP3A for the Clarkson PLC scheme with a scheme specific adjustment of 90% and SP3A Light for the Plowrights scheme). These tables have been adjusted to allow for anticipated future improvements in life expectancy using the standard projection model published in 2020 (31 December 2019: model published in 2019). Examples of the assumed future life expectancy are given in the table below:

		Additional years 2020	Additional years 2019
Post-retirement life expectancy on retirement at age 65:			
Pensioners retiring in the year	– male	**22.9–23.4**	22.9–23.4
	– female	**24.8–25.1**	24.8–25.1
Pensioners retiring in 20 years' time	– male	**24.2–24.6**	24.3–24.6
	– female	**26.2–26.6**	26.2–26.5

P Employee benefits continued

Experience adjustments

	2020 £m	2019 £m
Experience gain on schemes' assets	**17.9**	13.7
Gain/(loss) on schemes' liabilities due to changes in demographic assumptions	**0.3**	(1.7)
Loss on schemes' liabilities due to changes in financial assumptions	**(15.2)**	(16.2)
Loss on schemes' liabilities due to experience adjustments	**–**	(2.1)
Gain on asset ceiling	**–**	3.3
Actuarial gain/(loss)	**3.0**	(3.0)
Income tax on actuarial gain/(loss)	**(0.7)**	0.5
Actuarial gain/(loss) – net of tax	**2.3**	(2.5)

Sensitivities

The table below shows the sensitivity of the defined benefit obligation to changes to the most significant actuarial assumptions. The impact of changes to each assumption is shown in isolation although, in practice, changes to assumptions may occur at the same time and can either offset or compound the overall impact on the defined benefit obligation. A change of 0.25% is deemed appropriate given the movement in assumptions during the current and previous years. The sensitivities have been calculated using the same methodology as the main calculations. The weighted average duration of the defined obligation is 19 years.

	2020		2019	
	Change in assumption	**Change in defined benefit obligation**	Change in assumption	Change in defined benefit obligation
Discount rate for scheme liabilities	**+0.25%**	**-4.0%**	+0.25%	-3.8%
	-0.25%	**+4.3%**	-0.25%	+4.1%
Price inflation (RPI)	**+0.25%**	**+3.8%**	+0.25%	+3.5%
	-0.25%	**-3.6%**	-0.25%	-3.3%

An increase of one year in the assumed life expectancy for both males and females would increase the defined benefit obligation by 4.5% (2019: 4.2%).

Q Share capital

Ordinary shares of 25p each, issued and fully paid:

	Number of shares	2020 £m	Number of shares	2019 £m
At 1 January	**30,370,776**	**7.6**	30,325,058	7.6
Additions	**29,117**	**–**	45,718	–
At 31 December	**30,399,893**	**7.6**	30,370,776	7.6

During the year, the Company issued 29,117 shares in relation to the ShareSave scheme. The difference between the exercise price of £22.50 and the nominal value of £0.25 was taken to the share premium account, see note R.

R Other reserves

31 December 2020

	Share premium £m	Employee benefits reserve £m	Capital redemption reserve £m	Merger reserve £m	Total £m
At 1 January 2020	**31.5**	**2.6**	**2.0**	**110.4**	**146.5**
Total other comprehensive loss	**–**	**–**	**–**	**–**	**–**
Transfer to profit and loss	**–**	**–**	**–**	**(54.7)**	**(54.7)**
Share issues	**0.6**	**–**	**–**	**–**	**0.6**
Employee share schemes:					
Share-based payments expense	**–**	**1.3**	**–**	**–**	**1.3**
Transfer to profit and loss on vesting	**–**	**(0.1)**	**–**	**–**	**(0.1)**
Total employee share schemes	**–**	**1.2**	**–**	**–**	**1.2**
At 31 December 2020	**32.1**	**3.8**	**2.0**	**55.7**	**93.6**

31 December 2019

	Share premium £m	Employee benefits reserve £m	Capital redemption reserve £m	Merger reserve £m	Total £m
At 1 January 2019	30.7	2.2	2.0	177.5	212.4
Total other comprehensive loss	–	–	–	–	–
Transfer to profit and loss	–	–	–	(67.1)	(67.1)
Share issues	0.8	–	–	–	0.8
Employee share schemes:					
Share-based payments expense	–	0.9	–	–	0.9
Transfer to profit and loss on vesting	–	(0.5)	–	–	(0.5)
Total employee share schemes	–	0.4	–	–	0.4
At 31 December 2019	31.5	2.6	2.0	110.4	146.5

Nature and purpose of other reserves

Employee benefits reserve

The employee benefits reserve is used to record the value of equity-settled share-based payments provided to employees.

Capital redemption reserve

The capital redemption reserve arose on previous share buy-backs by the Company.

Merger reserve

This comprises the premium on the share placing in November 2014 and the shares issued in February 2015 as part of the acquisition of Clarksons Platou AS (formerly RS Platou ASA). No share premium is recorded in the financial statements, through the operation of the merger relief provisions of the Companies Act 2006. In 2020 and 2019, the Company impaired its investment in this entity. As a result, corresponding transfers were made out of this reserve to retained earnings.

S Financial commitments and contingencies

Contingencies

The Company has given no financial commitments to suppliers (2019: none).

The Company has given no guarantees (2019: none).

From time to time the Company may be engaged in litigation in the ordinary course of business. The Company carries professional indemnity insurance. There are currently no liabilities expected to have a material adverse financial impact on the Company's results or net assets.

The Company maintained throughout the year Directors' and Officers' liability insurance in respect of itself and its Directors.

T Financial risk management objectives and policies

The Company's principal financial liabilities comprise loans from Group companies and lease liabilities. The Company has various financial assets such as current asset investments, loans to Group companies and cash and cash equivalents, which arise directly from its operations.

The Company has not entered into any derivative transactions.

The main risks arising from the Company's financial instruments are credit risk and liquidity risk.

Credit risk

With respect to credit risk arising from cash and cash equivalents and current investments, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The Company monitors its risk to a shortage of funds using projected cash flows from operations.

The tables below summarise the maturity profile of the Company's financial liabilities at 31 December based on contractual undiscounted payments.

31 December 2020

	Less than 3 months £m	**3 to 12 months £m**	**1 to 5 years £m**	**5 to 10 years £m**	**Total £m**
Lease liabilities	**0.9**	**2.7**	**14.2**	**12.3**	**30.1**

31 December 2019

	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	5 to 10 years £m	Total £m
Lease liabilities	0.9	2.7	14.2	15.9	33.7

The following table shows the total liabilities arising from financing activities.

	2020	**2020**	2019	2019
	Lease liabilities £m	**Total £m**	Lease liabilities £m	Total £m
At 1 January	**29.3**	**29.3**	32.0	32.0
Cash flows	**(2.7)**	**(2.7)**	(2.7)	(2.7)
Other non-cash movements	**0.3**	**0.3**	–	–
At 31 December	**56.1**	**56.2**	62.4	63.7

Other non-cash movements include the net impact of additions, modifications and terminations during the year.

Capital management

For information on the Parent Company capital management objectives, policies and processes, see note 28 of the consolidated financial statements.

U Financial instruments

The classification of financial assets and liabilities at 31 December is as follows:

Financial assets

	2020 Amortised cost £m	2020 Total £m	2019 Amortised cost £m	2019 Total £m
Owed by Group companies	**18.0**	**18.0**	16.8	16.8
Investments	**20.5**	**20.5**	0.5	0.5
Cash and cash equivalents	**0.1**	**0.1**	0.1	0.1
	38.6	**38.6**	17.4	17.4

Financial liabilities

	2020 Amortised cost £m	2020 Total £m	2019 Amortised cost £m	2019 Total £m
Owed to Group companies	**1.5**	**1.5**	1.9	1.9
Lease liabilities	**26.9**	**26.9**	29.3	29.3
	28.4	**28.4**	31.2	31.2

V Related party transactions

During the year, the Company entered into transactions, in the ordinary course of business, with related parties. Transactions with subsidiaries during the year were as follows:

	2020 £m	2019 £m
Management fees charged	**2.7**	2.9
Rent receivable	**6.3**	5.4
Dividends received	**48.1**	30.5
Transfer of investment in subsidiaries	**–**	0.2

Balances with subsidiaries at 31 December were as follows:

	2020 £m	2019 £m
Amounts owed by related parties	**18.0**	16.8
Amounts owed to related parties	**(1.5)**	(1.9)
Deferred income	**(1.0)**	(0.7)

There were no terms or conditions attached to these balances.

Compensation of key management personnel (including Directors)

There were no key management personnel in the Company apart from the Clarkson PLC Directors. Details of their compensation are set out in note 30 to the consolidated financial statements.

As mentioned in the Board of Directors on page 84, Sue Harris is a Non-Executive Director of Schroder & Co. Limited and Chair of the Audit and Risk Committee of the Wealth Management Division, who are investment managers of the defined benefit section of the Clarkson PLC pension scheme. During the year, Jeff Woyda was appointed to the Board of Trustees of The Clarkson Foundation.

Notes to the Parent Company financial statements continued

W Subsidiaries
The Parent Company had the following subsidiaries at 31 December 2020. All shares in subsidiary companies are ordinary share capital, unless otherwise stated.

Company name	Country of incorporation	Registered office address	Proportion of shares held directly by the Parent Company (%)	Proportion of shares held by Group (%)	Principal activity
Afromar Properties (PTY) Limited	South Africa	23 Halifax Street, Bryanston, Johannesburg, 2191, South Africa		100	Non-trading
Bonus Plus Investments Limited	Hong Kong	3209-14, Sun Hung Kai Centre, 30 Harbour Way, Wanchai, Hong Kong		100	Non-trading
Boxton Holding AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		100	Non-trading
Calypso Shipping Investments Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
Clarkson Australia Holdings Pty Ltd	Australia	Level 9, 16 St Georges Terrace, Perth WA 6000, Australia	100		Holding company
Clarkson Capital Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom	100		Holding company
Clarkson Dry Cargo Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
Clarkson Ewings Limited	United Kingdom	27-45 Lincoln Building Ground Floor, Great Victoria Street, Belfast, Northern Ireland, BT2 7SL, United Kingdom		100	Dormant
Clarkson Holdings Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Holding company
Clarkson iQ Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
Clarkson Logistics (HK) Limited	Hong Kong	3209-14, Sun Hung Kai Centre, 30 Harbour Way, Wanchai, Hong Kong		100	Non-trading
Clarkson Logistics Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
Clarkson Market Analysis Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
Clarkson Morocco sarl	Morocco	8, Rue Ali Abderrazzak, 3è étage, Casablanca, 20000, Morocco		100	Shipbroking
Clarkson Overseas Shipbroking Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Holding company
Clarkson Port Services Ireland Limited	Ireland	Paramount Court, Corrig Road, Dublin 18, D18 R9C7, Ireland		100	Non-trading
Clarkson Port Services Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Provision of ship agency and port services
Clarkson Property Holdings Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom	100		Non-trading
Clarkson Research Holdings Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom	100		Holding company
Clarkson Research Services Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Provision of research services and products relating to shipping and offshore
Clarkson Sale and Purchase Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant

W Subsidiaries continued

Company name	Country of incorporation	Registered office address	Proportion of shares held directly by the Parent Company (%)	Proportion of shares held by Group (%)	Principal activity
Clarkson Shipbrokers Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
Clarkson Shipbroking Group Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom	100		Holding company
Clarkson Shipping Agency	Egypt	Tower B, 2nd Floor, 2 El Hegaz Street, Roxi, Heliopolis, Cairo, Egypt		48*	Shipping and maritime agency services
Clarkson Shipping Investments Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom	100		Dormant
Clarkson Shipping Services Acquisition USA LLC	United States	1333 West Loop South, Suite 1525, Houston TX 77027, United States		100	Dormant
Clarkson Shipping Services India Private Limited	India	507-508 The Address, 1 Golf Course Road, Sector 56, Gurgaon, 122011, India		100	Shipbroking
Clarkson Tankers Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
Clarkson Valuations Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Provision of valuation services to the shipping industry
Clarksons Martankers, S.L.U.	Spain	Paseo del Pintor Rosales, 38, 28008 Madrid, Spain		100	Shipbroking
Clarksons Platou (Africa) Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Shipbroking
Clarksons Platou (Australia) Pty Limited	Australia	Level 9, 16 St Georges Terrace, Perth WA 6000, Australia		100	Shipbroking
Clarksons Platou (Brasil) Ltda	Brazil	Avenida Rio Branco, 89-1601, Centro, Rio de Janeiro, 20040-004, Brazil		100	Shipbroking
Clarksons Platou (Denmark) ApS	Denmark	Strandvejen 70, 2., 2900, Hellerup, Denmark		100	Shipbroking
Clarksons Platou (Hellas) Ltd**	Marshall Islands	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH 96960, Marshall Islands		100	Shipbroking
Clarksons Platou (Italia) Srl In Liquidazione	Italy	Piazza Rossetti Raffaele 3A, 16129, Genoa, Italy	100		Shipbroking
Clarksons Platou (Korea) Company Limited	Korea, Republic of	#602, 6F Shin-A, 50, Seosomun-ro 11-gil, Jung-gu, Seoul, Republic of Korea		100	Shipbroking
Clarksons Platou (Nederland) B.V.	Netherlands	De Coopvaert, 6th Floor, Blaak 522, 3011 TA, Rotterdam, Netherlands		100	Shipbroking
Clarksons Platou (Offshore) Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Shipbroking
Clarksons Platou (South Africa) (Pty) Limited	South Africa	23 Halifax Street, Bryanston, Johannesburg, 2191, South Africa		100	Shipbroking
Clarksons Platou (Sweden) AB	Sweden	Dragarbrunnsgatan 55, 753 20, Uppsala, Sweden		100	Shipbroking

* Although the holding represents <50%, a subsidiary of the Group is the beneficial owner of 100% of the share capital and voting rights.
** Has a branch in Greece.

Notes to the Parent Company financial statements continued

W Subsidiaries continued

Company name	Country of incorporation	Registered office address	Proportion of shares held directly by the Parent Company (%)	Proportion of shares held by Group (%)	Principal activity
Clarksons Platou (USA) Inc.	United States	251 Little Falls Drive, Wilmington, New Castle County, DE 19808, United States		100	Holding company
Clarksons Platou AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway	100		Shipbroking
Clarksons Platou Asia Limited*	Hong Kong	3209-14, Sun Hung Kai Centre, 30 Harbour Way, Wanchai, Hong Kong		100	Shipbroking
Clarksons Platou Asia Pte. Limited	Singapore	50 Raffles Place, #32-01 Singapore Land Tower, 048623 Singapore		100	Shipbroking
Clarksons Platou Commodities USA LLC	United States	Delaware: 251 Little Falls Drive, Wilmington, DE 19808, United States Texas: 211 East 7th Street, Suite 620, Austin, TX 78701-3218, United States		100	Introducing broker for LPG swaps
Clarksons Platou DMCC	United Arab Emirates	Unit No: AU-14-A, Gold Tower (AU), JLT-PH1-I3A, Jumeirah Lakes Towers, Dubai, United Arab Emirates		100	Shipbroking
Clarksons Platou Drift AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		24.81**	Provision of property-related services
Clarksons Platou Futures Limited ***	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom	100		Brokerage of shipping-related derivative financial instruments
Clarksons Platou GmbH	Germany	Johannisbollwerk 20, 5.fl, Hamburg 20459, Germany		100	Shipbroking
Clarksons Platou Japan K.K.	Japan	Otemachi Financial City South Tower 15th Floor, 1-9-7 Otemachi, Chiyoda-ku, Tokyo, 100-0004, Japan		100	Shipbroking
Clarksons Platou Legal Services Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Provision of legal services to the shipping industry
Clarksons Platou Offshore (Asia) Pte. Limited	Singapore	12 Marina View, #29-01 Asia Square, Tower 2, 018961 Singapore		100	Shipbroking
Clarksons Platou Project Development AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		50.01	Real estate project management
Clarksons Platou Project Finance AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		50.01	Shipping and offshore project syndication
Clarksons Platou Project Finance Shipping AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		50.02	Shipping and offshore project syndication
Clarksons Platou Project Sales AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		31.01**	Equity placements for shipping, offshore and real estate projects and secondary trading of project ownership
Clarksons Platou Property Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom	100		Property holding company
Clarksons Platou Property Management AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		24.81**	Provision of property-related services
Clarksons Platou Real Estate AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		31.01**	Real estate project syndication

* Has a branch in China.
** Although the holding represents <50%, the Parent Company controls the entity through controlling interests in subsidiary companies.
*** Has branches in Singapore and Switzerland.

W Subsidiaries continued

Company name	Country of incorporation	Registered office address	Proportion of shares held directly by the Parent Company (%)	Proportion of shares held by Group (%)	Principal activity
Clarksons Platou Real Estate Investment Management AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		50.01	Management of companies and funds that invest in private companies investing in real estate and associated businesses
Clarksons Platou Securities (Canada), Inc.	Canada	44 Chipman Hill, Suite 1000, Saint John NB E2L 2A9, Canada		100	Equity and fixed income sales and trading, research and corporate finance services, including equity and debt capital markets and M&A transactions
Clarksons Platou Securities AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		100	Equity and fixed income sales and trading, research and corporate finance services, including equity and debt capital markets and M&A transactions
Clarksons Platou Securities, Inc.	United States	280 Park Ave, New York, NY 10017, United States		100	Equity and fixed income sales and trading, research and corporate finance services, including equity and debt capital markets and M&A transactions
Clarkson Shipbroking (Shanghai) Co. Limited	China	Room 111 Building 3 No.170, Hua Shan Road, Hongkou District, Shanghai, 200082, China		100	Shipbroking
Clarksons Platou Shipbroking (Switzerland) SA	Switzerland	Rue de la Fontaine 1, 1204 Geneva, Switzerland		100	Shipbroking
Clarksons Platou Shipping Services USA LLC	United States	211 East 7th Street, Suite 620, Austin, Texas 78701, United States		100	Shipbroking
Clarksons Platou Structured Asset Finance Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom	100		Provision of advice on finance structuring for shipping-related projects
Clarksons Platou Tankers AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		100	Shipbroking
Coastal Shipping Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
Company Event Management Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
Diligent Challenger Limited	Hong Kong	3209-14, Sun Hung Kai Centre, 30 Harbour Way, Wanchai, Hong Kong		100	Non-trading
Enship Limited	United Kingdom	303 King street, Aberdeen, Scotland, AB24 5AP, United Kingdom		100	Dormant
Genchem Holdings Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom	100		Holding company

W Subsidiaries continued

Company name	Country of incorporation	Registered office address	Proportion of shares held directly by the Parent Company (%)	Proportion of shares held by Group (%)	Principal activity
Gibb Group Ltd	United Kingdom	271 King Street, Aberdeen, Scotland, AB24 5AN, United Kingdom		100	Supply of MRO, PPE and safety equipment for the energy and industrial sector
H. Clarkson & Company Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Shipbroking
Halcyon Shipping Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
J.O. Plowright & Co. (Holdings) Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom	100		Dormant
LevelSeas Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
LNG Shipping Solutions Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Shipbroking
LNG UK Plc	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom	100		Dormant
Manfin Consult AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		50.01	Shipping and offshore project syndication
Marinet (Ship Agencies) Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
Maritech Development Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Development of digital products for the shipping industry
Maritech Holdings Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom	100		Holding company
Maritech Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Support of digital products and services for the shipping industry
Maritech Services Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Sale of digital products and services to the shipping industry
Michael F. Ewings (Shipping) Limited	United Kingdom	27-45 Lincoln Building Ground Floor, Great Victoria Street, Belfast, Northern Ireland, BT2 7SL, United Kingdom		100	Dormant
Norwegian Marine Services AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		50.01	Shipping and offshore project syndication
Oilfield Publications Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
RS Platou Africa Limited	Jersey	1 Waverley Place, Union Street, St. Helier, JE4 8SG Jersey		100	Non-trading
RS Platou AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		100	Dormant
RS Platou Economic Research AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		100	Dormant
RS Platou Hellas Limited	Cyprus	Arch. Makarios III, 58, Iris Tower, Floor 8, Nicosia, 1075, Cyprus		100	Non-trading
RS Platou Offshore AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		100	Dormant
RS Platou Shipbrokers AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		100	Dormant
Samuel Stewart & Co. (London) Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant

W Subsidiaries continued

Company name	Country of incorporation	Registered office address	Proportion of shares held directly by the Parent Company (%)	Proportion of shares held by Group (%)	Principal activity
Seafix Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Sale of digital products and services to the shipping industry
Shipvalue.net Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
Small & Co. (Shipping) Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
Stewart Offshore Ghana Limited	Ghana	Wesley House, Liberia Road, PO Box 6274, Accra, North Accra, Ghana		75	Non-trading
Stewart Offshore Services (Jersey) Limited	Jersey	1 Waverley Place, Union Street, St. Helier, JE4 8SG Jersey		100	Non-trading
Stewart Offshore Services Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
The Stewart Group Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
Tokyo Shipping & Trading, Limited	Hong Kong	3209-14, Sun Hung Kai Centre, 30 Harbour Way, Wanchai, Hong Kong		100	Dormant
VAXA Drift AS	Norway	c/o Vaxa Property AS, Philip Pedersens vei 20, Lysaker, 1366, Norway		12.43*	Operation cost management for property SPV
VAXA Group AS	Norway	c/o Vaxa Property AS, Philip Pedersens vei 20, Lysaker, 1366, Norway		12.43*	Holding company
VAXA Økonomi AS	Norway	Philip Pedersens vei 20, Lysaker, 1366, Norway		6.23*	Provision of accounting and financial advisory
VAXA Property AS	Norway	Philip Pedersens vei 20, Lysaker, 1366, Norway		12.43*	Property management services
Waterfront Services Limited	United Kingdom	27-45 Lincoln Building Ground Floor, Great Victoria Street, Belfast, Northern Ireland, BT2 7SL, United Kingdom		100	Dormant

No exemptions have been taken in respect of dormant subsidiaries from preparing and filing individual statutory accounts under s394A of the Companies Act 2006.

* Although the holding represents <50%, the Parent Company controls the entity through controlling interests in subsidiary companies.

Glossary

Aframax	A tanker size range defined by Clarksons as between 85-125,000 dwt.
AHTS	Anchor Handling Tug and Supply vessel. Used to tow offshore drilling and production units to location and deploy their anchors, and also perform a range of other support roles.
AIS	Automatic Identification System. A tracking system using transponders and GPS information to monitor live ship positions.
Bareboat charter	A hire or lease of a vessel from one company to another (the charterer), which in turn provides crew, bunkers, stores and pays all operating costs.
Board	The Board of Directors of Clarkson PLC.
Bulk cargo	Unpackaged cargoes such as coal, ore and grain.
Bunkers	A ship's fuel.
Capesize (cape)	Bulk ship size range defined by Clarksons as 100,000 dwt or larger.
Cbm	Cubic metres. Used as a measurement of cargo capacity for ships such as gas carriers.
CEO	Chief Executive Officer, Andi Case.
CFO & COO	Chief Financial Officer & Chief Operating Officer, Jeff Woyda.
Cgt	Compensated gross tonnage. This unit of measurement was developed for measuring the level of shipbuilding output and is calculated by applying a conversion factor, which reflects the amount of work required to build a ship, to a vessel's gross registered tonnage.
Chair	Sir Bill Thomas.
Charterer	Cargo owner or another person/company who hires a ship.
Charter party	Transport contract between shipowner and shipper of goods.
ClarkSea Index	A weighted average index of earnings for the main vessel types where the weighting is based on the number of vessels in each fleet sector.
Clean products	Refined oil products such as naphtha.
CoA	Contract of Affreightment.
Company	Clarkson PLC as a standalone entity, registered in England and Wales under company number 1190238.
Containership	A cargo ship specifically equipped with cell guides for the carriage of containerised cargo.
Code	The UK Corporate Governance Code (July 2018).
COVID-19	A global pandemic caused by the SARS-CoV-2 virus, first identified in late 2019.
CO_2	Carbon dioxide.
Crude oil	Unrefined oil.
CSR	Corporate Social Responsibility.
Disclosure Guidance and Transparency Rules (DTR)	Regulations which apply to most larger companies on the London Stock Exchange, which implement a number of EU Directives on transparency, market abuse, accounting and audit. The Disclosure Guidance and Transparency Rules are supplementary to the Listing Rules.
Dry (market)	Generic term for the bulk market.
Dry cargo carrier	A ship carrying general cargoes or sometimes bulk cargo.
DRR Regulations	Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.
Dwt	Deadweight tonne. A measure expressed in metric tonnes (1,000 kg) or long tonnes (1,016 kg) of a ship's carrying capacity, including bunker oil, fresh water, crew and provisions. This is the most important commercial measure of the capacity.
ECA	Export Credit Agencies.
ECM	Equity Capital Markets.
E&P	Exploration and Production.
EPC	Engineering, procurement and construction.
EPS	Earnings per share.
ESTs	Energy Saving Technologies.
ESG	Environmental, Social and Governance.
Executive Directors	Andi Case (CEO) and Jeff Woyda (CFO & COO).
External audit	An independent opinion of the Group and Company's financial statements by an external firm. PricewaterhouseCoopers LLP is the Group's current external auditor.
Fair value	Fair value is defined as an amount at which an asset could be exchanged between knowledgeable and willing parties in an arm's length transaction.
FFA	Forward Freight Agreement. A cash contract for differences requiring no physical delivery based on freight rates on standardised trade routes.
Financial Conduct Authority (FCA)	The FCA regulates the financial services industry in the UK.
Forward order book (FOB)	Estimated commissions collectable over the duration of the contract as principal payments fall due. The forward order book is not discounted.
Freight rate	The agreed charge for the carriage of cargo expressed per tonne of cargo (also Worldscale in the tanker market) or as a lump sum.

FSRU	Floating Storage and Regasification Unit. This vessel type acts as a floating discharge terminal, typically shore-side within a port, to allow a discharge solution for LNG carriers in ports which may only have seasonal gas import needs, or need a lower-cost solution than a land-based regasification terminal.
FSU	Floating Storage Unit. A floating unit used for hydrocarbon storage.
FTSE 250	The share index consisting of the 101st to 350th largest companies listed on the London Stock Exchange main market. Clarkson PLC has been a member of the FTSE 250 since 2015.
GHG	Greenhouse gas.
Group	Clarkson PLC and its subsidiary undertakings.
GT	Gross Tonnage. A standardised measure of a ship's internal volume as defined by the IMO.
GW	Gigawatts. A unit of power or power capacity equivalent to 1 billion watts.
Handysize	Bulk carrier size range defined by Clarksons as 10-40,000 dwt or tanker size range defined by Clarksons as 10-55,000 dwt.
Handymax	Bulk carrier size range defined by Clarksons as 40-65,000 dwt. Includes supramax and ultramax vessels.
IFRSs	International Financial Reporting Standards. A set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements.
ICE	Intercontinental Exchange. A company that operates financial, commodity and futures exchanges around the world.
IMO	International Maritime Organization. A United Nations agency devoted to shipping.
IMO2	A type 2 ship is a chemical tanker intended to transport chapter 17 products with appreciably severe environmental and safety hazards which require significant preventive measures to preclude an escape of such cargo.
Independent Non-Executive Director	A Director of the Board, not part of the executive management of the Company, who is free from any business or other relationship that could materially conflict with their ability to exercise independent judgement.
IP	Industrial Production. A measure of the total industrial output of a given country or region, including sectors such as manufacturing, mining and utilities.
Kamsarmax	A sub-sector of the wider panamax bulk carrier fleet, defined as vessels with a maximum LOA of 229m, so able to load at the Port of Kamsar in Guinea. Typically refers to vessels in the 80-89,999 dwt size range.
KPIs	Key performance indicators.
LGC	Large Gas Carrier. Vessel defined by Clarksons as 45,000-64,999 cbm.
Listing Rules	Set of regulations overseen by the UK Listing Authority (UKLA), which apply to any company listed on the London Stock Exchange.
Liquidity risk	The risk of the Group being unable to meet its cash and collateral obligations without incurring large losses.
LNG	Liquefied Natural Gas.
LPG	Liquefied Petroleum Gas.
LR1	Long Range 1. Coated products tanker defined by Clarksons as 55,000-85,000 dwt.
LR2	Long Range 2. Coated products tanker defined by Clarksons as 85,000-125,000 dwt.
LSE	London Stock Exchange. The stock exchange in the City of London on which Clarkson PLC's shares are listed.
MGC	Midsize Gas Carrier. Vessel defined by Clarksons as 20-45,000 cbm.
MR	Medium Range. A product tanker of around 45-55,000 dwt.
MT	Metric tonne (see tonne). A measure equivalent to 1,000 kg.
Nm	Nautical miles. A unit of distance measurement defined as exactly 1,852 metres.
OECD	Organisation for Economic Co-operation and Development.
OPEC	Organization of the Petroleum Exporting Countries.
OSV	Offshore Support Vessels. Such as AHTSs and PSVs. Ships engaged in providing support to offshore rigs and oil platforms.
Panamax	Bulk carrier size range defined by Clarksons as 65-100,000 dwt or tanker size range defined as 55-85,000 dwt. Containership size range defined as vessels 3,000+ TEU capable of transiting the old locks at the Panama Canal.
Parent Company	Clarkson PLC as a standalone entity, registered in England and Wales under company number 1190238.
PDH	Propane DeHydrogenation.
PMI	Purchasing Managers' Index. Leading economic indicators derived from monthly surveys of private sector companies.
PPE	Personal protective equipment.
Product tanker	Tanker that carries refined oil products.
PSV	Platform Supply Vessel. Used in supporting offshore rigs and platforms by delivering materials to them from onshore.

Glossary continued

S&P	Standard & Poor's 500 Index. An American stock market index based on the market capitalisations of 500 large companies having common stock listed on the NYSE, NASDAQ or the Cboe BZX Exchange.
SCFI	Shanghai Containerised Freight Index. An index produced by the Shanghai Shipping Exchange reflecting movements in spot container freight rates from Shanghai to a selection of destinations around the world.
Senior Independent Director (SID)	Peter Backhouse.
SBP	Share-based payments.
Shipbroker	A person/company who, on behalf of a shipowner/shipper, negotiates a deal for the transportation of cargo at an agreed price. Shipbrokers also act on behalf of shipping companies in negotiating the purchasing and selling of ships, both secondhand tonnage and newbuilding contracts.
Spot market	Short-term contracts for voyage, trip or short-term time charters, normally no longer than three months in duration.
Suezmax	A tanker size range defined by Clarksons as 125-200,000 dwt.
Supramax	A sub-sector of the wider handymax bulk carrier fleet defined by Clarksons as 50-60,000 dwt.
TEU	20-foot Equivalent Units. The unit of measurement of a standard 20-foot long container.
Time charter	An arrangement whereby a shipowner places a crewed ship at a charterer's disposal for a certain period. Freight is customarily paid periodically in advance. The charterer also pays for bunker, port and canal charges.
Time Charter Equivalent (TCE)	Gross freight income less voyage costs (bunker, port and canal charges), usually expressed in US$ per day.
Tonne	Imperial/Metric tonne of 2,240 lbs/1,000 kg (2,204 lbs).
TSR	Total Shareholder Return.
UK Listing Authority	The Financial Conduct Authority as competent authority for the purposes of Part IV of the UK Financial Services and Markets Act 2000.
Ultramax	A modern sub-sector of the wider handymax bulk carrier fleet, defined by Clarksons as 60-65,000 dwt, including some vessels up to 70,000 dwt.
VLCC	Very Large Crude Carrier. Tanker over 200,000 dwt.
VLGC	Very Large Gas Carrier. Vessel defined by Clarksons as 65,000 cbm or larger.
Voyage charter	The transportation of cargo from port(s) of loading to port(s) of discharge. Payment is normally per tonne of cargo, and the shipowner pays for bunker, port and canal charges.
Voyage costs	Costs directly related to a specific voyage (e.g. bunker, port and canal charges).
Wet (market)	Generic term for the tanker market.

Five-year financial summary

Income statement

	2020* £m	2019* £m	2018* £m	2017* £m	2016* £m
Revenue	**358.2**	363.0	337.6	324.0	306.1
Cost of sales	**(13.3)**	(14.3)	(12.9)	(9.7)	(8.9)
Trading profit	**344.9**	348.7	324.7	314.3	297.2
Administrative expenses	**(298.5)**	(298.2)	(279.7)	(264.8)	(253.0)
Operating profit	**46.4**	50.5	45.0	49.5	44.2
Profit before taxation	**44.7**	49.3	45.3	50.2	44.8
Taxation	**(9.5)**	(11.4)	(10.7)	(12.0)	(11.2)
Profit for the year	**35.2**	37.9	34.6	38.2	33.6

* Before exceptional items and acquisition related costs.

Cash flow

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Net cash inflow from operating activities	**65.9**	67.8	22.7	48.0	45.6

Balance sheet

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Non-current assets	**290.1**	349.9	354.3	355.6	357.9
Inventories	**1.3**	1.1	0.8	0.7	0.7
Trade and other receivables (including income tax receivable)	**76.8**	77.1	78.2	61.5	59.0
Current asset investments	**31.1**	15.6	9.7	5.8	29.8
Cash and cash equivalents	**173.4**	175.7	156.5	161.7	154.0
Current liabilities	**(177.4)**	(170.6)	(143.6)	(140.3)	(172.4)
Non-current liabilities	**(66.9)**	(68.2)	(21.3)	(21.6)	(22.3)
Net assets	**328.4**	380.6	434.6	423.4	406.7

Statistics

	2020 Pence	2019 Pence	2018 Pence	2017 Pence	2016 Pence
Earnings per share – basic*	**106.0**	118.8	105.2	116.8	105.2
Dividend per share	**79.0**	78.0	75.0	73.0	65.0

* Before exceptional items and acquisition related costs.

Changes to IFRS have not been retrospectively adjusted.

Principal trading offices

United Kingdom
London
Registered office
Commodity Quay
St Katharine Docks
London
E1W 1BF
Contact: Andi Case
Tel: +44 20 7334 0000

Ipswich
Maritime House
19a St. Helen's Street
Ipswich
IP4 1HE
Contact: David Rumsey
Tel: +44 1473 297 300

Ledbury
Homend House
15 The Homend
Ledbury
HR8 1BN
Contact: Shaun Barrell
Tel: +44 1531 634 561

Aberdeen
303 King Street
Aberdeen
AB24 5AP
Contact: Innes Cameron
Tel: +44 1224 211 500

271 King Street
Aberdeen
AB24 5AN
Contact: Sean Maclean
Tel: +44 1224 620 940

City Wharf
Shiprow
Aberdeen
AB11 5BY
Contact: Paul Love
Tel: +44 1224 256 600

Belfast
27-45 Lincoln Building
Ground Floor
Great Victoria Street
Belfast
Northern Ireland
BT2 7SL
Contact: Michael Ewings
Tel: +44 2890 242 242

Birmingham
55 Colmore Row
Birmingham
B3 2AA
Sea/ by Maritech contact:
James Spencer
Tel: +44 20 7334 5569

Australia
Melbourne
Level 2
112 Wellington Parade
East Melbourne
VIC 3002
Contact: Matthew Russell
Tel: +61 3 9867 6800

Perth
Level 9
16 St Georges Terrace
Perth
WA 6000
Contact: Mark Rowland
Tel: +61 8 6210 8700

Brazil
16th Floor Manhattan Tower
Avenida Rio Branco 89
Suite 1601
Rio de Janeiro 20.040-004
Contact: Jens Behrendt
Tel: +55 21 3923 8803

China
Room 2203-2204
Shanghai Huadian Tower
839 Guozhan Road
Pudong New Area
Shanghai 200126
Contact: Cheng Yu Wang
Tel: +86 21 6103 0100

Hong Kong
3209-3214 Sun Hung Kai
Centre
30 Harbour Road
Wanchai
Contact: Martin Rowe
Tel: +852 2866 3111

Denmark
Strandvejen 70
2. sal
2900 Hellerup
Contact: Charles Nordsted
Tel: +45 40 40 1812
Contact: Nicolai Kofoed
Tel: +45 32 74 0303

Egypt
Alexandria
2nd Floor
5 Vector Basseli Street
Al Azarita
Alexandria
Contact: Ayman Sharkas
Tel: +20 3 488 9001

Cairo
2nd Floor
2 El Hegaz Street
Roxi
Heliopolis
Cairo
Contact:
Mohamed Refaat Metawei
Tel: +20 2 2454 0509

Germany
5th Floor
Johannisbollwerk 20
20459 Hamburg
Contact: Jan Aldag
Tel: +49 40 3197 66 110

Greece
62 Kifissias Avenue
Marousi 15125
Contact: Savvas Athanasiadis
Tel: +30 210 458 6700

India
507–508 The Address
1 Golf Course Road
Sector 56
Gurgaon
122011 Haryana
Contact: Amit Mehta
Tel: +91 124 420 5000

Japan
15th Floor Otemachi Financial
City South Tower
1-9-7 Otemachi
Chiyoda-ku
Tokyo 100-0004
Contact: Christian Skovhoj
Tel: +81 3 3510 9880

Korea
6F Shin-A Building
50, Seosomun-ro 11-gil
Jung-gu
Seoul
04515
Contact: Jae Sung Choi
Tel: +82 10 2076 9510

The Netherlands
De Coopvaert
6th Floor
Blaak 522
3011 TA Rotterdam
Contact: Hans Brinkhorst
Tel: +31 10 7422 833

Norway
62C Munkedamsveien
0270 Oslo
Securities contact:
Erik Helberg
Broking contact:
Henning Leo Knudsen
Offshore contact:
Christian Brugård
Tel: +47 2311 2000

Singapore
12 Marina View
29–01 Asia Square Tower 2
018961
Contact: Rob Hewitson
Tel: +65 6339 0036

South Africa
PO Box 5890
Rivonia
Johannesburg 2128
Contact: Simon Lester
Tel: +27 11 803 0008

Spain
Paseo del Pintor Rosales, 38
28008 Madrid
Contact: José Antonio Leira
Contact: Francisco Pascual
Tel: +34 913 091 335

Sweden
Dragarbrunnsgatan 55
Uppsala
753 20
Contact: Torbjorn Helmfrid
Tel: +46 18 502 075

Switzerland
1 Rue de la Fontaine
1204 Geneva
Contact: Joe Green
Tel: +41 22 308 9900

United Arab Emirates
14th Floor Gold Tower
Jumeirah Lakes Towers
PO Box 102929
Dubai
Specialised products contact:
Remco Hemminga
Dry cargo contact: Pankaj
Malhotra
Tankers contact: Jamie Green
Tel: +971 4 450 9400

USA
Connecticut
160 Shelton Road
Suite 200
Monroe
Connecticut
CT 06468
Contact: Jim Weinberg
Tel: +1 203 459 5151

Houston
Suites 1525 and 1550
1333 West Loop South
Houston
Texas 77027
Contact: Roger Horton
Tel: +1 713 235 7400

New York
21st Floor East
280 Park Avenue
New York
NY 10017
Contact: Omar Nokta
Tel: +1 212 317 7080
Contact: Philipp Bau
Tel: +1 212 314 0980

FSC
www.fsc.org
MIX
Paper from
responsible sources
FSC® C016486

This Report is printed on materials which
are FSC® certified from well-managed forests.

These materials contain ECF (Elemental
Chlorine Free) pulp and are 100% recyclable.

Designed by Gather
+44 (0)20 7610 6140
www.gather.london

Clarkson PLC

Commodity Quay
St Katharine Docks
London E1W 1BF
United Kingdom
Tel: +44 20 7334 0000
www.clarksons.com