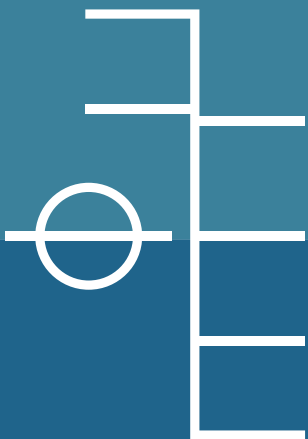



International Salvage Union
Annual Review 2022



A large red gantry crane is mounted on a white tugboat named 'RUA II'. The crane's two vertical legs are prominent, with multiple cables running between them. The tugboat is docked in a harbor with other vessels visible in the background. The water is dark and reflects the sky. The sky is a clear, bright blue. The text is overlaid on a semi-transparent blue horizontal band across the middle of the image.

“ISU - The credible, trusted, global voice of its members who facilitate world trade by providing services which save life, protect the environment, mitigate risk and reduce loss.”

International Salvage Union Annual Review

2022

PRESIDENT'S FOREWORD



It is a privilege to write this foreword to the 2022 International Salvage Union Annual Review.

The ISU continues to be the only voice representing marine salvors internationally and we are proud that we have official consultative status at the International

Maritime Organisation. A highlight for the year was to have discussions with Secretary General Kitack Lim on the importance of marine salvage to shipping interests and the environment and being invited to address a plenary session of the IMO's Maritime Safety Committee.

I am pleased to say that the number of ISU Full Members - who are all active salvage contractors - has remained stable despite the turbulence of the last few years and the long term impact of the Covid pandemic. Our Associate and Affiliate Membership numbers have also been stable, and the strength of the membership shows that ISU continues to be a relevant and important organisation working effectively on behalf of its Members on commercial, legal and operational issues.

The salvage industry is under financial pressure as the ISU's annual salvage industry statistics on Page 9 of this Review indicate. Gross revenues from all sources dipped significantly in 2022 from the previous year and they are weak compared with the industry's performance generally over the past decade. ISU Members continue to experience fierce competition between themselves and from other sources; there are also fewer major jobs and the average income for each service has reduced further. The Lloyd's Open Form (LOF) contract was used less frequently in 2022 than in any previous year and income from LOF and SCOPIC was at historically low levels. It is an uncomfortable environment for our Membership. These numbers are for the year in which income was received, not when the job was done, so there may still be a lingering impact from the pandemic.

During the year we continued to make progress on changes to the SCOPIC regime. It has seen much hard work by the ISU, the International Group of P&I Clubs (IG) and others from the Lloyd's SCOPIC

Committee. We agreed the new increased SCOPIC rates as part of the established triennial review and made substantial progress with the revisions to the Guidelines on the role of the Special Casualty Representatives. We also continued to work with the IG and BIMCO on revisions to the 2023 Wreckstage contract. Progress has been steady and there remains more to do to conclude the new wording and we are hopeful this will happen by the end of this year.

The maritime world again saw the value of professional, experienced salvors with their own assets and people. For example, the refloating of the grounded containership, EVER FORWARD, in the USA clearly demonstrates the added value of professional salvors in loss mitigation – minimising delays to the vessel's valuable cargo and preventing lengthy disruption to US ports.

As well as saving life and property, salvors continued to prevent major incidents of marine pollution. In 2022 ISU members provided services to vessels carrying more than 2.6 million tonnes of potential pollutants. The full results can be seen on Page 10 of this review and show the great environmental benefit of the salvage industry.

Operational matters have been dominated by concern about the prevalence of fires on containerships and the increasing concern about battery fires in car carriers and on RoRo ships. ISU Members are often the only agency available to deal with such incidents and have a proud track record in this specialised field. ISU has supported calls from the insurance industry to see more work done to improve fire prevention and fire suppression on these classes of vessel.

I hope you find this Review useful and share our view that it demonstrates the ISU's intention to be open and transparent for the benefit of its Members and other stakeholders in the wider shipping industry.



Captain Nicholas Sloane, FNI
President,
International Salvage Union

EXECUTIVE COMMITTEE REPORT

The International Salvage Union is a company limited by guarantee (not for profit) incorporated in England. It acts as the trade association for marine salvors globally and its principal activity has been the provision of services to its marine salvage company members.

The ISU is governed by a President supported by a vice-President and an Executive Committee made up of senior managers from the members companies. The Executive Committee meets quarterly and there is an annual meeting to which all members are invited. Day to day business is conducted by a secretariat consisting of the Secretary General, Administration and Finance Assistant, supported by the Legal Adviser. The ISU operates from a modest office in the City of London, UK. New premises were taken in May 2022.

OFFICERS

President
Captain Nicholas Sloane, FNI
Resolve Marine, USA

Vice President
John Witte Jr
Donjon Marine, USA

EXECUTIVE COMMITTEE

Carlos Bastias, *Ultratug, Chile*
Charo Coll, *Boluda, Spain*
Li Jianping, *China Rescue and Salvage, China (resigned September 2022)*
Richard Janssen, *Smit, The Netherlands*
Leendert Muller, *Multtraship, The Netherlands*
Nikolaos Pappas, *Five Oceans Salvage, Greece*
Pascal Potrel, *Les Abeilles, France (resigned September 2022)*
Shimonshi Sukekazu, *Nippon Salvage, Japan*
Carlos L Paz, *Raul y Negro, Argentina (from June 2022)*
Drew Shannon, *United Salvage, Australia (from December 2022)*

SECRETARIAT

Secretary General James Herbert <i>(Roger Evans until April 2022)</i>	Finance and Administration Ciara McGarry	Legal Adviser Richard Gunn
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ISU ABBREVIATED ACCOUNTS

International Salvage Union Limited, a company limited by guarantee
Statement of Income and Retained Earnings Year ended 31 December 2022

	2022	2021
	£	£
Turnover	361,147	374,998
Gross profit	<u>361,147</u>	<u>374,998</u>
Administrative expenses	<u>377,714</u>	<u>285,321</u>
Operating profit	(16,567)	89,677
Other interest receivable and similar income	<u>830</u>	<u>39</u>
Profit before taxation	(15,737)	89,716
Tax on profit	<u>-</u>	<u>-</u>
Profit for the financial year and total comprehensive income	<u>(15,737)</u>	<u>89,716</u>
Retained earnings at the start of the year	288,832	199,116
Retained earnings at the end of the year	<u>237,095</u>	<u>288,832</u>

All activities of the company are from continuing operations

International Salvage Union Limited, a company limited by guarantee
Statement of Financial Position at 31 December 2022

	2022	2021
	£	£
Fixed assets		
Tangible assets	1,690	363
Current assets		
Debtors	68,230	86,110
Cash at bank and in hand	<u>357,821</u>	<u>364,407</u>
	426,051	450,517
Creditors: amounts falling due within one year	<u>23,961</u>	<u>31,363</u>
Net current assets	402,090	419,154
Total assets less current liabilities	<u>403,780</u>	<u>419,517</u>
Net assets	<u>403,780</u>	<u>419,517</u>
Capital and reserves		
Other reserves	130,685	130,685
Profit and loss account	<u>273,095</u>	<u>288,832</u>
Members' funds	<u>403,780</u>	<u>419,517</u>

SECRETARY GENERAL'S REPORT



James Herbert

2022 saw a change in the leadership of ISU with me taking over as Secretary General on the retirement of Roger Evans at the end of the first quarter. Roger had been in post for some four years and had steered the association through the difficult days of the Covid pandemic. He was a popular and hugely experienced figure in our industry and known to many people connected with marine salvage. At the ISU Associate Members' Day, the President thanked Mr Evans for his contribution, not only to ISU, but the wider industry and wished him well for his retirement.

I have served ISU for 15 years as communications adviser and now combine that role as part of the duties of Secretary General. My first challenge was to find a new office, the previous location having been let go when the lease ended during the pandemic. We are now settled in Beaufort House near Aldgate in the City of London. It is an excellent location for quick access to key stakeholders – many of the clubs, the IG, Lloyd's and marine law firms are within walking distance. ISU members and associates visiting London are encouraged to make contact and to come to see us – you are welcome to use the office for short periods.

Working with the ISU administration and finance assistant, Ciara McGarry, we have also initiated a new IT system to professionalise our information handling and security and the project to digitise and archive our historic material was concluded and we are now a virtually "paperless" organisation. We have also revised our management accounts system to improve financial control and budgeting and are working on a new database of our members so that we can improve our communications with them.

2022 has been another challenging year for ISU members and the salvage industry with continued depressed revenues. Our membership levels have fallen a little in the last five years but are

steady at 50 full members from 32 countries, a true global spread with all continents represented. Members that left the ISU have typically stated that they have mostly stopped doing salvage and are concentrating on other activities.

Associate Membership stands at 76 with some departures and some new arrivals and we anticipate that this trend will continue. Affiliate Membership also increased to 14 with the addition of the International Group of P&I Clubs and the Admiralty Solicitors' Group.

Financially, the ISU maintained its position as a well-funded organisation as demonstrated by the accounts which are published in this Annual Review.

The Associate Members' Day in March attracted more than 150 delegates and was held in the impressive Merchant Taylors' Hall in London. It was still somewhat affected by the tail-end of the pandemic with delegates from certain countries unable to attend. In a packed programme, I had the privilege of conducting an on-stage interview with Jeremy Russell KC, the Lloyd's Appeal Arbitrator, who gave us his insights into LOF and shared thoughts from his long experience.

The Annual General Meeting in September was hosted in Rotterdam by a consortium of Dutch-operating ISU members: Boluda Towage and Salvage, Smit Salvage and Multraship Towage and Salvage and attracted a good attendance. The meeting attended to the formal business of the ISU and debated industry issues and strategy as well as enjoying a social programme.

The ISU Salvage sub-Committee met four times during the year including in Piraeus, hosted by Tsavliris Salvage. The committee continued its valuable work on industry issues, providing excellent support and recommendations to the ISU Executive Committee. The Salvage sub-Committee is chaired by Eline Muller of Multraship with the other committee members from Boluda, CPT, Donjon Marine, Five Oceans Salvage, Resolve Marine, Smit Salvage and Tsavliris Salvage.

A highlight noted by the President in his foreword was meeting the IMO Secretary General for discussions about the salvage industry and addressing its Maritime Safety Committee. ISU also continued its role on the judging panel for the IMO's Annual Awards for Exceptional Bravery at Sea.

I look forward to continuing to serve the interests of our members.

LEGAL ADVISER'S REPORT



Richard Gunn

2022 followed the trend from previous years with a low number of LOFs entered into. This is no longer the “new normal” and is now simply “normal”. Thus there were 23 LOFs in 2022 and there were 10 awards published although not generally relating to the LOFs in that year. The awards are available to all who subscribe and they provide a good understanding of how Article 13 salvage is assessed.

As part of the review by Lloyd's of the workings of the Salvage Arbitration Branch, a fee has been introduced for using LOF applicable from 1 January 2023. The fee is based on the salvaged value of the property with the fee capped at £10,000. It is useful to assess the fee by reference to the value of the property saved rather than the dangers inherent in losing the property. As a Lloyd's fee, like the award, it is payable by (or recoverable from) property interests in proportion to their respective values.

The International Group of P&I Clubs (IG) commissioned a report about perceived delay in signing LOF which was published in 2022 – the Review into the Delay in Contracting and Engagement of Salvage Services in Marine Casualties. The clubs are concerned with the inherent risk that such delays could turn a salvage operation into a wreck removal and therefore see a shift of significant cost from hull underwriters to the club. The report generally demonstrated a recognition that LOF was the right and proper contract for emergency response and it also highlighted a number of concerns and misconceptions about the workings of salvage. A number of recommendations for the industry to consider were put forward.

The SCOPIC rates were reconsidered in line with previous practice of a triennial review and new rates were published to be effective from the start of January 2023. The increase applied to all the rates was 15.3%. However, given the changes in the world economy and rising inflation globally it was recognised that the rates should again be reviewed for 2024.

The ISU worked closely with the IG in developing the revised Code of Practice which should form the bedrock of relations between the members of the two organisations. Recognising that salvage impacts the P&I sphere (whether via SCOPIC; increasing environmental and Environmental, Social Governance (ESG) influences or simply from cargo claims) the new Code applies to all LOFs whether or not SCOPIC is invoked. Note that the Code is not binding but is considered by the industry to represent the “best practice”.

Throughout the year, the Council of Lloyd's continued with the work to consider how to make LOF more attractive generally. During 2022 there were a series of sessions where industry views were sought and three “workstreams” were identified: ESG; LOF in Asia and Awards and Costs.

ISU is represented on all three workstreams. Discussions have been lively, open and collegiate. Elements of the ideas, suggestions and concerns raised, including the workings of the Fixed Cost Arbitration Procedure, have been passed back to the Lloyd's Salvage Group to manage. Lloyd's is currently considering what can be learnt from the consultations and is expected to report in 2023.

The war in Ukraine has led to sanctions and issues in particular relating to international trade. 2022 has seen turbulent times and the salvage world is not immune from these events. Sanctions issues in Europe (Council Regulation (EU) No.2022/879) prohibited the purchase of Russian oil. Additionally it prohibited provision of direct or indirect technical assistance.

What that may mean is that, as a matter of law, it is possible that assisting a vessel in distress in European waters, that would otherwise be a sanctioned vessel (or company), would be a breach of sanctions giving rise to criminal and/or financial liability. It should be possible for a salvor to obtain permission, or secure it retrospectively, to assist but the prospects of that being achieved in a useful time scale seems out of the question.

Throughout 2022, work continued on a number of contractual or quasi-contractual projects, including revision of the BIMCO wreck forms in conjunction with the IG and ICS and the SCR guidelines. The work is steadily moving towards conclusion and is expected to be concluded during 2023.

PROVIDING SALVAGE SERVICES AROUND THE WORLD



CONTAINER SHIP REFLOATING - USA



HEAVY LIFT - JAPAN



DEBRIS REMOVAL - SRI LANKA



LIGHTENING OPERATION - PHILIPPINES



UNDERWATER REPAIRS - MID-ATLANTIC



FIRE FIGHTING - SPAIN

2022 SALVAGE INDUSTRY STATISTICS

- Gross revenue for ISU members - US\$ 241 million (2021, US\$ 391 million)
- 149 services provided (2021, 189 services)
- Lloyd's Open Form (LOF) - 26 cases (2021, 29). LOF revenue down at US\$ 66 million (2021, US\$ 122 million)
- Wreck removal income - US\$ 55 million from 32 services (2021, US\$ 108 million from 56 services)

(All numbers are gross income from which all the contractors' costs must be paid. Numbers are for income in the year received not the year when the service was provided).

The 2022 ISU statistics show a 38 per cent decrease in the income received by ISU members compared with the previous year. Emergency Response services generated US\$ 166 million split between LOF US\$ 66 million and other contracts \$100 million.

Wreck removal income has nearly halved dropping from US\$ 108 to US\$ 55 million.

The numbers in this survey continue to reflect the global pandemic – income received in 2022 may well be for cases in 2020 and 2021. Despite the fall in income the ISU statistics continue to show a substantial industry which in a typical year performs +/- 200 salvage services which protect the environment, reduce risk and mitigate loss.

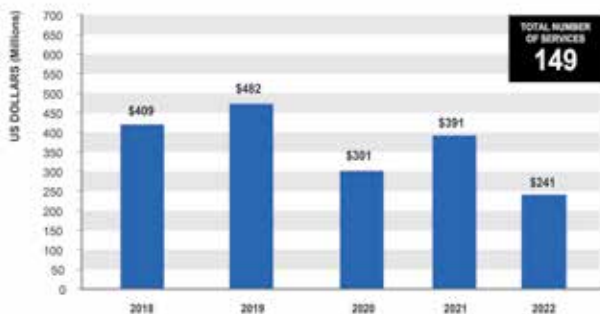
The 2022 ISU statistics show a historic low level of LOF cases - 26 for ISU members - generating income of US\$ 66 million. Revenue from LOF cases amounted to 40 per cent of all emergency response revenue and LOF cases accounted for 21 per cent of emergency response cases in 2022. SCOPIC revenue at US\$ 21 million in 2022 was down from US\$ 42 million previously.

Revenue in 2022 from operations conducted under contracts other than LOF was US\$ 100 million. The average revenue from each non-LOF contract was therefore US\$ 813,000.

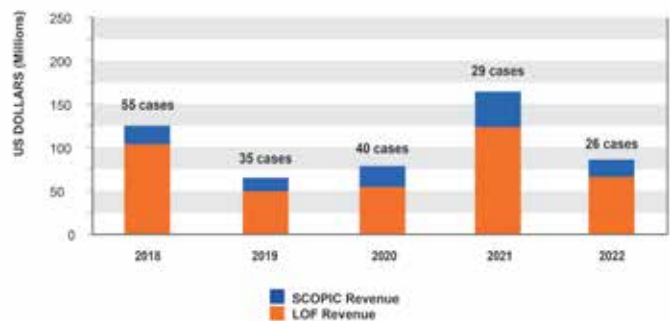
Wreck removal is an important source of income for members of the ISU and in 2022 there was US\$ 55 million from 32 operations (23 per cent of the total income) which was dramatically down on 2021's US\$ 108 million from 56 operations (28 per cent of the total income) .

The ISU statistics are collected from all ISU members by a professional third party, which aggregates and analyses them. The statistics do not include the revenues of non-ISU members but are the only formal measure of the state of the marine salvage industry. The statistics are for income received in the relevant year but that can include revenue relating to services provided in previous years and there can be an element of "time lag". The statistics are for gross revenues from which all of the salvors' costs must be met.

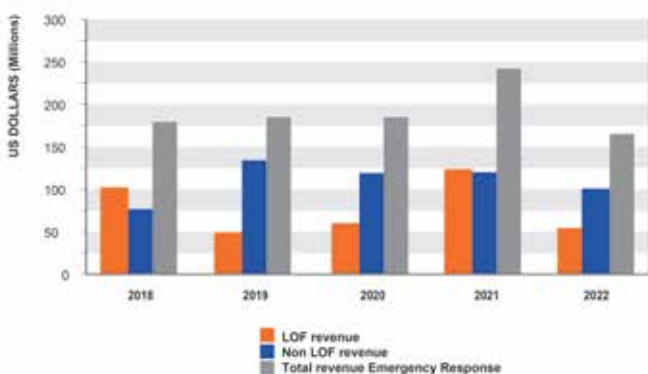
Gross revenues all sources



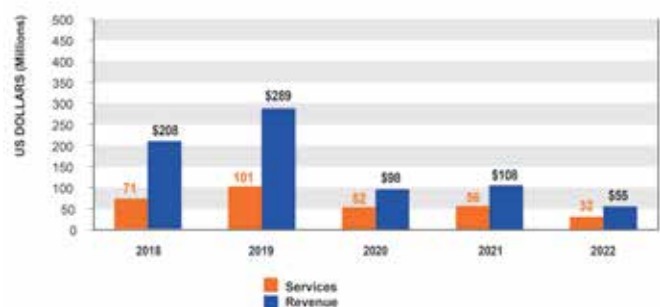
LOF and SCOPIC revenue



Emergency Response revenue sources



Wreck removal services and revenue



ENVIRONMENTAL PROTECTION

The only published source of information about the environmental benefit of the marine salvage industry comes from the ISU's an annual survey of the amount of pollutants involved in the services provided by its members. In 2022 there were 186 services to vessels carrying 2.6 million tonnes of potentially polluting cargo and fuel clearly showing the critical role of professional salvors in protecting the marine environment.

The shipping and insurance industries recognise their responsibilities and the importance of maintaining their "licence to operate" and the availability of emergency response services is a critical part of meeting those responsibilities. The ESG (Environment, Social and Governance) agenda is important and it is vital that the capability, and willingness, of commercial salvors to provide services around the world is valued.

The number of services fell in 2022 but, overall, the amount of pollutants has stayed consistent. The number of containers is lower than last year but, after bulk cargo, still represents the most significant category with our members providing services to vessels carrying 50,000 TEU amounting to some 747,270 tonnes of cargo. It compares with 141,000 tonnes of crude oil, confirming the shift over the past decades as oil trades have become safer. Boxes stuffed with harmful and dangerous goods including plastic pellets (nurdles) represent one of the biggest threats to the marine environment. They are potentially very damaging and, with the added issue of misdeclaration of contents, dangerous to deal with.

Cargoes of refined oil products in 2022's numbers were similar to crude oil at 144,808 tonnes. Chemical cargoes rose to 79,319 tonnes in 2022.

Bulk cargoes increased significantly to 1,235,741 tonnes in 2022 compared to 424,719 last time. This category includes products such as coal, scrap steel, grains, soya and cement. A number of bulk cargoes are not included as potential pollutants and ISU members also provided services to bulkers carrying 113,926 tonnes of non-hazardous dry bulk – mainly metal ores.

11 cases had more than 2000 tonnes of bunkers on board and the total of bunkers involved was 108,112 tonnes. A number of the services noted in the survey did not record the quantity of bunkers or the cargo-type meaning the reported totals likely represent a more modest total than the reality.

ISU is transparent about the fact that not all these potential pollutants were at immediate risk of going into the sea. Some cases will have had limited danger, but others will have carried a real risk of causing substantial environmental damage.

The 186 services in 2022 included 12 wreck removal/marine services contracts; 16 Lloyd's Open Forms; 38 towage contracts; 4 Japanese Forms; 4 Lump Sum; 5 Day Rate contracts; 84 other contracts (including commercial terms and common law salvage) and 23 Turkish Forms.

The survey was first conducted by ISU in 1994 and the methodology was updated in 2014 to include a wider range of potential pollutants including containers and hazardous and dirty bulk cargoes. In the period 1994 to end-2022, ISU members have provided services to casualty vessels carrying 41,478,058 tonnes of potential pollutants, an average of 1.4 million tonnes per year.

2022 ISU POLLUTION PREVENTION SURVEY RESULTS (tonnes)		
	2022	2021
Number of services	186	226
Bunker fuel	108,112	89,456
Crude oil	140,900	103,408
Refined oil products	144,858	182,232
Chemicals	79,319	24,126
Bulk polluting/hazardous	1,235,741	424,719
TEU - tonnes equivalent	747,270 (49,818 TEU)*	1,559,025 (103,935 TEU)*
Other pollutants	34,946	2,793
Totals	2,605,072	2,595,216
Bulk, non-polluting	113,926	209,457

*Nominal 15 tonnes per TEU



ANNUAL GENERAL MEETING AND ASSOCIATE MEMBERS' DAY

The ISU held its 68th Annual Meeting Rotterdam. The event began with a welcome reception attended by ISU members, Dutch ISU associate members, Special Casualty Representatives and senior representatives from the Dutch and Belgian shipping community. Multraship's newly re-fitted Dutch ETV MULTRASHIP COMMANDER paid a courtesy call to the Maas riverside venue along with the Boluda tug, VB MARS.

The AGM was attended by some 70 participants from 30 of the ISU's full members. There were representatives from Australia, Japan, South and North America, The Philippines, Africa and Europe. The meeting attended to the required statutory business as well as hearing updates from the secretariat.

The meeting was briefed on ISU strategy for the next three years and there was an open forum discussion with attending members and a panel of ISU Executives.

Jeremy Russell KC, the Lloyd's Appeal Arbitrator, gave a talk about Lloyd's Open Form in the light of the International Group of P&I Clubs' recent report into delays in emergency response contacting and addressed issues such as fairness, trust and the way in which awards are assessed in the context of the Salvage Convention.

ISU held its annual Associate Members' Day

Conference for the first time since 2019 in late March at the Merchant Taylors' Hall.

The event was opened by ISU President, Captain Nick Sloane, who emphasised the importance of good relationships in the industry and the keynote address was given by Richard Turner, President of the International Union of Marine Insurance (IUMI), who noted the common interest of insurers with salvors - loss prevention, risk mitigation and pollution control. He also described the increasing importance of Asian markets and the ESG agenda.

There were updates from the ISU secretariat, Lloyd's and the International Group. There was a detailed case study from Five Oceans' Salvage about the BOW DIAMOND in which a cargo of high explosives had to be dealt with creating great danger, operational and contractual challenges.

ISU past President, John Witte, addressed the issue of responders' liability and a panel considered the "role of marine consultants".

The conference concluded with an on-stage interview with Jeremy Russell KC, who shared his experience of 40 years as a barrister specialising in maritime law. At the end of proceedings, the ISU President paid tribute to ISU's retiring Secretary General, Roger Evans, and presented him with a gift to mark his service to ISU and the industry.



COMMUNICATIONS AND ENGAGEMENT

The International Salvage Union strives to communicate effectively with its members and other stakeholders in the marine industries. It is proud of its status as the voice of the global marine salvage community in many fora particularly the International Maritime Organisation.

It also works to build trusting relationships with organisations like Lloyd's; the International Group of P&I Clubs; the International Union of Marine Insurance and BIMCO.

ISU has a policy of being open and transparent, sharing information and positions with others and negotiating on important matters in a constructive way. It promotes an open forum discussion among members at its annual meeting about current issues and the running of the organisation. These help to inform the priorities and work of the secretariat during the year.

Members of the ISU leadership team regularly participate in high-profile industry conferences giving papers and joining expert panels. In 2022, for example, both the President and vice-President gave papers at the annual Salvage and Wreck Conference.



ISU Vice President, John Witte addresses the 2022 Salvage and Wreck Conference, London 2022.

The ISU puts on its own annual conference, the Associate Members' Day. It is a popular event which is free for its associate, affiliate and full members and provides an opportunity to hear presentations about current issues and operations. It is also a networking event allowing people to forge new relationships and strengthen existing ties.



ISU President, Nick Sloane (left) and Secretary General, James Herbert (right) with IMO Secretary General, Kitack Lim.

ISU produces a popular quarterly newsletter, *Salvage World*, which reports the corporate and operational news of the ISU and its full members as well as news from its associate and affiliate members and the wider shipping industry. It is a good shop window for the work of ISU members.

ISU also maintains a website that is an excellent source of information about the ISU and the marine salvage industry. It also engages with social media, particularly LinkedIn and is increasing its use of the platform.

Good relations with shipping media are important and ISU maintains contact with key journalists and editors. Reporters are encouraged to attend ISU events and ISU also provides articles on salvage-related topics to be published in the shipping press and holds a set of position papers on key issues facing the industry.

