

**Seminar on Corporate Social Responsibility (CSR) Activities for the
Shipping Industry**

Speech by Mr. Yohei Sasakawa, Chairman, The Nippon Foundation

Marina Mandarin Singapore Hotel, Singapore

April 26, 2012

Why CSR Is Important

Some four hundred years ago, the Dutch jurist Hugo Grotius advocated the principle of the "freedom of the seas." He saw the seas as an infinite resource that anyone could exploit freely and whose usage no one could regulate. Under this principle, human civilization made great strides, hand-in-hand with the expansion of international shipping and transportation.

But human progress has caused many problems related to the sea. This is in spite of the fact that life began in the oceans and that our lives on land continue to depend on the sea in many ways today. We are reaching a stage where it may be harder to enjoy the blessings we have received from the seas in the past and to pass them on to future generations.

Unless we act now to end the plunder of the precious resources of the oceans and work to stop maritime threats to property and human life, the situation will become even more serious. We may be forced to pay a heavy cost to protect ourselves and our colleagues in the future. It might become difficult to secure the next generation of workers who will carry on the maritime industry. There is also the danger of a large-scale release of oils or other hazardous and noxious substances into international straits, obstructing navigation and potentially causing irreversible harm to the marine environment. If we continue to exploit the limited resources of the seas at will, as we have done in the past, we may no longer be able to depend on the seas to provide us with the blessings that have sustained us throughout our history.

I am concerned that these threats may become reality in the near future if we do not look for solutions now. These problems could pose a serious risk to the development of businesses, extracting a heavy cost from everyone in the maritime industry. To avoid this state of affairs, and to pass on bountiful oceans

to future generations, I believe it is absolutely vital for all maritime corporations to demonstrate responsibility for such social problems. This is what CSR means.

Our Efforts to Encourage CSR Activities

At the Nippon Foundation, we are involved in efforts to solve a wide variety of social issues and to bring innovation to society. One of these undertakings is a project to prompt companies to take a more active approach to pursuing CSR activities.

As one part of our CSR project, let me first note that the Nippon Foundation co-established a navigation fund in the Malacca and Singapore Straits. Before this fund was established, the littoral states ensured the safety of navigation. But this scheme had become less effective due to the increasing danger brought about by a rapid rise in shipping traffic. The Nippon Foundation has co-established the new fund to allow not only states and NGOs, but also private shipping companies to contribute to safety in the straits from a CSR perspective.

In Japan, in March last year, the fishing and shipbuilding industries of the Tōhoku region suffered devastating damage in the Great East Japan Earthquake. In order to help the damaged companies start their work again, we called for the support of shipping industries all over the world. As a result, an unprecedented number of companies, both large and small, agreed with our basic philosophy for the disaster relief and contributed to our activities as part of their CSR efforts.

Shipping Firms' Failure to Implement CSR

When we look at the world shipping industry, we see a new trend where some companies establish joint CSR groups with cargo owners or NGOs. Maritime companies in these groups work together in, for instance, the development of logistical methods to reduce emissions from ships. However, it is only the largest firms in the industry that are doing this.

If this situation continues, these groups, built around a few large shippers, could well set rules that become the CSR standards for the whole industry in

the near future. Smaller firms are not part of these groups and have no say in the standard-making process. They may end up having to follow CSR rules that do not match the scale of their operations or their own ideals. The CSR standard-making process is far from transparent for many companies. With the exception of the few large ones that are part of these groups. I fear that these smaller companies will face business risks in following such rules.

One Solution: An Industry CSR Association

Today, I would like to propose a new framework that I call the "CSR Association." This brings together companies of all scales to develop CSR activities with high transparency. I believe this CSR Association would be effective in addressing matters concerning the environment, social issues, and many other fields, and that International shipping organizations like BIMCO, whose members include shipping companies of all sizes, would form the core of this association. The Nippon Foundation is prepared to cooperate fully in such measures.

It is my hope that the shipping industry will take the lead in forming an association to tackle maritime issues. Looking farther into the future, I also hope that the actions taken by the shipping sector will spread to other industries, bringing about an age when all companies address the issues facing society on a global scale, considering their duty to society and the sustainability of their operations.

In today's seminar, you will discuss cases that will be most helpful in putting CSR ideas into practice. I look forward to learning about leading CSR practices with all of you as we consider the future of our maritime community together.

Thank you.