Corporate Social Responsibility in ship recycling

AGENDA

- Background -> 2 slides
- Shipowners -> 5 slides
- Q & A
Government vessels, smaller tonnage, damaged tonnage, **green** tonnage, special tonnage ~ 125 vessels in 2009

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Corporate Social Responsibility* is a form of corporate self-regulation integrated into a business model

- Responsibility for the impact on:
  - Environment
  - Consumers
  - Employees
  - Communities
  - Stakeholders
  - Other expressions of social life

- Manifestation
  - Charity
  - Working with local communities
  - Integration w/ daily business decisions

- Much debate and criticism
  - PRO - “Corporations benefit in multiple ways by operating with a perspective broader and longer than their own immediate, short-term profits” (recruitment, risk management, brand name, licensing)
  - CON - “CSR distracts from the fundamental economic role of businesses; others argue that it is nothing more than superficial window dressing” (maximizing shareholder value)

- Demand for more ethical business processes and actions (known as ethicism) is increasing

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*Wikipedia
Shipowner’s point of view: sale for recycling

- Commercial aspects
  - Price
  - Delivery
  - Handover documentation
  - …etc.

- Technical aspects (ship related)
  - Ship condition and operations
  - Inventory of HazMats
  - Gas-free, …etc.

- Technical aspects (recycling yard related)
  - Type of operation (beaching, afloat, etc)
  - Licenses / certifications / management plan
  - Dismasting operations (safe for hot work)
  - HazMat management (removal, handling, disposal)
  - Ship Recycling Plan, …etc.

Contractual requirements - MOA

- Purely commercial

- Mainly commercial + liability limiting clauses

"Buyers acknowledge and agree that Asbestos is present on the Vessel…"

"Buyers waive any right they may have to make any claim against the Sellers relating … of asbestos or any other hazardous material … Hereby indemnify and hold Sellers harmless from and against any liability loss, damage, claim … in respect to any injury, illness or death …"

"The recycling shall be undertaken in accordance with the requirements, procedures and protocols under the Basel…IMO…and in accordance with internationally accepted best practices regarding…"

"The SRP shall be developed in accordance with the IMO guidelines…”

"Throughout the duration of recycling, Buyers must maintain an Environmental Management Plan System to be ISO 14001 compliant or the equivalent…”

NSF 93

Amended NSF93

DemolishCON
Contractual requirements – MOA (cont’d)

- Commercial + liability + monitoring/reporting

  “The Sellers has inspected the recycling facility on … and have accepted … subject to corrective actions set in Appendix B”
  “Prior to delivery of the Vessel, each party shall enter into an agreement for services with an independent third party organization with suitable technical and environmental experience…”
  “Buyers undertake to arrange a permit for the monitoring companies to attend and have free access to the recycling facility during dismantling operations. The monitors shall in no way interfere with the dismantling works…”
  “The Buyers and Sellers agree to open an escrow guarantee account pursuant to Appendix C”
  “The monitoring companies shall jointly certify the successful completion of the Milestones set in Appendix C, whereupon the amount of the security set … held in escrow … will immediately be released…”
  “Buyers shall issue a progress report every … containing at least… to be verified by onsite monitoring company…”

Physical requirements – actual presence

- Pre-arrival visit
  - Review management system and record keeping
  - Assess actual operations
  - On-site inspection

- Post-arrival visit (one-off)
  - Hand-over
  - Confirm operations/reporting

- Post-arrival monitoring (continuous)
  - Periodic assessment of operations at agreed milestones
  - Specific HSE assessment (eg. Asbestos)
**Type of shipowners**

- Don’t know and don’t care (D.K.D.C.)
  - Ship recycling is a black box
  - Ignorance of operations/risks
  - Don’t know/Don’t care
  - Regular MOA
  - No physical involvement

- Know enough to worry, but not really care (K.D.C.)
  - Ship recycling is a black box
  - Understand there might be certain risks (business liabilities, image, etc)
  - Obtain contractual cover
  - Amended MOA
  - No physical involvement

- Know enough to worry and actually care (K.C.)
  - Ship recycling is a black box
  - Understand there might be certain risk (business liabilities, image, etc)
  - Obtain contractual cover + physical presence
  - Special MOA
  - Physical involvement

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**Q & A**

Note: Content is based on the practical experience of the author in buying ships for recycling