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Corporate Social Responsibility & the Shipping Industry – A Global Perspective

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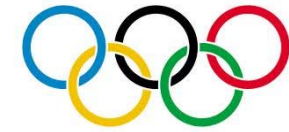
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Terminology

Many Terms In Use

- **Corporate Social Responsibility (CSR)**
- **Corporate Sustainability**
- Corporate Citizenship
- Corporate Responsibility (CR)
- Environment, Health & Safety (ESH)
- **Environmental, Social & Governance (ESG)**
- **Non-Financial Performance**
- **Social & Environmental Performance**
- Triple Bottom Line
- People, Planet and Profits





What is CSR?

UN, World Bank, European Commission, OECD, World Business Council on Sustainable Development

- Voluntary self-regulation
- Integration of social and environmental factors in business decision-making
 - Taking into account the perspectives of individuals and groups material to the success of the business and/ or impacted by its activities





Why CSR?

- Risk, reputation, reward, resilience

How CSR?

- Embed social & environmental objectives across key business processes & systems
- Improve accountability, engagement & transparency





Evolution of CSR

Key Milestones 1960 - 2012

Evolving From	Evolving To
Good behaviour	Measurable performance
Voluntary contributions to employee, worker & community well-being	Improve impacts & accountability
Unilateral, ad hoc	Multi-lateral, systems-based

MILESTONES IN THE EVOLUTION OF CSR THINKING AND PRACTICE (1960 - 2012)

Date	Date	Date
1960s	1970s - Present	1971
<ul style="list-style-type: none"> Incentives for Corporate Giving Governments begin to provide tax incentives for corporate giving Voluntary business contribution to community well-being 	<ul style="list-style-type: none"> Codification of Business Ethics First courses on business ethics appear in business school curricula Organization for Economic Development and Cooperation (OECD) guidelines for Multinational Enterprises (MNEs) adopted in 1976 	<ul style="list-style-type: none"> Business involvement in philanthropy expands beyond wealthy individuals and large corporations Public health, education, infrastructure Emergence of international norms for what constitutes responsible business conduct
1969	1971	1971
<ul style="list-style-type: none"> Exxon Valdez Oil Spill Establishment of the Coalition for Environmentally Responsible Economics (CERES) Coalition of companies, investors and NGOs committed to registering sustainability into capital markets through voluntary adoption of a common set of principles 	<ul style="list-style-type: none"> Birth of Greenpeace A decade after Rachel Carson's book 'Silent Spring' documented pesticide contamination in ecosystems and raised questions about the impact of human beings on nature Beginning of popular awareness regarding the impact of business on the environment 	<ul style="list-style-type: none"> Emergence of environmental activists targeting specific companies and corporate practices As a strategy for achieving new action by business and government on environmental issues
1982	1987	1987
<ul style="list-style-type: none"> First UN Conference on Environment and Development Established the UN Commission for Sustainable Development (UNCSD) 	<ul style="list-style-type: none"> UN Publication of 'Our Common Future' Report of the UN Brundtland Commission (World Commission on Environment and Development) Argued for a more integrated approach to social, economic and environmental dimensions of development 	<ul style="list-style-type: none"> Emergence of the concept of 'Sustainable Development' Development that meets the needs of the present without compromising the ability of future generations to meet their own needs
1986 - Present	1986 - Present	1986 - Present
<ul style="list-style-type: none"> Establishment of World Business Council on Sustainable Development and Business (WBCSD) and Business for Social Responsibility (BSR) Business-led initiatives on improved social and environmental performance ("the triple bottom line") Codification of CSR Principles and Management Practices Development of auditable corporate management systems for social responsibility and sustainability including management systems and processes as well as corporate standards, processes and procedures including ISO 14001 Environmental Management Standard - mandated application of basic design "Plan-Do-Check-Act" business processes with environmental improvement of GRI Guidelines (2000) ISO 26000 Guidelines for Social Responsibility (2010) 	<ul style="list-style-type: none"> Introduction of a framework for international cooperation on global goals related to sustainable development Foundation for development of multilateral agreements on biodiversity and climate change (the Kyoto Accords) Emergence of international, national and regional business-led networks on corporate social responsibility Information sharing and advocacy 	<ul style="list-style-type: none"> Development of commonly accepted definitions, standards and practices for CSR involving governance, management integration and evaluation Stakeholder Engagement: A David Freeman 1983 CSR practice formally establishes a requirement for engagement with individuals or groups affected by a firm's activities (and/or that influence implementation of its decisions)



Key Components of CSR

All Business Sectors

Governance	• Commitments, policy & strategy
	• Business systems integration
	• Performance management, measurement and disclosure
	• Stakeholder engagement
	• Human rights, ethics and anti-corruption
Social Responsibility	• Health, safety and labour practices
	• Community involvement and development
	• Product responsibility
Environmental Responsibility	• Air and energy
	• Water
	• Land and biodiversity
	• Waste
	• Material use



CSR - Rules of Engagement

Globally Recognized Performance Management & Reporting Systems

- Global Reporting Initiative (GRI)
- ISO 14000 (Environmental Management)
- ISO 26000 (Social Responsibility)



Sector Specific Standards

- Mining
- Forestry
- Electronics
- Food & Agriculture





UNGC MANAGEMENT MODEL FOR COMPANIES



6 Step
Implementation
Process



The Business Case for CSR

Varies by Business Sector

Social License to Operate	• Reduce bottom line costs through risk avoidance
	• Reduce bottom line costs through improved resource efficiency
Social License to Grow	• Increase top line sales through improved competitive advantage
	• Improved access to new markets
	• Improved access to financial and human capital
	• Improved ability to evaluate and manage performance
	• Improved ability to manage critical issues, access scarce resources and respond to rapid change or dislocation
	• Improved ability to work with government, NGOs & international agencies on shared challenges



Strengthening the Business Case for CSR

'Big Brand' Retail Companies as Sustainability Champions?

Jane Lister & Peter Dauvergne, MIT Press, 2012





Global Retail Supply Chain Integration of CSR Goals

NEW DEVELOPMENT

Accelerating CSR Uptake at Global Level



- Zero waste to landfill
- Carbon neutrality
- 100% renewable energy
- 100% "sustainable" sourcing



"...we're integrating sustainability principles and practices into everything we do."



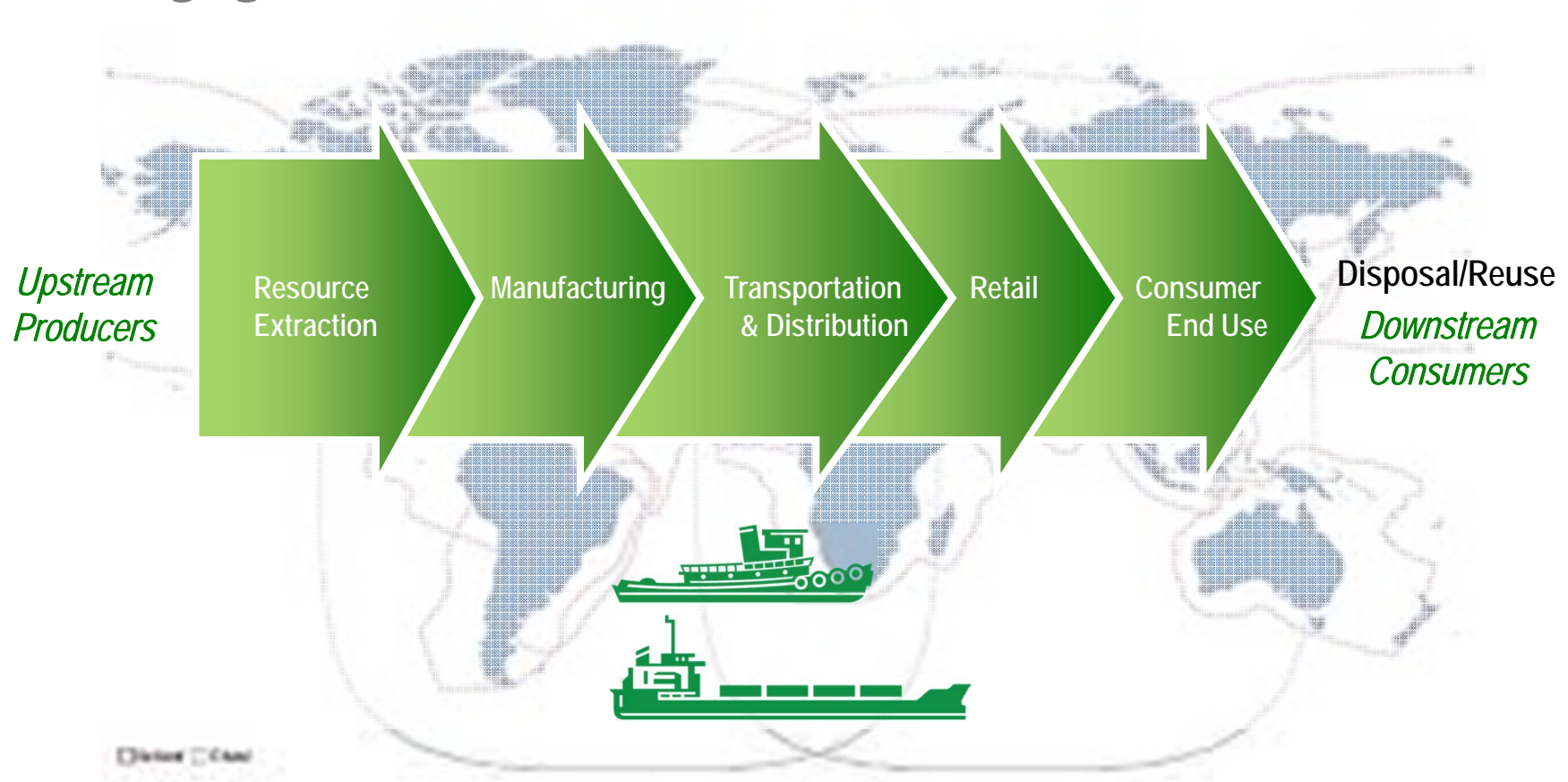
Big Promises

Dauvergne & Lister (2012)

Company	Program	Launch
McDonald's	Sustainable Land Management	2011
Best Buy	Greener Together	2010
Procter & Gamble	Sustainability Vision	2010
Unilever	Sustainable Living Plan	2010
PepsiCo	Performance with Purpose	2009
FedEx	Earth Smart	2009
Nike	Considered Design	2008
IBM	Smarter Planet	2008
Starbucks	Shared Planet	2008
Marks & Spencer	Plan A	2007
Coca-Cola	Live Positively	2007
Johnson & Johnson	Healthy Planet	2006
Walmart	Sustainability Commitment	2005



Leveraging the Value Chain





Global Retail Collaborations on CSR

Multi-Stakeholder initiatives are establishing Industry Standards

Collaborative Initiative (Global Supply Chains)	Launch
Sustainable Apparel Coalition	2011
Consumer Goods Forum	2009
Beverage Industry Environmental Roundtable	2006
Electronic Industry Citizenship Coalition	2004
Sustainable Agriculture Initiative	2002





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Why Accelerating? **NGO Pressure**





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Why Accelerating? **Government Pressure**





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Why Accelerating? **Consumer Demand**





Why Accelerating? **Investor Pressure**

Increased Disclosure Requirements to Manage New Social & Environmental Risks/ Liabilities/ Uncertainty





Why Accelerating? **Competitive Advantage**

- Efficiencies
- Savings
- Risk Management
- Reputation
- Access to New Markets





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Why Accelerating? **Supply Chain Benefits**

- Increased control
- Track quality
- Maintain consistency
- Speed up delivery
- Lower prices





CSR Activities in the Shipping Sector



CSR Activities in the Shipping Sector are Evolving

- New demands from regulators, customers, investors, NGOs
 - Energy, climate change
 - Pollution, waste
 - Hazards, spills
 - Sustainable supply chain management
- New challenges
 - Human resources
 - Ecosystem-based management
 - Oceans governance





Evolution of CSR in the Shipping Industry

Evolving From	Evolving To
Pollution prevention, safety, security, philanthropy	Ocean resilience, sustainable product trade, local economic development
Compliance oriented	Strategic
Ad hoc	Embedded
Company Level	Industry Level



Collaborative Initiatives

NEW DEVELOPMENT

Multi-stakeholder initiatives are developing 'de facto' CSR standards for the shipping sector

1	The Sustainable Shipping Initiative (SSI)
2	The Clean Cargo Working Group (CCWG)
3	Green Marine
4	Green Ship of the Future
5	Shippingefficiency.org
6	Clean Shipping Project



Membership in Shipping Sector CSR Collaborations

- Shipping sector
 - Ship owners, charterers, operators
 - Ship builders
 - Ports, terminals, seaways
 - Tugs, ferries, other small ships
 - Stevedores
 - Maritime sector associations
- Engineers, service providers
- Banks, insurers
- Classification societies
- Customers (global retailers, manufacturers and cargo owners)
- NGOs





Stated Purpose of CSR Collaborations on the Shipping Sector

Development and implementation of a long-term vision and strategy for improvement in the social and environmental performance in the shipping industry (1)

Research into sustainability risks and opportunities (2)

Capacity building in environmental management & technology (2)

Standardization of environmental performance measurement and benchmarking (5)



Issues & Opportunities

CSR Activities in the Shipping Industry





Issue

- Inclusive process for development of CSR standards for the shipping sector
 - Shipping industry associations not well represented
 - Small-to-Medium sized shipping companies not represented



Barriers to CSR Engagement

- Knowledge
 - CSR practices & strategies
- Determining CSR components that are relevant/ material
 - Complexity
 - Transaction costs
- Long term perspective

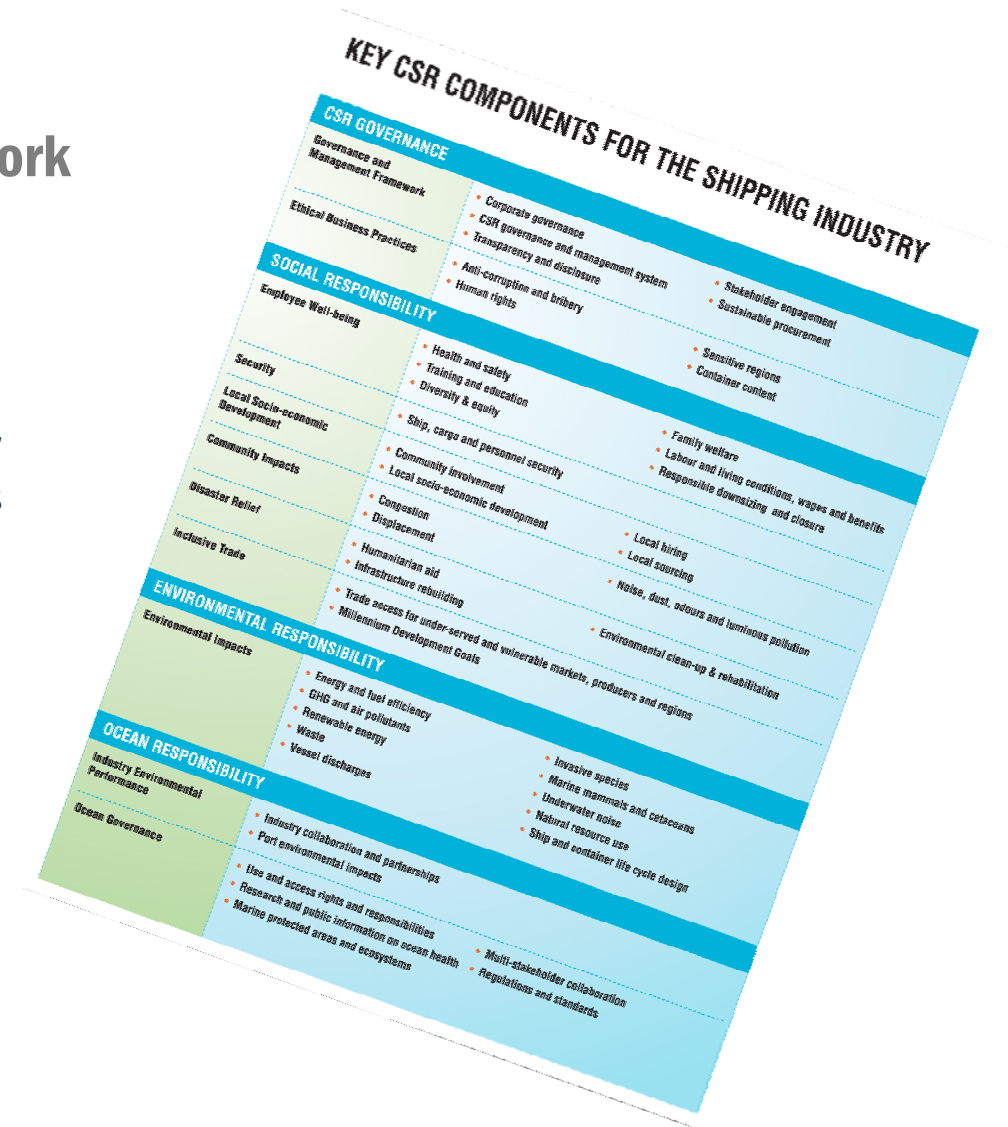




Proposed CSR Performance Framework for the Shipping Industry

Coady & Strandberg (2012)

Based on an Analysis of Current
CSR Issues & Practices Identified by
Shipping Companies & Associations





A Role for Industry Associations

Strandberg & Associates (2007)

- Industry associations can play a key role in addressing CSR barriers
 - Potential benefits for associations, their members, sector as a whole
- Canadian research
 - Mining, oil & gas, forestry, chemicals, manufacturing



CSR MANAGEMENT MODEL FOR INDUSTRY ASSOCIATIONS



6 Step
Implementation
Process



Benefits to Industry Associations from CSR Engagement

Strandberg (2012)

- Attract & retain members
- Enhance innovation
- Build positive relations with government & NGOs
- Identify industry priorities
- Help meet broader Association goals
- Build industry reputation and brand
- Enhance employee recruitment & retention





Benefits to Small-to-Medium Sized Companies

From Industry Association CSR Activities

- Access to information relevant to their needs
- Access to CSR training & tools
- Opportunity to participate in broader initiatives
 - Larger scope & scale
- Ability to have a voice
 - Development & implementation of CSR standards for their sector





Conclusions

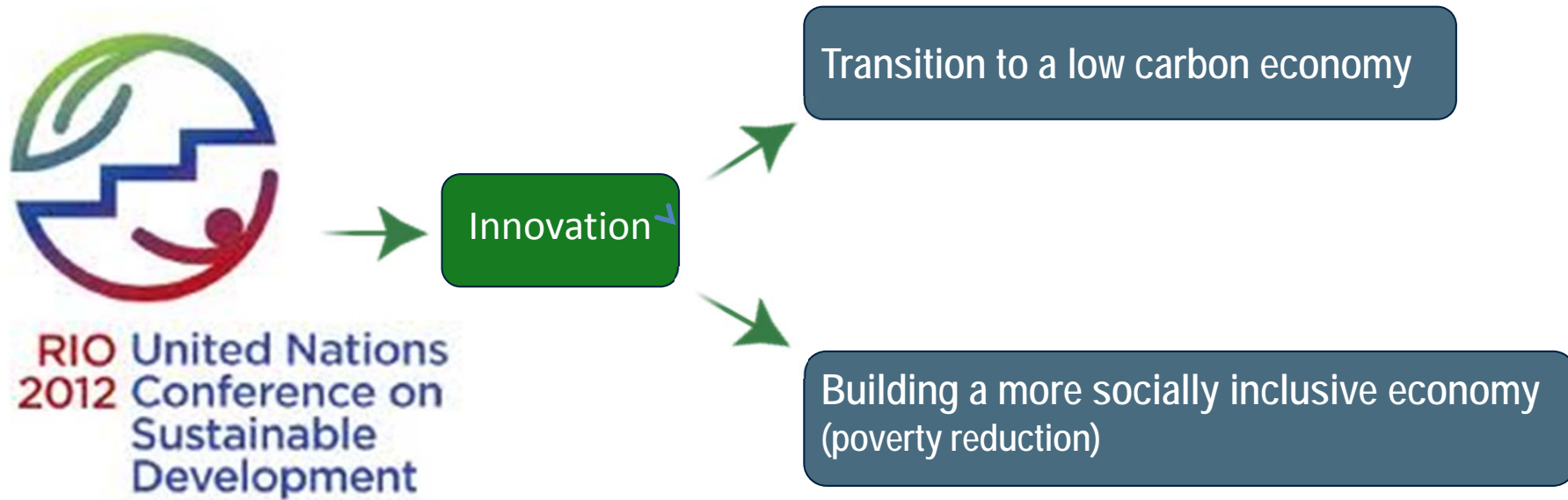
1. CSR integration in global supply chains is increasing the role & visibility of the shipping industry on social & environmental performance issues
2. CSR focus in the shipping industry is expanding from company level to industry level
3. Shipping industry opportunities to move forward on CSR
 - Industry Framework, Industry Association programs, SMEs initiatives
 - Improve industry performance & competitiveness
 - Contribute to global sustainable development





Global Context: Sustainable Development

Related but Bigger Concept than CSR or Corporate Sustainability



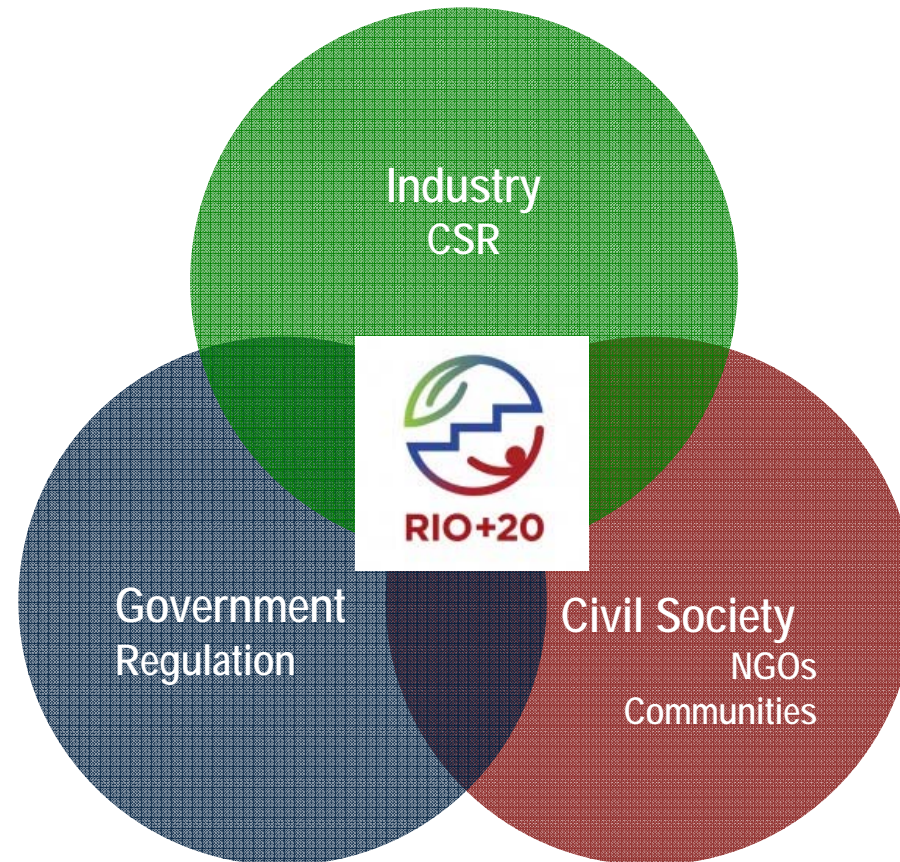


CSR is a 'Gateway'

A passage way for business collaboration with government & civil society

- New solutions to complex challenges
- No one sector has the answers
 - All sectors must benefit
- Business benefits
 - International competitiveness
 - Enhanced certainty & security







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