

CORPORATE SOCIAL RESPONSIBILITY AND THE SHIPPING INDUSTRY: A GLOBAL PERSPECTIVE



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Background

This paper is the result of collaboration between the Nippon Foundation and the University of British Columbia's Liu Institute for Global Issues to provide an analysis of Corporate Social Responsibility (CSR) activities in the shipping industry.¹ It is both timely and appropriate that this work has been undertaken in the run-up to the upcoming UN Conference on Sustainable Development (UNCSD) to be held later this year in Rio de Janeiro, Brazil. The 2012 UNCSD commemorates the first UN Conference on Sustainable Development, also known as the 'Earth Summit', convened twenty years ago. The 'Rio+20' Conference will assess progress on global sustainable development goals. It will also focus on new governance mechanisms that will encourage innovation to address two of the most pressing sustainable development challenges of our time: the transition to a low-carbon economy and the imperative of poverty reduction within the context of more socially inclusive approaches to economic activity and prosperity.

As an industry regulated by international institutions under the auspices of international agreements that also address compliance with social and environmental norms, the shipping sector has arguably not had the same incentive as other business sectors to adopt voluntary performance goals and standards that extend beyond regulatory requirements. Nevertheless, this study finds that CSR activities in the industry are increasing as a result of a number of global factors and trends. These include decisions by owners and participants in the major global supply chains that drive the shipping business, most notably natural resource extraction companies and big brand retailers, to establish voluntary social and environmental performance requirements for themselves and their suppliers. In addition, and as in other sectors, the shipping industry is subject to increasing disclosure requirements from investors regarding social and environmental liabilities and risk. Finally, as the concept of CSR evolves and the limitations of regulatory systems to adequately address complex, cross-jurisdictional problems become more apparent the business case for CSR in the shipping sector is growing stronger. Examples of shipping sector issues that require new approaches to complex cross-sectoral challenges include sea-lane security (pirating), climate change, large-scale ocean pollution and the current global shortage of Seafarers.

Methodology

To provide context, this paper begins with a set of summarized findings from a literature review on the meaning, rationale, evolution and application of the concept of CSR at the global level. The basic rationale for CSR is presented together with a summary of key components in a (generic) CSR framework for any industry or business sector. A general survey of existing information on CSR issues specific to the shipping industry and ship owners was also conducted. Recent papers and materials (2008 – present) produced by a number of social and environmental performance initiatives either in, or related to, the shipping sector were reviewed, along with recent CSR or sustainability reports of leading shipping companies, CSR information found on the websites of shipping industry associations, and website profiles of collaborative initiatives related to social and environmental issues in the shipping sector. Findings were consolidated and presented for discussion purposes in a proposed draft of key components in a CSR framework for the shipping sector.

¹ The terms 'Corporate Social Responsibility' and 'Sustainability' are used interchangeably in this paper.

As in other sectors, barriers to company engagement in CSR in the shipping sector can include the added complexity and costs associated with evaluating, developing and complying with the many different standards, labels, rating and reporting systems for social and environmental performance. While perhaps less significant to large companies, these can be difficult hurdles for small to medium-sized companies. Under these circumstances the role of industry associations can be key to enabling individual companies to access the benefits provided by CSR. Based on research conducted for the Government of Canada on the role of industry associations in CSR, this paper proposes a management model to guide shipping associations interested in providing services to their members in this area.

Executive Summary

The following four key findings were identified by research conducted for this paper.

1. CSR activities in key global sectors, such as retail, natural resource extraction and investment, are accelerating in response to increasing demand for risk management, improved cost efficiency and control, and development of integrated solutions to cross-jurisdictional issues that cannot be resolved by any one sector be it government, business or non-government organizations (NGOs).
2. CSR activities in the shipping industry are increasing and evolving in response to new social and environmental performance requirements driven by regulatory agencies, customers, investors, NGOs and leading companies. A new development in the shipping sector is the emergence of collaborative initiatives on CSR performance led by shipping companies and their stakeholders (such as NGOs and customers), that are effectively beginning to introduce CSR standards for the sector.
3. Some shipping industry participants, particularly small to medium-sized enterprises (SMEs), could be at risk if they do not have an opportunity to participate in development of CSR standards for their sector.
4. Industry associations have a role to play in addressing barriers to CSR engagement in the shipping sector and will benefit from facilitating and supporting the ability of their members to participate in voluntary activities related to continuous improvement in social and environmental performance management.

Based on a consolidation of CSR issues, practices and initiatives currently underway in the shipping sector and reviewed for this analysis, the follow two CSR tools are presented for further consideration and input from the shipping industry and its stakeholders.

² Coro Strandberg (Strandberg Consulting) and Five Winds International, 'The Role of Industry Associations in the Promotion of Sustainability and Corporate Social Responsibility', A Study Prepared for the Government of Canada (2007), found at <http://corostrandberg.com/wp-content/uploads/files/Final-NRCAn-Study-Findings-070319.pdf>

- A. A comprehensive ‘**CSR Framework for the Shipping Industry**’ to help guide the potential focus of companies and industry associations in the shipping sector interested in further engaging in CSR activities.
- B. A ‘CSR Management Model for Industry Associations’ based on the experience of industry associations in other sectors and jurisdictions that have implemented CSR programs designed to assist and support improved social and environmental performance among their members³.

The opportunity exists for interested shipping companies and associations to work together to enhance CSR performance in the shipping industry by pursuing one or both of the following initiatives:

- Validate and confirm a core CSR Framework for the Shipping Industry through supplementary research into CSR risks, trends, issues, impacts and dependencies of the shipping industry and consultation with shipping industry representatives and stakeholders.
- Explore opportunities for collaboration between industry associations interested in further supporting their members in the area of CSR performance. This could include outreach and liaison to existing CSR coalitions in the shipping sector to identify opportunities to work together on shared goals.

As this research has discovered and this paper explores, CSR is evolving as a global management practice to create strategic long term value for its adherents. The opportunity exists for shipping companies to leverage this global practice to support their collective interest in improving their environmental and social performance as well their economic competitiveness. Whether as individual firms, or collectively through their industry associations, it is timely for shipping companies to harness emerging global CSR trends in ways that benefit their firm, the shipping sector as a whole, and present and future generations.

³ Strandberg, 2012.

Japanese Translation

海運産業における「企業の社会的責任（Corporate Social Responsibility - CSR）活動」に関する研究： グローバルな観点から

背景、研究方法、エグゼクティブサマリーの和訳

*和訳は、原文の内容を明確に伝える事を目的として作成されたため、原文とは構成、訳語の選択について編集を行った上でその翻訳作業を進めた。特に、文章の内容を明白にする為に追加した語彙については、（ ）内に表記した。

背景

本書は、日本財団とブリティッシュコロンビア大学リウ地球問題研究所（University of British Columbia's Liu Institute for Global Issues）が共同で行った海運産業における「企業の社会的責任（Cooperate Social Responsibility - CSR）活動」の研究報告レポートである¹。本年6月には、「地球サミット（リオ+20会議）」がブラジル・リオにおいてが開催され、国際機関、各国政府、NGOを含む多様な利害関係者が、全世界規模で「持続可能な開発」の進捗を評価する。本会議では、持続可能な開発に関わるあらゆる課題とともに、今世界が直面する最も重要な2つの課題、「低炭素社会の経済システムへの移行」と「貧困の絶対的な削減」について焦点があてられる事となる。また、経済活動の発展を視野に入れた、より幅広い社会的枠組みを考慮した上で、上記の問題解決をはかるイノベーション（革新的な基軸）の形成を促す新たな管理体制の確立と実施についての議論が行われる。海運企業を対象とし、業界と一般社会の公益の発展を目的に作成された本書が、この様な大規模な国際会議を目前に出版される事は、好機に恵まれたと言えるであろう。

これまで海運産業は、国際ルールに従った社会・環境基準により企業活動を管理されており、法的規範に定められた以上の自発的な取り組みは、他の産業界と比べて比較的限られてきたと言える。しかしながら、本研究調査から、現行の国際社会に広まった社会・経済・政治的要因と（持続可能性を重要視する）傾向により、近年海運産業においても徐々にCSR活動が増えている事が指摘された。これらの取り組みには、例えば自然資源利用を主とす

¹本書において、「企業の社会的責任」と「持続可能性」は交換可能な用語として使用されている。

る企業や有名な小売り業者が、より社会・環境影響の低い（パフォーマンスの良い）サプライチェーンを利用する方針を示した事などが含まれている。また、他のセクターとの関わりにおいても、海運産業は、（その経済活動が引き起こす）社会・環境影響に対する責任や危険性について、特に資本を投資する立場からより高い透明性を持った対応が求められている。今後、CSRという考えがより発展（拡張）していくにつれ、海運産業を取り巻く権限・管轄調整と複雑さと多様な海洋問題の対処について法的規範の限界がより明らかになり、（その限界を超えた）CSR活動が発展していくであろう。例えば、シーレーンの安全（海賊問題を含む）、気候変動、大規模な海洋汚染、世界的な船員の不足などは、早急にCSRを通じた解決が望まれるべき課題である。

研究方法

本書は、まずCSRの背景を述べる為にCSRの意義、理由、発展、適用に関する文献調査を行った。企業が、CSR活動を行う重要な理由は、どの産業界にも適用する一般化されたCSRフレームワークの構成要素として説明されている。海運産業のCSR課題に関わる情報については、2008年以降の海運産業全般のCSR（持続可能性）に関わる企業報告書、研究論文、ホームページ上に公開されている情報等のレビューによって収集され、分析された。

他の産業界と同様に、海運産業に関わる企業が、CSR活動を進める上で障害（バリアー）となる項目としては、主に活動コストや多様なCSR基準等の混同、また実施に関わる複雑なプロセスが挙げられる。これらの要因は、特に中規模・小規模の企業にとっては、克服が困難な課題であり、今後中規模・小規模企業が（より積極的に）CSRに参画し、その（経営戦略上の）利益を得る為には（国際）海運団体の役割が重要と考えられる。この論点について本書は、カナダ政府が行った企業団体とCSRの関わりを考察する研究を参考にし、

(国際)海運団体が、今後、海運産業のCSR活動の向上を図る為に必要な「マネジメントモデル」を提案する²。

エグゼクティブ サマリー

以下の4項目は、本書で報告される研究から導かれた結果である。

1. 重要となる世界的な産業セクター（大規模小売業者、自然資源利用産業、投資セクターを含む）のCSR活動は、現在加速的に増加している。その理由は、危機管理、省コスト性の向上、そして単一セクター（政府、企業、NGO等）のみによる対応ではなく、総合的な解決手段が必要な広域的問題の出現によるものである。
2. 海運産業におけるCSR活動は、近年進歩・拡張している。それは、管理機関、顧客、投資家、NGOや先導的な企業が推進する新たな社会・環境影響の基準に対応した動きである。例えば、海運産業CSRの新たな動向として、近年一部の関連企業が、他の利害関係者（NGOや顧客等）とともに協力体制（Collaborative Initiative）を確立し、海運産業界を対象としたより有効なCSR基準を提示し始めている。
3. 上記の新たな動きによって、一部の海運企業、特に中規模、小規模企業は、「有効なCSR基準」の構築プロセスに現在十分に参加する機会をもてない状況から、今後（経営上の）リスクを負う可能性がある。
4. (国際)海運団体は、海運産業全体がCSR活動を進める上で直面するであろう（または現在直面している）障害を取り除く為の重要な役割を担っている。また、企業がより適切な社会・環境影響の管理を維持する活動を、海運団体が積極的に支援する事は、各企業と団体自体の将来的な利益へとつながるであろう。

海運産業のCSRに関わる課題を総合的に考察・分析した結果として、海運企業及び利害関係者は、下記の2つの道具（Tool）の作成・利用を早急に考慮すべきである。

² Coro Strandberg (Strandberg Consulting) and Five Winds International, 'The Role of Industry Associations in the Promotion of Sustainability and Corporate Social Responsibility', A Study Prepared for the Government of Canada (2007), found at <http://corostrandberg.com/wp-content/uploads/files/Final-NRCan-Study-Findings-070319.pdf>

A. 包括的な海運 CSR フレームワーク (CSR Framework for the Shipping Industry)

このフレームワークは、今後 CSR 活動への更なる参画に興味を示す海運企業また海運団体を対象として、これらのセクターにとって (潜在的な) CSR 活動の基軸 (焦点) を提示する

B. 海運団体の為の CSR マネージメントモデル (CSR Management Model for Industry Associations)

これまでの他産業団体の経験を基盤とし、団体メンバー (参加企業) の環境・社会影響に関するパフォーマンスの向上を支援する CSR プログラム作成を目的としたマネージメントモデルを構築する³。

上記の道具 (Tool) の利用に関して、下記の2つのイニシアチブ (を行う事) は、海運産業の CSR 活動の向上を望み、協力してこの課題に取り組みたいと願う海運企業及び団体にとって有意義な取り組みだと考えられる。

- 海運 CSR フレームワークの基軸となる項目を、業界全般の代表者及び利害関係者との協議を持って、合意・確認する。
- (国際) 海運団体間の協力関係をどのように発展させるのかを検討し、同時に現行する一部の企業および利害関係者による CSR 連携組織 (CSR coalitions) とリエゾンを組む事によって業界全体の CSR 活動の向上をはかる。

本書は、CSR が 1) 国際的な (ビジネス) マネージメントとして進化し続けている事、2)

³ Strandberg, 2012.

CSR がその活動を支持する者（企業）に長期的な企業価値と創造的な経営戦略を構築する能力を与える事を、主張している。

今後、海運企業が、CSR を効果的に利用し、環境・社会影響に関するパフォーマンス向上のみではなく、それによって企業の経済的な競争力をも向上させる事は可能である。海運企業が、国際的な CSR の流れを敷衍し、単体企業として、または海運団体を通じた協力体制を用いて今後 CSR 活動を進める事は、産業全体としても、また未来の世代にとってもかけがえのない利益を生むであろう。

Section 1 – CSR in a Global Context

Contemporary View of CSR

CSR is not a new concept. The term has been in use for at least a couple of decades to refer to responsibilities that a company has that extend beyond its legal requirements to be law abiding, pay taxes, adhere to regulations and create a profit for its shareholder⁴. While owing some of its origin to moral and altruistic beliefs regarding an obligation on the part of business to ‘do the right thing’, CSR is also rooted in a firm’s pursuit of its rational self-interest. In other words, it is also based on a belief that a firm will benefit from embracing voluntary self-regulation on some issues or, conversely, it will suffer for not doing so by, for example, losing business opportunities and/ or coming under increased government regulation.

While the concept of CSR is not new, it can be argued that it is being applied today in new ways, as witnessed by the fact that engagement in CSR activities is rapidly accelerating in some business sectors at the global level. In particular, major new leverage points for CSR are emerging in global supply chains, as big brand retailers like Walmart seek to ‘green’ their procurement practices in order to improve resource efficiency and gain access to emerging economies.⁵ Similarly, more and more investors are turning to CSR tools to manage risk and understand interdependencies between the social and economic dimensions of new global consumption and production patterns, such as the recent controversy over human rights and working conditions in Chinese factories producing Apple’s iPod.

The contemporary context around CSR is changing. The transition underway is summarized below.

TABLE 1: CSR Evolution

Evolving From	Evolving To
A unilateral and ad hoc focus on protecting or improving a firm’s social license to operate through good behaviour, corporate giving and other voluntary contributions to employee, worker and community well-being	A multilateral and systems-based focus on the introduction of social and environmental goals and practices designed to improve impacts and corporate accountability while also supporting improved efficiency, innovation, competitive advantage and social license to grow

Reflecting this transition, a number of different terms are currently in use to describe the CSR domain.

TABLE 2: CSR Terminology

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

⁴ Canadian Business for Social Responsibility (CBSR), internal discussion paper prepared for a Strategic Renewal Process (2011). <http://www.cbsr.ca/>

⁵ Peter Dauvergne and Jane Lister (forthcoming), *Eco-Business: The Big Brand Takeover of Sustainability*, (Cambridge, MA: MIT Press). Information on the release of this book found at <http://mitpress.mit.edu/main/home/default.asp>

Mainstream Convergence on Definition

Notwithstanding the fact that different terms may be used to describe CSR, mainstream convergence on its meaning has occurred. Whether it is the definition of CSR provided by the World Business Council, the International Finance Corporation, the European Commission, the International Organization for Standardization (ISO) or various other global institutions or agencies, there is universal agreement that CSR is the integration of social and environmental concerns into business governance, strategy, operations and decisions. CSR activities can encompass actions taken by individual companies, self-regulatory initiatives by industry sectors, and multi-stakeholder initiatives such as the development of principles and standards.⁶ Engagement with stakeholders is a fundamental element in all CSR activities and can range from providing information and obtaining input to more complicated collaborations or joint ventures. An overview of key CSR definitions is provided below.

TABLE 3: CSR Descriptions

What?	Integration of social and environmental factors in business decision-making taking into account the perspectives of individuals or groups material to its success and/ or impacted by its activities
Why?	Risk, reputation, reward, resilience ⁷
How?	Embed social and environmental objectives across all business processes and systems Improve accountability, engagement and transparency

The Business Case for CSR

After the BP oil spill in the Gulf of Mexico in 2010, investors representing \$2.5 trillion in assets sent a letter to 27 companies with offshore oil and gas drilling operations requesting information on their safety and spill prevention standards and plans; screening processes for contractors; and their level of Board oversight on environment, health and safety performance.

Increasing investor requirements for disclosure on social and environmental liabilities and performance obviously provide considerable incentive for companies to participate in CSR activities. Cost avoidance and risk management can often supply a similarly compelling rationale. From a value perspective CSR is a long term proposition that requires commitment. The benefits that can accrue to companies willing to make that commitment vary by sector but, in general, are summarized below.

TABLE 4: CSR Business Case

Social License to Operate Social License to Grow	Reduce bottom line costs through risk avoidance
	Reduce bottom line costs through improved resource efficiency
	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 critical resources and respond to rapid change or supply dislocation

⁶ Taken from a definition of Corporate Social Responsibility provided by the Government of Canada, Department of Foreign Affairs and International Trade, found at <http://www.international.gc.ca/trade-agreements-accords-commerciaux/ds/csr.aspx?view=d>

⁷ Bob Willard (forthcoming), *The New Sustainability Advantage: Seven Business Case Benefits of a Triple Bottom Line*, (Vancouver, BC: New Society Publishers). Information on the release of this book found at <http://www.sustainabilityadvantage.com/>

Walmart and the Changing Global Landscape on the CSR Business Case

In October 2005 the global landscape on the business case for CSR was dramatically altered when Walmart – the world’s largest retailer – announced it was embracing three overarching sustainability goals: to be carbon neutral and supplied by 100% renewable energy; to create zero waste; and to sell products that sustain people and the environment. To implement these goals, Walmart turned to its supply chain as a key leverage point. As Walmart demonstrated, the advent of global supply chains made it possible for big brand retailers to use their procurement policies to drive CSR goals on climate change, water, waste and human rights across networks involving literally millions of suppliers, employees and customers around the world. Other major retailers soon followed Walmart’s lead with their own sustainability goals and programs.

TABLE 5: *Global Supply Chain Initiatives on CSR*⁸

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

By encompassing both direct and indirect impacts of a company’s social and environmental performance – extending from upstream producers through to downstream consumers – the introduction of an integrated value chain perspective to CSR activities represented a significant shift in the core assumptions of CSR thinking and practice. Industry-wide consortiums have also emerged over the past decade, many involving multi-stakeholder collaborations with competitors, NGOs, governments, customers and communities aimed at managing social and environmental impacts and improving business performance.

TABLE 6: *Global Retail Collaborations on CSR*⁹

Sustainable Agriculture Initiative	2002
Electronic Industry Citizenship Coalition	2004
Beverage Industry Environmental Roundtable	2006
Consumer Goods Forum	2009
Sustainable Apparel Coalition	2011

⁸ Dauvergne and Lister, *Eco-business*.

⁹ Dauvergne and Lister, *Eco-business*.

Reasons for the accelerated uptake on CSR and sustainability among retailers during the past few years include a need to respond NGO pressure, a desire to get ahead of state regulation and international law, a desire to pursue new business strategies aimed at capitalizing on the eco-consumption bandwagon and, for some, the ability to access scarce resources. However, arguably as important as these strategic considerations was the upward trend in global commodity prices (for energy, metals, minerals and food) during the period 1995-2010 and the ability of big brand retailers to exercise improved control over costs through efficiencies in packaging, handling and logistics generated by some of the new tracing, auditing and reporting tools introduced to support supplier codes of conduct, certification and labeling schemes.¹⁰ In other words, they found that supply chain integration of CSR goals that drive resource efficiency can also help track quality, maintain consistency, speed up delivery and lower prices.

CSR Milestones: Developments Influencing CSR Thinking and Practice

In addition to Walmart's supply chain initiative, changes in CSR thinking and practice at the global level over the course of the past few decades has been influenced by a number of events. A summary of key milestones in the development and application of CSR tells an interesting story about the quest for economic growth and marketplace activity that creates social and environmental benefits versus social and environmental costs. Further details provided in **Appendix A**.

TABLE 7: Milestones in the Evolution of Global Thinking and Practice on CSR (1960 – 2012)

Date	Milestone	Milestone
1960s	Tax Incentives for Corporate Giving	<i>Business involvement in philanthropy expands beyond wealthy individuals and large corporations</i>
1970s	First Business School Courses on Business Ethics	<i>Emergence of international norms for what constitutes responsible business conduct</i>
1971	Birth of Greenpeace	<i>Emergence of environmental activism targeting specific companies and corporate practices</i>
1987	UN Brundtland Commission Report 'Our Common Future'	<i>Introduced the concept of 'Sustainable Development'</i>
1989	Exxon Valdez Oil Spill	<i>Emergence of business-NGO collaborations aimed at creating market-based incentives for improved environmental performance</i>
1992	First UN Conference on Environment and Development (held in Rio de Janeiro)	<i>Introduced a framework for international cooperation on global goals (such as climate change) related to sustainable development</i>
1990s	Establishment of World Business Council on Sustainable Development and Business (WBSD) and Business for Social Responsibility (BSR)	<i>Emergence of international, national and regional business-led initiatives on CSR and Corporate Sustainability</i>
1996	Introduction of ISO 14000 Standard for Environmental Management	<i>Application of ISO 'Plan-Do-Check-Adjust' model to environmental compliance requirements and voluntary commitments, beginning of codification of CSR principles and management practices through auditable standards, processes and procedures</i>
2000s	UN Millennium Development Goals, UN Millennium Ecosystem Assessment, UN Global Compact	<i>Framed a global agenda for CSR based on growing international consensus on critical sustainable development issues and the role of business in improving social and environmental conditions</i>

¹⁰ Dauvergne and Lister, *Eco-business*.

TABLE 7: Continued.

Date	Milestone	Milestone
2001	Enron Accounting Scandal	<i>Recognition that off balance sheet social and environmental impacts can have financial consequences that are material</i>
2006	Harvard Business School Case for CSR	<i>Advanced a value proposition for CSR beyond mitigating harm to include the creation of new value through innovation and improved competitiveness</i>
2006	Walmart's Supply Chain Commitments	<i>Emergence of Supplier Codes of Conduct on social and environmental performance</i>
2008	UN Principles for Responsible Investment (UNPRI)	<i>Catalyzed expansion of the Socially Responsible Investment Movement - \$30 trillion or nearly 15% of global capital markets currently invested under UNPRI Guidelines</i>
2008	UN Voluntary Principles on Business, Human Rights and Security	<i>Recommended human rights risk assessment and mitigation measures be included as a core element in CSR practice</i>
2009	Global Financial Crisis	<i>Further expands the role of CSR in risk management</i>
2011	Occupy Wall Street Movement	<i>'Backlash' to financial crisis creates new forms of NGO activism</i>
2011	Introduction of ISO 26000 Guidelines for Social Responsibility	<i>Further integrates and consolidates global norms and performance management standards for CSR</i>
2012	'Rio+20' UN Conference on Sustainable Development (UNCSD)	<i>Focus on new approaches to governance and collaboration within the context of a green economy, poverty alleviation and sustainable production and consumption</i>

CSR Holistic Context

While many major global sustainability initiatives were originally linked to environmental awareness, the profile and the stakes associated with the social dimension of the CSR agenda have been steadily rising. A more holistic view of some of the key reasons for accelerated uptake of CSR and sustainability commitments among global business sectors can be summarized as follows.

TABLE 8: CSR Holistic Drivers

Globalization, the Internet & NGOs	Intensified the role of supply chains, altered mainstream notions of the extent of business responsibility, provided access to increased and instant communication on company performance
Systemic Policy Failures (Financial Markets & Government Policy)	Many global sustainable development indicators are not currently trending in the right direction, i.e. UN Millennium Development Goals, poverty, ecosystem resilience and carrying capacity amidst increasing population growth
Strengthening Business Case	Deeper integration of social and environmental considerations in supply chains and investment decision making
Increased Cross-Jurisdictional Complexity & Interdependency	CSR principles and practices offer a strategic rationale and delivery framework for market-based solutions to social and environmental challenges that cannot be resolved by any one regulatory jurisdiction operating on its own
Investor Disclosure Requirements	Application of CSR principles and practices increasingly used by investors as an indicator of best practice in risk management

CSR Practical Application

In many respects both the definition (the ‘what’) and the business case (the ‘why’) for CSR have never been clearer than they are today. Not surprisingly, much of the current focus on CSR centers on ‘how’ to do it or, more specifically, the practices that enable companies and organizations to deliver on their social and environmental performance goals and priorities. An overview of key CSR principles and practices is presented below.

TABLE 9: Core CSR Principles and Practices

#	Principle	Practices
1	Self-regulation	Voluntary action
2	Proactive identification and mitigation of negative social and environmental impacts	Address direct and indirect impacts
3	Proactive enhancement of positive impact and benefits	Address direct and indirect opportunities
4	Adoption of long-term, strategic, managed and integrated approach	Set and apply goals, standards, and systems that are regularly measured and evaluated
5	Leverage core assets, competencies and business goals	Strategic alignment
6	Disclose and independently verify approach and outcomes	Sustainability reporting
7	Embrace life cycle and value chain ¹¹ perspective	Apply to all products, services and supply chain relationships, including customer use and disposal
9	Engage internal and external stakeholders	Leverage spheres of influence
9	Support industry collaborations	Advance sustainability within the broader sector

CSR Implementation Frameworks

The United Nations Global Compact (UNGC) is a global initiative that encourages businesses to adopt CSR practices and to take actions in support of broader UN goals, such as the Kyoto Protocol on Climate Change and the UN Millennium Development Goals (MDGs). The UNGC has developed a six step framework for implementation of CSR goals.

¹¹ A value chain refers to the full life cycle of a product or process, including material sourcing, production, consumption and disposal/recycling processes. See the definition provided by the World Business Council on Sustainable Development (WBCSD) at <http://www.wbcsd.org/Pages/EDocument/EDocumentDetails.aspx?ID=14257&NoSearchContextKey=true>

FIGURE A: CSR Implementation Framework – UNGC Management Model

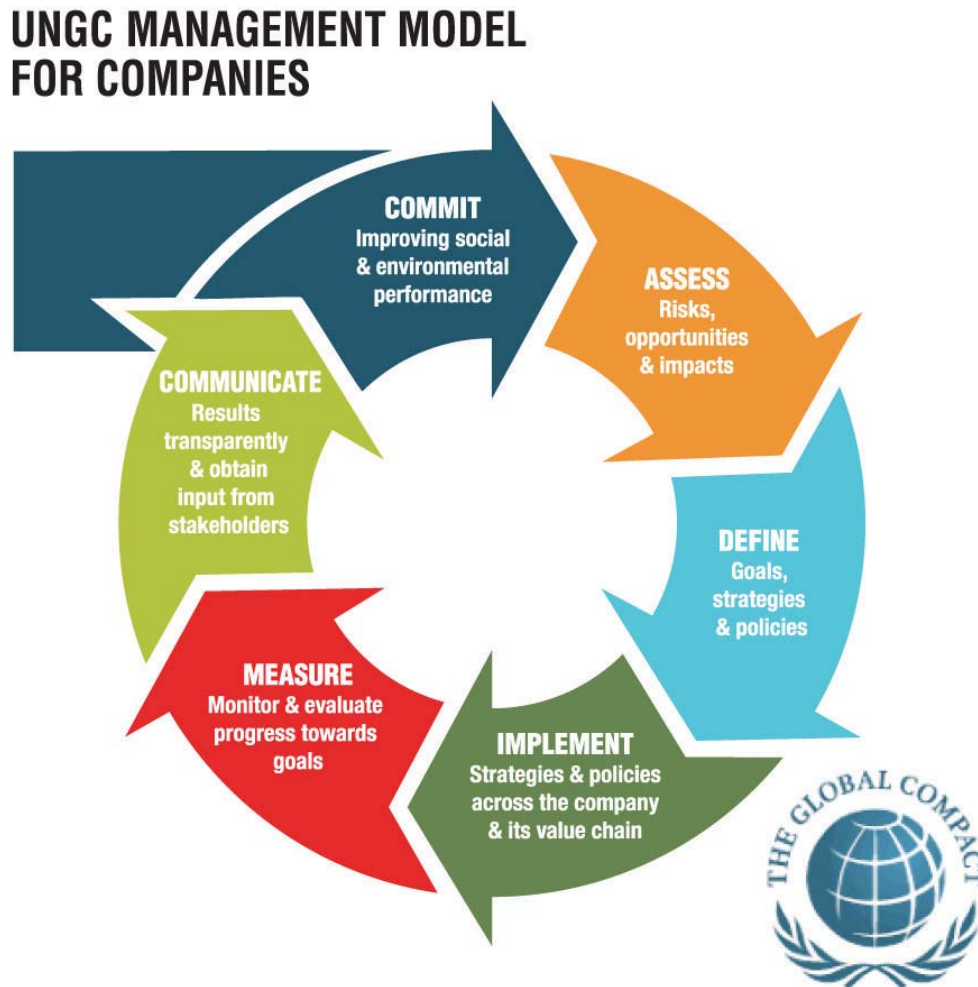


TABLE 10: Key Components – UN Global Compact Management Model (6 Steps)

STEP 1	Commit	Improving social and environmental performance
STEP 2	Assess	Risks, opportunities, impacts
STEP 3	Define	Goals, strategies, policies
STEP 4	Implement	Across the company and its value chain
STEP 5	Measure	Monitor and evaluate progress
STEP 6	Communicate	Results transparently and obtain stakeholder input on opportunities for improvement

At the global level there are three main widely-recognized system-based standards and guidelines for CSR performance. The Global Reporting Initiative (GRI) has come to be viewed as being to reporting on non-financial performance what Generally Accepted Accounting Principles (GAAP) are to reporting on financial performance.

TABLE 11: Implementation Framework – Key Global CSR Standards and Guidelines

Global Reporting Initiative (GRI)	https://www.globalreporting.org/Pages/default.aspx
ISO 14000 Environmental Management	http://www.iso.org/iso/iso_14000_essentials
ISO 26000 Social Responsibility	http://www.iso.org/iso/iso_catalogue/management_and_leadership_standards/social_responsibility.htm

The cost of participating in various CSR and sustainability certification and labeling programs can be a barrier to participation, particularly for small-to-medium sized businesses. Many different performance-based standards, labels, and collaborations for CSR exist on a sector specific basis. In fact, there are now so many that it can be confusing for consumers and companies alike and pressure is growing for simplification and consolidation.¹² With these needs in mind, a consolidated high level overview of the generic components in a CSR implementation framework for any industry of business sector is summarized below.

TABLE 12: Implementation Framework – Generic CSR Components

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

¹² SustainAbility, 'Signed, Sealed ... Delivered: Beyond Certification and Beyond Labels', *A Sustainability Compass Report* (November 2011) found at <http://www.sustainability.com/>

Section 2 – CSR in a Shipping Industry Context

Established Trends: Shifting from a Traditional CSR Approach

A general survey on CSR activities in the shipping industry was conducted for this analysis in order to identify sector specific issues, initiatives and practices.¹³ CSR issues profiled on the website of several industry associations were also reviewed as were CSR reports of four shipping companies.¹⁴

Generally, the research indicates CSR related activities in the shipping sector are increasing as a result of leadership within the sector from large companies as well as support from international agencies. Many actors are engaged at both the global and the local level in mobilizing the shipping sector to improve its environmental and social performance, including UN agencies – such as the International Labour Organization (ILO) and the International Maritime Organization (IMO) – various government agencies at the regional and national level, individual companies, industry associations, customers, NGOs and others. In addition, increasing focus on value chains and the role of global supply chains in either preventing or facilitating social and environmental improvement is clearly directing more and more attention to the shipping industry and its role in the sustainability performance of its major customers.

More specifically, and as with other sectors, the design and focus of CSR activities in the shipping industry is following two major trends. First, a traditional focus on pollution prevention, safety, security and philanthropy is expanding to include broader issues, such as ocean health, climate change and contribution to long-term community sustainable development. Second, and not surprisingly as the scope of some of the impacts involved extend beyond the control of individual vessels or ship owners, CSR related activities in the shipping sector are expanding beyond a company focus to an industry focus. The table below elaborates on this evolutionary process. It provides an overview of current trends in the evolution of CSR in the shipping sector. It also suggests areas where CSR activities may, in the future, play a more prominent role.

TABLE 13: Evolution of CSR in the Shipping Industry

Early CSR	Future CSR
Focus on direct impacts	Focus on direct and indirect impacts
Pollution prevention, safety, security & philanthropy	Ocean resilience, sustainable product transportation, responsible trade & local economic development
Reactive	Proactive
Compliance oriented	Beyond compliance
Issues management	Embedded
Ad hoc	Managed
Company level	Industry and stakeholder level

¹³ Key shipping sector publications and websites reviewed for this paper are summarized in the Bibliography.

¹⁴ Recent Corporate Social Responsibility Reports for the following 4 companies were reviewed: Maersk Line, Denmark, K Line (Japan), NYK Line (Japan), Hanjin Shipping (South Korea). Websites available in the Bibliography.

New Trend: Emerging CSR Standards for the Shipping Sector

Research into CSR practices in the shipping industry also reveals a number of collaborative initiatives which have as their objective to enhance the viability of the sector, support its social license to operate if not grow, and to mobilize the industry to become a catalyst for furthering social and environmental progress around the world. Members and partners in these initiatives include not only ship owners, but often their customers and other stakeholders. Collectively, these collaborations are making a significant contribution to the emergence of global CSR standards for the shipping industry as a whole.

The following six collaborations were studied to better understand their potential influence and the key components of the CSR practices they are advancing.

TABLE 14: CSR Collaborations in the Shipping Sector

1	The Sustainable Shipping Initiative (SSI)	http://www.forumforthefuture.org/project/sustainable-shipping-initiative/overview
2	The Clean Cargo Working Group (CCWG)	www.bsr.org/cleancargo
3	Green Marine	http://www.green-marine.org/home
4	Green Ship of the Future	www.greenship.org
5	Shippingefficiency.org	http://shippingefficiency.org/
6	Clean Shipping Project	http://www.cleanshippingproject.se/

Collaborative Initiatives on CSR Standards in the Shipping Sector: Overview of Key Characteristics and Underlying Models

All six of the CSR collaborative initiatives on CSR in the shipping sector reviewed for this analysis are relatively new. They were all created within the last decade (2003 – 2010) and three were established within the last four years. Four are global in scope and two are regional (based in Denmark and in North America). Four are best described as multi-stakeholder coalitions while two are specific projects. Here are some of the different stakeholders involved in these collaborative initiatives:

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

The high-level objectives of the collaborations vary and are briefly summarized below. As a general rule of thumb, each is striving to build the capacity of the shipping sector to improve its environmental performance and long term viability. Only one of the initiatives includes social performance in its scope.

*TABLE 15: CSR Collaborations in the Shipping Sector (2003–Present)
– Focus, Approach and Number of Collaborations Involved*

Development and implementation of a long-term vision and strategy for improvement in social and environmental performance in the shipping industry (1)
Research into sustainability risks and opportunities (2)
Capacity building in environmental management (2) <ul style="list-style-type: none"> • Note: One of these initiatives is targeted explicitly at development and application of new environmental technologies
Standardization of environmental performance measurement and benchmarking (5) <ul style="list-style-type: none"> • Provides performance information only to shippers (2) • Provides performance information to the public (2) • Provides vessel level information (1) • Performance information not yet available (1) • Publicly reports aggregated performance data (2) • Performance data is third party verified (2) • Uses third party performance data (1) • Provides a certification seal members can use for marketing purposes (1)

Chart I (following pages) provides a more detailed overview of the collaborative initiative’s name, regional scope, founding date and key CSR tool being developed, description, membership, and founders (and revenue structure, where this was available).

CHART I: SHIPPING INDUSTRY CSR COLLABORATIONS

Name, Region, Date and Key Tool	Description	Membership	Founders
A. Coalitions			
<p>Sustainable Shipping Initiative (SSI)</p> <p>Global</p> <p>2010</p> <p>http://www.forumforthefuture.org/project/sustainable-shipping-initiative/overview</p> <p>Collaborative long term vision, strategy and implementation, based on analysis of sustainability risks and opportunities. Development of a “standard of standards” and expansion to rest of industry.</p>	<p><i>Four-stage initiative designed to help the industry make long-term plans for future success by studying and addressing challenges and opportunities over the next 30 years to ensure robust, profitable international trade with a strong record of social and environmental responsibility.</i></p> <p>Case for Action (2011) analyzed the social, environmental and economic challenges shipping faces and how best to react to them. Called for far-reaching action on the part of industry.</p> <p>Vision 2040 (2011) is a shared vision of an industry in 30 years which is resilient, socially and environmentally responsible and profitable.</p> <p>Future Innovation (2012 – 2013): Four work streams implement the vision and address the challenges in the Case for Action. The work streams include:</p> <ul style="list-style-type: none"> • New financial models for sustainable shipping • Promoting a step change in the uptake of energy efficient technologies • A framework for sustainability standards in shipping • Cradle to Cradle recycling of ship building materials <p>Wider Industry Action (phase four) is planned from 2013 onwards, in which members work to implement the action plan and engage the rest of the industry.</p> <p>Scope: Social and environmental</p>	<p>Multi-stakeholder industry initiative:</p> <p>Shipping companies and key stakeholders like customers and financiers, for example:</p> <ul style="list-style-type: none"> • Ship owners, charterers and operators, ship-builders, engineers and service providers, banks and insurers, classification society, shipping customer representative. <p>13 members</p> <p>Criteria for membership:</p> <ul style="list-style-type: none"> • Industry sustainability leadership • Signator to the SSI vision • Participation in work-streams 	<p>GOs</p> <p>WWF</p> <p>Forum for the Future</p>
<p>Clean Cargo Working Group (CCWG)</p> <p>Global</p> <p>2003</p> <p>www.bsr.org/cleancargo</p> <p>Standardized environmental performance and benchmarking scorecard reported publicly at the aggregate level and available privately for shippers to evaluate carriers. Provides tools and best practices to members, including a customized CO2 calculator. Analysis of key sustainability challenges and threats</p>	<p><i>A business-to-business initiative that creates practical tools for measuring and reducing the environmental impacts of global goods transportation. The CCWG's overall objective is to promote more sustainable product transportation. To do this, it fosters dialogue and collaboration between brands and transportation providers to develop tools and standards that manage environmental performance efficiently. CCWG drives performance improvement by:</i></p> <ul style="list-style-type: none"> • Enabling fact-based dialogue between shippers and carriers • Sharing best practices on operations and technology investments • Developing a verification standard for environmental data to increase credibility in shipping industry data • Enabling fact-based dialogue between shippers and carriers • Sharing best practices on operations & technology investments • Developing a verification standard for environmental data to increase credibility in shipping industry data • Increasing transparency in the industry by facilitating efficient exchange of information between shippers and carriers • Providing standardised methodologies for measuring environmental performance in order to enable benchmarking among carriers and contributing to alignment across the container shipping industry <p>Accomplishments include:</p> <ul style="list-style-type: none"> • Developed industry standard for assessing ocean carriers' environmental performance • Created a carrier “Scorecard” to quantify performance and benchmark individual carriers against industry performance • Distributing annual aggregated environmental performance data to members • Realized an average 8 percent decrease in aggregated CCWG CO2 emission rates across trade lanes from 2007 to 2008, and a 17 percent decrease compared to 2006 	<p>Ship owner and customer initiative:</p> <p>Two membership categories:</p> <ol style="list-style-type: none"> 1) Carriers are transportation service providers, vessel owners, and vessel operators. 2) Shippers are global retailers, manufacturers, and cargo owners utilizing transportation services. <p>Ocean carrier members are collectively responsible for over 70 percent of global container transport.</p> <p>31 members</p> <p>Membership fee: \$5,650 USD for BSR member companies and \$8,350 USD for on-BSR member companies for calendar year.</p>	<p>NGO</p> <p>Business for Social Responsibility (BSR)</p>

SHIPPING INDUSTRY CSR COLLABORATIONS

Name, Region,
Date and Key Tool

Description

Membership

Founders

A. Coalitions CONTINUED

Clean Cargo Working Group (CCWG)

Global

2003

www.bsr.org/cleancargo

Standardized environmental performance and benchmarking scorecard reported publicly at the aggregate level and available privately for shippers to evaluate carriers. Provides tools and best practices to members, including a customized CO₂ calculator. Analysis of key sustainability challenges and threats

- Environmental Performance Survey (2011) includes: environmental policy, annual environmental performance report, involvement in environmental collaborations, certified environmental management system (EMS), environmental objectives, targets, milestones and key performance indicators (KPIs), monitoring, process for corrective actions, events of significant non-compliance with policy, coverage and scope, employee training, policy for vessel recycling, measures to improve fuel efficiency and reduce CO₂ emissions of ocean vessels; programs to reduce emissions of cargo transported by land, CO₂ reduction goal, NO_x measures, SO_x measures, pilot projects and research investments into renewable energy or abatement technology; environmental performance criteria in selection of subcontractors or suppliers (charter vessels, terminals, inland cargo transport services)
- Chief publication: Beyond the Factory Gates: How Brands Improve Supply Chain Sustainability Through Shipping and Logistics: Clean Cargo Working Group Tools for Measuring and Reducing Environmental Impacts

http://www.bsr.org/reports/CCWG_Report_Mar_2011_FINAL.pdf

Scope: Environmental

Ocean carrier members are collectively responsible for over 70 percent of global container transport.

31 members

Membership fee:
\$5,650 USD for BSR member companies and \$8,350 USD for non-BSR member companies for calendar year.

Green Marine

North America

2008

<http://www.green-marine.org/home>

Standardized public environmental performance and benchmarking scorecard both aggregated and company level, third party verification and certification seal. Enhances transparency of environmental performance.

Initiative aimed at implementing a marine industry environmental program throughout North America. Its mission is "to make the marine transportation industry even greener". Its vision is "to lead the marine transportation industry to environmental excellence". Its main goals are to:

- Strengthen environmental performance through a process of continuous improvement;
- Build strong relations with marine waterway stakeholders;
- Heighten understanding of the industry's activities and environmental benefits.

Challenges participant companies to improve their environmental performance beyond regulatory compliance. Seven areas of focus include: aquatic invasive species, air emissions and greenhouse gases, cargo residues, oily waters, conflicts of use for ports and terminals, and environmental leadership. Includes a self-assessment on performance indicators defined on a scale ranging from one to five. Participant results are subject to an external audit every two years.

Tracks and reports on the aggregate performance of member companies, e.g., the 2010 results show a global score of 2.9, up from 2.5 in 2009. Publicly discloses member performance.

Participants who fulfill the program's requirements receive the Green Marine seal of certification, which they can use to publicly demonstrate their commitment to continuously improving their environmental performance.

Scope: Environmental

Ship owner and port initiative:

Marine industry sectors active in both Canada and the U.S.:

- Domestic and international ship owners (N= 21)
- Ports and terminals
- Stevedoring companies
- St. Lawrence Seaway

Membership fee (USD):

- Bulk carriers and container ships:

\$500/ship (\$5K minimum fee)

- Tugs, ferries and other small ships:

\$2.5K minimum fee

Annual maximum: \$15K

Industry associations

Major marine industry associations in Canada and U.S.

SHIPPING INDUSTRY CSR COLLABORATIONS

Name, Region,
Date and Key Tool

Description

Membership

Founders

A. Coalitions CONTINUED

**Green Ship
of the Future**

Denmark

2008

www.greenship.org

**Collaboration in R&D, capacity
building and information sharing.**

The main goal of the initiative is to reduce air emissions from ships. Companies across the Danish maritime industry join forces to develop projects to reduce CO2 by 30%, SOX by 90%, NOX by 90% and particulate emissions from both existing ships and new buildings. Members collaborate in the development of technologies and methods within logistics, machinery, propulsion and operation. They focus on research, development, demonstration, innovation, education, training and dissemination of knowledge.

Scope: Environmental

Maritime company initiative:
Danish companies and organisations that meet the condition of being able to demonstrate a technology for reduction of air emissions within one of the four focus areas: machinery, propulsion, operation and logistics.
Currently has 25 members.

Shipping companies

Four leading Danish maritime companies Aalborg Industries, A.P. Moller-Maersk, MAN Diesel and Odense Steel Shipyard

B. Projects

Shippingefficiency.org

Global

2009 (est.)

<http://shippingefficiency.org>

Public rating system, index and benchmark of vessel energy efficiency for customers. Enhances transparency of vessel energy efficiency. Uses third party information.

A project of the Carbon War Room, its purpose is to increase information flows around international shipping's energy efficiency and ultimately help reduce the environmental impacts of the world's shipping fleet. It uses a free-access, beta data-hub online search tool supporting the industry to factor in vessel efficiency information when making business decisions. It functions as an index and benchmark for organizations that see commercial and environmental value in vessel efficiency, so that users can tell an efficient, low-emission ship from a less efficient one. About 60,000 ships including the majority of the world's container ships, tankers, bulk carriers, cargo ships, cruise ships and ferries, are given an A to G rating. It uses data from the Clean Cargo Working Group, Energy Efficiency Design Index (EEDI) and data from the world's largest ship registry, IHS Fairplay.

Scope: Environmental

NGO initiative:
No memberships, but encourages supporting (4) and (39) website partnerships.

NGO

Carbon War Room, a not-for-profit organization that implements market-driven solutions to climate change

Clean Shipping Project

Global

2006

<http://www.cleanshippingproject.se/>

The Clean Shipping Index is a web-based tool developed for cargo owners to put environmental demands on their shipping services. The Index is based in Gothenburg, Sweden and covers a number of different pollutants from shipping. The Clean Shipping Index has a global reach with 30 large international cargo owners – the Clean Shipping Network – and around 45 world wide shipping companies have submitted environmental performance data regarding their vessels to the Index. The objective is to create a simple, web-based tool for large cargo owners to take environmental considerations but also to put environmental demands when purchasing shipping services for their products. The Clean Shipping Index has a holistic view on ship emissions and is covering parameters like carbon dioxide (CO2), sulphur dioxides and particulate matter (SO2 and PM), nitrogen oxides (NOx), chemical products and waste & water. Shipping companies may log in to the Clean Shipping Index database and submit information on these parameters for their vessels. Both vessels and carriers get ranked by a scoring system built into the index. An uncertainty for cargo owners using the Index in the procurement of shipping services, is the validity of the data entered. Therefore a verification procedure of vessel and carrier data by a third party has been developed within the Index.

Scope: Environmental

Customer initiative:
Cargo owners.

Governments

Evolved out of an inter-governmental meeting in 2006 of Ministers of Environment and Ministers of Transport from countries around the North Sea to discuss, among other things, more environmentally friendly shipping. The European Union was the initial sponsor.

i Personal email communication with SSI: Feb. 28, 2011. ii Personal email communication with SSI: Feb. 28, 2011. iii Personal email communication with CCWG: Feb. 29, 2011. iv Personal email communication with Green Marine: Feb. 29, 2011.

A Proposed CSR Implementation Framework for the Shipping Industry

Based on a review of the literature as well as current CSR issues, initiatives, practices and collaborations in the shipping sector, the following CSR Framework for the Shipping Industry is presented for discussion purposes.

Though preliminary in nature and requiring validation through further industry and stakeholder input, this consolidation of CSR elements provides a possible organizing framework for companies and industry associations interested in further engaging on CSR activities. It presents a list of key components as well as sample CSR practice areas within each component. The basic elements are summarized in **Table 16** below and further elaborated in **Chart II** below.

TABLE 16: Proposed Implementation Framework – Key CSR Components for the Shipping Industry

Component	Principle
CSR Governance	Integrate social and environmental factors into the firm's governance and management system and take stakeholder considerations into account in how the firm operates
	Adopt ethical business practices
Social Responsibility	Implement measures to enhance employee well-being
	Implement measure to improve security
	Undertake initiatives to improve local socio-economic conditions
	Identify and reduce negative community impacts
	Provide disaster relief programs
	Implement measures to enhance inclusive trade
Environmental Responsibility	Identify and improve environmental impacts
Ocean Responsibility	Collaborate to improve industry environmental performance
	Contribute to measures that enhance ocean governance and stewardship

CHART II: KEY CSR COMPONENTS FOR THE SHIPPING INDUSTRY

CSR GOVERNANCE		
Governance and Management Framework	<ul style="list-style-type: none"> • Corporate governance • CSR governance and management system • Transparency and disclosure 	<ul style="list-style-type: none"> • Stakeholder engagement • Sustainable procurement
Ethical Business Practices	<ul style="list-style-type: none"> • Anti-corruption and bribery • Human rights 	<ul style="list-style-type: none"> • Sensitive regions • Container content
SOCIAL RESPONSIBILITY		
Employee Well-being	<ul style="list-style-type: none"> • Health and safety • Training and education • Diversity & equity 	<ul style="list-style-type: none"> • Family welfare • Labour and living conditions, wages and benefits • Responsible downsizing and closure
Security	<ul style="list-style-type: none"> • Ship, cargo and personnel security 	
Local Socio-economic Development	<ul style="list-style-type: none"> • Community involvement • Local socio-economic development 	<ul style="list-style-type: none"> • Local hiring • Local sourcing
Community Impacts	<ul style="list-style-type: none"> • Congestion • Displacement 	<ul style="list-style-type: none"> • Noise, dust, odours and luminous pollution
Disaster Relief	<ul style="list-style-type: none"> • Humanitarian aid • Infrastructure rebuilding 	<ul style="list-style-type: none"> • Environmental clean-up & rehabilitation
Inclusive Trade	<ul style="list-style-type: none"> • Trade access for under-served and vulnerable markets, producers and regions • Millennium Development Goals 	
ENVIRONMENTAL RESPONSIBILITY		
Environmental Impacts	<ul style="list-style-type: none"> • Energy and fuel efficiency • GHG and air pollutants • Renewable energy • Waste • Vessel discharges 	<ul style="list-style-type: none"> • Invasive species • Marine mammals and cetaceans • Underwater noise • Natural resource use • Ship and container life cycle design
OCEAN RESPONSIBILITY		
Industry Environmental Performance	<ul style="list-style-type: none"> • Industry collaboration and partnerships • Port environmental impacts 	
Ocean Governance	<ul style="list-style-type: none"> • Use and access rights and responsibilities • Research and public information on ocean health • Marine protected areas and ecosystems 	<ul style="list-style-type: none"> • Multi-stakeholder collaboration • Regulations and standards

Section 3 – Conclusions: CSR Barriers and Opportunities in the Shipping Sector

A need for inclusive standards

Accelerating demand for new business strategies to manage risk, improve operating efficiencies, access new markets, and address complex cross-jurisdictional problems that cannot easily be resolved by regulation, is also accelerating the engagement of global supply chains and investors in CSR. Research conducted for this analysis confirms that, in addition to social and environmental compliance encouraged or imposed by regulatory agencies, ‘de facto’ standards for CSR practices in the shipping industry are currently being developed by interested shipping companies, both on an individual basis and in collaboration with other stakeholders including customers and NGOs.

While it is difficult to accurately assess the extent of industry-wide activities on CSR in the shipping sector, it appears that engagement in development of emerging CSR standards for the sector is not as inclusive as it likely should be to ensure the standards are equitable and do not advance the interests of some parts of the industry at the expense of others. **Small-to-medium sized (SME) ship owners and companies appear to be absent from the six shipping sector-related CSR collaborations reviewed for this analysis. Similarly, with the exception of Green Marine, it would appear that shipping industry associations are not well represented in these collaborative initiatives. This is notwithstanding the fact that research conducted for this paper indicates shipping industry associations have identified a number of CSR issues and initiatives of interest to them and their members, both large and small.**

Under these circumstances both industry associations and other ship owners have an obvious self-interest in at least monitoring developments related to the introduction of voluntary CSR standards for the shipping sector, if not actively participate and engage in them.

CSR Barriers

Barriers to CSR participation exist in all sectors. At the most basic level, lack of knowledge of what CSR is, how to do it and the benefits that can flow from the application of CSR principles and practices are by far the most common barriers. The CSR playing field is large, multifaceted and constantly changing. Thus even with the basic knowledge in hand, it can still be challenging for both individual companies, as well as business sectors as a whole, to determine the components of CSR that are material to their particular needs or circumstances.

Evaluating options and identifying the CSR ‘acupuncture points’ capable of generating measurable benefit obviously requires an approach that is both well-informed and strategic. Moreover, and as noted in this analysis, CSR is a long-term value proposition. Results inevitably take more than a few financial reporting periods to materialize; hence investing in social and environmental performance requires access to ‘patient’ capital.

Barrier to participation in CSR activities can also be systemic, particularly in industries that, like the shipping industry, are already highly regulated and have to function across diverse public policy regimes.

Arguably, the more disparate, fragmented and dispersed a business sector is, the more challenging it will be to develop a cohesive approach to CSR opportunities and benefits.

Last but not least, at both an industry level and an individual firm level, CSR activities can be complex and costly. The transaction costs involved can be prohibitive for some SMEs and/ or businesses that simply do not have the margin to absorb additional costs, even costs that may be capable of paying dividends further down the road.

Strategies for Addressing CSR Barriers: The Role of Industry Associations

Although most of the aforementioned barriers likely apply in the shipping sector, it is important to note that none are new. As is the case with any aspect of business innovation, the process of figuring out the best way to address them is an iterative one involving learning, experience, compromise, negotiation and an ability to work with different perspectives.

Experience in other jurisdictions and sectors, suggests that industry association engagement on CSR can be an effective strategy for overcoming CSR barriers. The experience of the natural resource sector and other large-scale export industries in dealing with some of the challenges inherent to CSR participation may be instructive from a shipping sector perspective.

A recent study conducted by one of the authors of this paper for the Government of Canada looked at the role industry associations were playing in the Canadian oil and gas, chemicals, mining, forestry, retailing and manufacturing sectors and found that industry associations are increasingly intervening to help their members address common barriers to CSR participation¹⁵. The study found that the development of CSR programs by industry trade associations is typically championed by a group of member companies who are willing to support association engagement in CSR because they see it as the best way to mobilize the broader sector on social and environmental performance issues that are critical to the future of the industry as a whole.

This Government of Canada sponsored research identified a number of industry association practices that were effective in helping member companies improve their environmental and social performance. Like the **UN Global Compact (UNGC) Management Model for CSR** referenced on **p. 17** of this report, these practices can be summarized in a 'CSR Management Model' customized more specifically to meet the needs of industry associations. **Figure B** (below) provides an overview of six steps an industry or trade association can take to support its members to engage in CSR practice. As is the case with the UNGC CSR management model, a CSR management model for industry associations is a dynamic and continuous process designed to assist industry associations in supporting their members' efforts to achieve improved social and environmental performance over time.

¹⁵ Strandberg, *The Role of Industry Associations in the Promotion of Sustainability and Corporate Social Responsibility*.

FIGURE B: CSR Management Model for Industry Associations

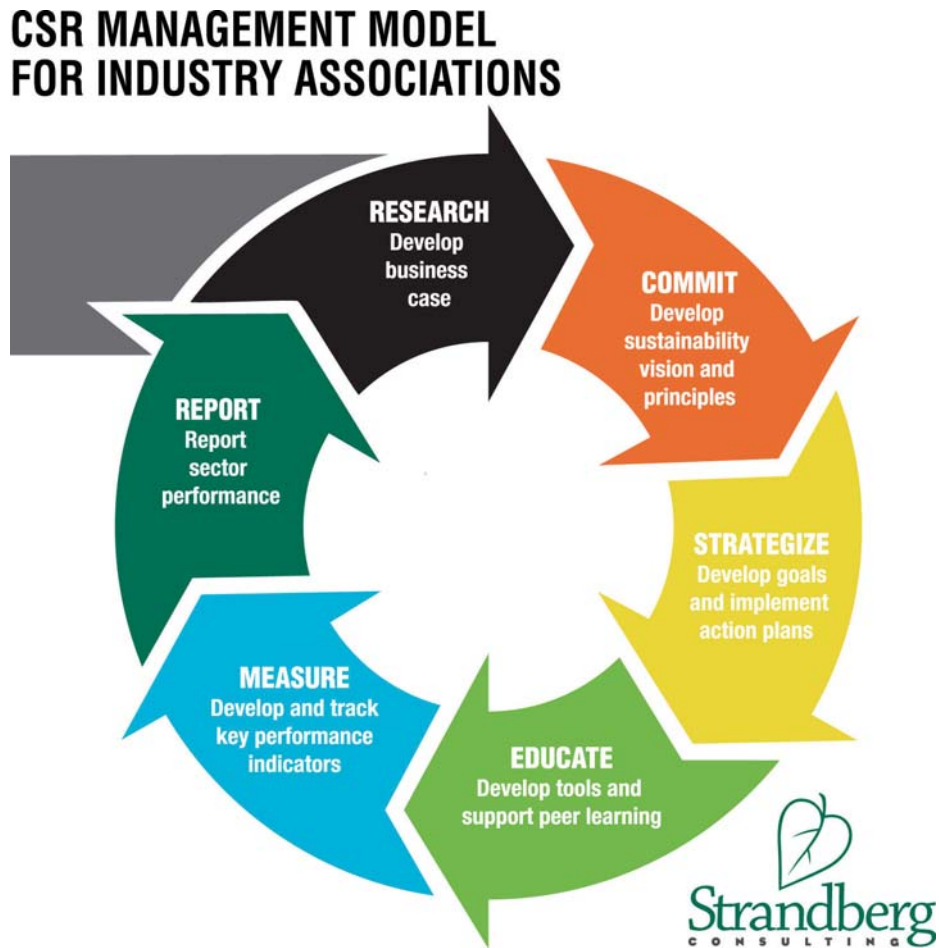


TABLE 17: Key Components – CSR Management Model for Industry Associations (6 Steps to Support Members)

STEP 1	Research	Develop business case
STEP 2	Commit	Develop sustainability vision and principles
STEP 3	Strategize	Develop goals and implement action plans
STEP 4	Educate	Develop tools and support peer learning
STEP 5	Measure	Develop and track key performance indicators
STEP 6	Report	Report sector performance

Benefits to Industry Associations from CSR Engagement

The experience of industry associations in the Canadian natural resource, chemicals and manufacturing sectors suggest that efforts by industry associations to support CSR capacity development and engagement among members can create benefits for both member companies and the association. There are at least seven different categories of potential benefits that can flow to industry associations that initiate and maintain a CSR program for their members.¹⁶

Attract and retain members: CSR programming increases the value and relevance of the association to current and prospective members. It can also reduce the risk that members will have their CSR needs met by other organizations.

Shipping industry associations that undertake to develop a CSR program with and for their members can provide value-added services to members enhancing the relevance of the association to its members.

Enhance innovation: Cost-effective pre-competitive CSR collaborations can result in industry innovation, enabling the industry to improve its collective CSR impacts.

Industry collaboration facilitated by the shipping industry association can bring economies of scale to research and testing of new technologies that could support members to improve their CSR performance while achieving financial benefits and creating new business opportunities.

Build positive government and NGO relations: Associations which increase their CSR expertise will be better positioned to contribute positively to regulatory initiatives by government and other agencies and to engage constructively with NGOs and other stakeholders. As well, associations which have voluntary industry CSR standards which exceed compliance requirements are able to forestall government regulation.

By investing in the industry's collective CSR knowledge and capacity, the industry is better positioned for future government negotiations and legislative initiatives and for NGO and other stakeholder engagement.

Identify industry priorities: Many generic global CSR initiatives and standards are now available and this in turn can make priority-setting difficult. An industry approach can assist member companies to develop an industry relevant model tailored to the sector's most material risks and opportunities.

By bringing a shipping industry perspective to existing CSR standards, the sector can more readily prioritize and act upon CSR expectations material to the industry, saving the association and its members valuable resources in the process.

Fulfill association goals: Industry association goals are typically to assist its members to be competitive and profitable. CSR is one tool to enhance member profitability and competitiveness.

Industry association CSR programs can be tailored to meet the needs of different sized members and types of companies.

¹⁶ Strandberg, 2012, unpublished research.

Build industry reputation and brand: An industry association CSR program demonstrates the industry's commitment to sustainable practices and leadership on CSR. It can build positive stakeholder relationships with customers, communities, NGOs, suppliers, and others, and enhance the sector's social license to operate and grow.

Industry associations that do not invest in building the sector's CSR capacity put their industry's ability to adapt to social and environmental change at risk in both the short and the long term. In some instances the opportunity also exists to get ahead of new trends in order to anticipate and even influence CSR issues that emerge globally.

Enhance employee recruitment and retention: Industry associations with CSR programs are able to attract and retain the best and brightest employees who prefer to work for organizations aligned with their values.

Shipping industry associations can incorporate their member CSR programs into their recruitment efforts. By demonstrating a commitment to enhancing the CSR impacts of the shipping industry, associations are better able to win in the war for talent. This can have a cascading effect into the recruitment efforts of the industry as a whole – as the industry comes to be perceived as a global facilitator of social and environmental progress.

As the foregoing suggests, a number of benefits can accrue to industry associations which develop programs to help their members improve the sector's CSR performance. Many of these potential benefits would be available to both international and regional shipping industry associations.

SMEs in the shipping sector could also benefit from more direct shipping industry association engagement in CSR activities in the following ways¹⁷:

- Access to information on emerging CSR trends and issues of relevance to them
- Assistance in understanding stakeholder interests
- CSR training and tools
- Opportunities for peer-based learning and knowledge-sharing
- Collective action on solutions difficult for SMEs to tackle on their own
- Ability to have a voice in development of CSR standards for their sector

SMEs seeking to get started on the development of a CSR strategy could take the following steps:

- Identify practices already in place relative to the CSR Framework for the Shipping Industry as elaborated upon in **Chart II** of this paper (**p. 26**)
- Consult with key stakeholders, such as employees, on ways and means to address gaps and opportunities from this initial assessment
- Prioritize 2-3 initiatives to be implemented over the course of a specified timeframe (e.g. next 2-3 years)
- Track cost savings and new business opportunities arising from implementation of CSR practices

¹⁶ Strandberg, 2007, p 24.

Conclusions

In addition to confirming increased activity on CSR issues and practices in the shipping industry, this analysis has categorized key themes and activities and presented two possible tools for advancing shipping industry engagement on CSR.

- The first is a comprehensive framework for CSR in the shipping industry presented in **Table 16 on p. 25** and elaborated upon in **Chart II on p. 26**. The ‘**CSR Framework for the Shipping Industry**’ is based on a consolidation of CSR issues reviewed for this paper that were identified in a CSR review of individual shipping companies, industry associations and several collaborative multi-stakeholder initiatives on CSR in the shipping sector.
- The second is a customized ‘**CSR Management Model for Industry Associations**’ presented on **p. 29**. It is based on the experience of industry associations in other sectors and jurisdictions that have implemented CSR programs designed to assist and support improved social and environmental performance among their members.

Both concepts require further discussion and testing. To this end – and to achieve some of the benefits outlined above – interested companies and associations could collaborate on one or both of the following initiatives:

- Validate and confirm a core CSR Framework for the Shipping Industry through supplementary research into CSR risks, trends, issues, impacts and dependencies of the shipping industry and consultation with shipping industry representatives and stakeholders.
- Explore opportunities for collaboration between industry associations interested in further supporting their members in the area of CSR performance. This could include outreach and liaison to existing CSR coalitions in the shipping sector to identify opportunities to work together on shared goals.

As this research has discovered and this paper has explored, CSR is evolving as a global management practice to create strategic long term value for its adherents. The opportunity exists for shipping companies to leverage this global practice to support their collective interest in improving their environmental and social performance as well as their economic competitiveness. Whether as individual firms, or collectively through their industry associations, it is timely for shipping companies to harness these global trends in ways that benefit their firm, the shipping sector as a whole, and present and future generations.

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Web Links

Business for Social Responsibility (BSR)

<http://www.bsr.org/>

CERES Coalition of Investors, Environmental Groups & other Public Interest Organizations.

<http://www.ceres.org/company-network/ceres-roadmap>

NOTE: See the 2010 Summary of 'The 21st Century Corporation: the CERES Roadmap for Sustainability'

European Commission: A Renewed Strategy 2011-14 for CSR

http://ec.europa.eu/enterprise/newsroom/cf/getdocument.cfm?doc_id=7010

Global Reporting Initiative Sustainability Reporting Guidelines (GRI – G3) Version 3.0

http://www.globalreporting.org/NR/rdonlyres/ED9E9B36-AB54-4DE1-BFF2-5F735235CA44/0/G3_GuidelinesENU.pdf

International Finance Corporation Performance Standards (Environmental and Social)

<http://www.ifc.org/ifcext/sustainability.nsf/Content/EnvSocStandards>

International Maritime Organization (IMO)

<http://www.imo.org/Pages/home.aspx>

International Organization for Standardization (ISO)

<http://iso.org>

NOTE: The ISO 'Plan-Do-Act-Check-Adjust' methodology is a fundamental building block in most voluntary codes of practice for social and environmental performance. See IOS 14000 (Environmental Management), ISO 26000 (Social Responsibility) and ISO 20121 (Sustainable Event Management)

OECD Guidelines for Multinational Enterprises

http://www.oecd.org/document/28/0,3746,en_2649_34889_2397532_1_1_1_1,00.html

SustainableShipping.com

<http://www.sustainableshipping.com/>

NOTE: SustainableShipping.com is an online news and information resource dedicated to marine transportation and the environment.

The Economist Intelligence Unit

http://www.verizonbusiness.com/resources/reports/rp_dangerous-liaisons-eiu_en_a4_xg.pdf

NOTE: See the Report on 'Dangerous Liaisons: How Businesses are Learning to Work with their New Stakeholders'

UN Conference on Sustainable Development (UNCSD) 2012 ('Rio+20')

<http://www.uncsd2012.org/rio20/>

UN Global Compact Management Model (released June 2010 with Deloitte)

http://www.unglobalcompact.org/docs/news_events/9.1_news_archives/2010_06_17/UN_Global_Compact_Management_Model.pdf

UN Millennium Development Goals (MDGs)

<http://www.un.org/millenniumgoals/>

UN Principles for Responsible Investment (UNPRI)

<http://www.unpri.org/>

UN Voluntary Principles on Security and Human Rights

http://www.unglobalcompact.org/issues/conflict_prevention/meetings_and_workshops/vol-support.html

World Business Council for Sustainable Development (WBCSD)

<http://www.wbcsd.org/home.aspx>

Corporate Websites - Shipping Industry CSR Performance Reports

Maersk Line, Denmark

http://www.maerskline.com/globalfile/?path=/pdf/MaerskLine_Sustainability_Progress_Report_2010

K Line, Japan

<http://www.kline.com/KAMEnvironment/Social-and-Environmental-Report-K-Line-2011.pdf>

NYK Line, Japan

<http://www.nyk.com/english/csr/report/current/pdf/2011.pdf>

Hanjin Shipping, S. Korea

http://www.hanjin.com/hanjin/CUP_HOM_1950.do?sessLocale=en

Shipping Sector CSR Collaborative Initiatives Websites

Sustainable Shipping Initiative (SSI)

<http://www.forumforthefuture.org/project/sustainable-shipping-initiative/overview>

Clean Cargo Working Group (CCWG)

www.bsr.org/cleancargo

Green Marine

<http://www.green-marine.org/home>

Green Ship of the Future

www.greenship.org

Shippingefficiency.org

<http://shippingefficiency.org/>

Clean Shipping Project

<http://www.cleanshippingproject.se/>

CSR News Websites

CSRWire

www.csrwire.com/

greenbiz

www.greenbiz.com/

APPENDIX – CHART III: MILESTONES IN THE EVOLUTION OF CSR THINKING AND PRACTICE (1960 – 2012)

Date	Date	Date
1960s	Tax Incentives for Corporate Giving <ul style="list-style-type: none"> • Governments begin to provide tax incentives for corporate giving • Voluntary business contribution to community well-being 	Business involvement in philanthropy expands beyond wealthy individuals and large corporations <ul style="list-style-type: none"> • Public health, education, infrastructure
1970s – Present	Codification of Business Ethics <ul style="list-style-type: none"> • First courses on business ethics appear in business school curriculums • Organization for Economic Development and Cooperation (OECD) Guidelines for Multinational Enterprises (MNEs) adopted in 1976 	Emergence of international norms for what constitutes responsible business conduct
1971	Birth of Greenpeace <ul style="list-style-type: none"> • 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 	Emergence of environmental activism targeting specific companies and corporate practices <ul style="list-style-type: none"> • As a strategy for achieving new action by business and government on environmental issues
1987	UN Publication of 'Our Common Future' <ul style="list-style-type: none"> • 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 	Emergence of the concept of 'Sustainable Development' <ul style="list-style-type: none"> • 'Development that meets the needs of the present without compromising the ability of future generations to meet their own needs'
1989	Exxon Valdez Oil Spill <ul style="list-style-type: none"> • Establishment of the Coalition for Environmentally Responsible Economics (CERES) • A coalition of companies, investors and ENGOs committed to integrating sustainability into capital markets through voluntary adoption of a common set of principles 	Emergence of business-NGO collaborations aimed at creating market-based incentives for improved environmental performance
1992	First UN Conference on Environment and Development <ul style="list-style-type: none"> • Rio 'Earth Summit' • Established the UN Commission for Sustainable Development (UNCSD) 	Introduced a framework for international cooperation on global goals related to sustainable development <ul style="list-style-type: none"> • Foundation for development of multilateral agreements on biodiversity and climate change (the Kyoto Accord)
1990s	Establishment of World Business Council on Sustainable Development and Business (WBSD) and Business for Social Responsibility (BSR) <ul style="list-style-type: none"> • Business-led initiatives on improved social and environmental performance ('the triple bottom line') 	Emergence of international, national and regional business-led networks on Corporate Social Responsibility and Sustainability <ul style="list-style-type: none"> • Information sharing and advocacy
1996 – Present	Codification of CSR Principles and Management Practices <ul style="list-style-type: none"> • Development of auditable corporate management systems for social responsibility and sustainability including standards, processes and procedures as per corporate management systems for legal compliance and health and safety • ISO 14001 Environmental Management Standard – mandated application of basic 4-step 'Plan-Do-Check-Act' template for control and continuous improvement of business processes with environmental impacts • GRI Guidelines (2000) • ISO 26000 Guidelines for Social Responsibility (2010) 	Development of commonly accepted definitions, standards and practices for CSR involving governance, management integration, consultation and outreach, measurement, reporting and evaluation <ul style="list-style-type: none"> • 'Stakeholder Engagement' (R Edward Freeman 1986): CSR practice formally enshrines a requirement for engagement with individuals or groups affected by a firm's activities (and/or can influence implementation of its decisions)

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

Date	Date	Date
2000s	<p>UN Millennium Development Goals, UN Millennium Ecosystem Assessment, UN Global Compact</p> <p>A series of UN initiatives – also supported by the World Bank, the Organization for Economic Development and Cooperation and the International Monetary Fund – aimed at:</p> <ul style="list-style-type: none"> Establishing international goals for improvement of social and economic conditions in the world's poorest countries Conserving the natural ecosystems critical to maintaining life on earth in the face of accelerating population growth and other human pressures Encouraging businesses to voluntarily adopt more environmentally sustainable and socially responsible policies and report on their implementation Encouraging businesses to voluntarily adopt more environmentally sustainable and socially responsible policies and report on their implementation 	<p>Framed a global agenda for CSR based on growing international consensus on critical sustainable development issues and the role business in improving social and environmental conditions</p> <ul style="list-style-type: none"> Raised the profile of the need for action to address growing systemic risk from ecosystem degradation and increasing poverty/ social inequality Called for new private / public partnerships and collaborations to address complex interdependencies that transcend traditional geographic and sectoral boundaries
2001	<p>Enron Accounting Scandal</p> <ul style="list-style-type: none"> Regulatory reform to provide more transparency and disclosure on both financial and non-financial liabilities, including social and environmental impacts 	<p>Recognition that off balance sheet social and environmental impacts can have financial consequences that are material</p> <ul style="list-style-type: none"> CSR performance and management frameworks become a tool for responding to new investor and government demand for corporate disclosure
2006	<p>The Business Case for CSR</p> <ul style="list-style-type: none"> Michael Porter, Daniel Esty and others at the Harvard Business School make the business case for how CSR can help drive business adaptation and growth CSR linked to innovation and competitive advantage, particularly in relation to new products and services that can be commercially successful while also helping to address broader societal challenges 	<p>Advanced a role for CSR beyond mitigating harm to the creation of new value</p> <ul style="list-style-type: none"> CSR as a framework for also creating 'bottom line' and 'top line' value through resource efficiency and access to new markets
2006	<p>Walmart's Supply Chain Commitments</p> <ul style="list-style-type: none"> Voluntary adoption and application across the world's largest supply chain of a set of corporate goals on climate change, waste reduction and sustainable product development 	<p>One of the world's largest companies expands the scope of its voluntary environmental goals to include addressing 'indirect' impacts created by its supply chain</p> <ul style="list-style-type: none"> Emergence of Supplier Codes of Conduct for social and environmental performance
2008	<p>UN Principles for Responsible Investing (UNPRI)</p> <ul style="list-style-type: none"> A set of voluntary guidelines for investors wishing to address environmental, social and corporate governance issues in investment decision making Seen as an emerging norm in many parts of the investment industry The PRI has over 850 signatories including asset owners, investment managers and financial service providers 	<p>Catalyzed expansion of the Socially Responsible Investment Movement</p> <ul style="list-style-type: none"> \$22 Trillion - 10% of global capital markets currently invested under UNPRI guidelines Significant growth in the emergence of indexes and other independent rating systems evaluating corporate social and environmental performance
2008	<p>UN Voluntary Principles on Business, Human Rights and Security</p> <ul style="list-style-type: none"> First report by UN Representative John Ruggie on the development of a framework for preventing and addressing adverse human rights impacts linked to business activity Process included a focus on companies that operate in jurisdictions with little or no enforcement of rule of law and are therefore exposed to greater risks on human rights, social dislocation and ethical business practices In 2011 the Ruggie Reports led to the UN adoption of a new set of voluntary guidelines and standards for business – the 'UN Guiding Principles on Business and Human Rights' 	<p>Development of commonly accepted definitions, standards and practices for CSR involving governance, management integration, consultation and outreach, measurement, reporting and evaluation</p> <ul style="list-style-type: none"> 'Stakeholder Engagement' (R Edward Freeman 1986): CSR practice formally enshrines a requirement for engagement with individuals or groups affected by a firm's activities (and/or can influence implementation of its decisions)

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

Date	Date	Date
2009	Global Financial Crisis <ul style="list-style-type: none"> High risk and complex financial products, lack of disclosure and regulatory failure trigger a major economic recession and global financial crisis that continues to unfold 	<i>Demonstrated the vulnerability of the market system to systemic financial risk</i> <ul style="list-style-type: none"> <i>Further expands CSR role in risk management</i>
2011	Occupy Wall Street <ul style="list-style-type: none"> Beginning of popular discontent in North America and Europe regarding social inequality created by business and financial activity 	<i>'Backlash' to business creates new forms of NGO activism</i>
2012	'Rio+20' UN Conference on Sustainable Development <ul style="list-style-type: none"> 3rd major conference convened by the UNCSD (Rio 1992, Johannesburg 2002) Focus on green economy, poverty alleviation and sustainable production and consumption 	<i>Discussion on the role of CSR in defining, communicating and enabling business models capable of bringing about a more sustainable future</i> <ul style="list-style-type: none"> <i>Continuing global economic uncertainty plus failure to reach international consensus on a framework for carbon pricing and trading creates impetus for new tools for cross-sectoral governance, collaboration and innovation as a means of achieving progress on critical sustainable development goals</i>