



## Bunker Adjustment Factor (BAF) & Environmental Fuel Fee (EFF) trigger

Dear Customer,

As Hamburg Süd communicated over the course of 2019, the switch to low-sulphur marine fuel to comply with the IMO regulation that entered into effect on January 1, 2020, will result in substantial cost increases for ocean shipping, and fuel costs will consequently account for an even larger proportion of total freight rates. At the same time, we also said that we expected fuel prices to experience increased volatility. To allow customers and Hamburg Süd to manage the volatility and cost exposure in a fair and transparent manner, the Hamburg Süd EFF and quarterly BAF levels will be subject to a monthly review and exceptional trigger if the price of compliant fuel (0.5% sulphur fuel oil), or VLSFO, moves up or down significantly during the quarter. In both cases, the trigger to activate the exceptional review will be defined as a change (up or down) of more than 50 USD/metric ton in bunker prices compared to the last time both surcharges were adjusted.

We have seen VLSFO prices increase substantially in recent months, and even more so in recent weeks. In particular, for a certain period, the VLSFO price in Asia (Singapore) exceeded 700 USD/mt, which is more than 20% higher than the bunker prices used in calculating the previous Bunker Adjustment Factor (BAF) and Environmental Fuel Fee (EFF). As a result, the average increase in January is expected to exceed USD 50/mt.

Accordingly, Hamburg Süd will activate the additional monthly trigger defined in our Bunker Adjustment Factor (BAF) and Environmental Fuel Fee (EFF) formulas, and these **new tariffs will be effective as of March 1, 2020**.

We will use Bunkerworld's fuel price index for 0.5% sulphur fuel oil (VLSFO) for the BAF and EFF calculations. The period used for the calculation will be December 26, 2019 to January 25, 2020, and the figures used in the comparison will be:

- BAF: Average bunker price from August 26, 2019 to November 25, 2019 (537.99 USD/mt)
- EFF: Average bunker price from September 26, 2019 to October 25, 2019 (547.37 USD/mt)

The tariff increases will be seen across all trades and will range between 25 to 100 USD per TEU, which will reflect the increased fuel costs resulting from the rise in bunker prices of recent weeks. The actual increases per trade will be communicated by end January.

We would like to thank you for your business, and we look forward to continuing to meet your global transportation needs.

Please do not hesitate to contact your local Hamburg Süd customer representative if you should have any questions regarding the BAF or EFF.

Best regards,

Hamburg Süd