



# Human Rights in the Shipping Industry: From Shipyard to Scrapyard

Roundtable, 2<sup>nd</sup> May 2019  
Meeting Report



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Roundtable Event, London  
Meeting Report

May 2019

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# Context

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# 1

On 2<sup>nd</sup> May 2019, in London, the Institute for Human Rights and Business (IHRB), the Danish Institute for Human Rights (DIHR), the Rafto Foundation for Human Rights, Anglo American and Maersk co-hosted a roundtable on *Human Rights in the Shipping Industry: from Shipyard to Scrapyard*. The event, generously hosted by Anglo American, explored areas of risk and responsibility in ensuring human rights are part of everyday business right across the ship lifecycle. The roundtable was attended by representatives from shipping companies, their business customers, investors, lawyers and civil society organisations engaging with the maritime industry. (See Appendix for organisation participant list) This convening was informed by a series of seminars with the maritime industry (*Mind the Gap Tour*) that took place in Norway in 2019, convened by Rafto Foundation, IHRB and DIHR.

80% of all global trade is maritime. Human rights issues are germane across the entire lifecycle of a ship – from design, finance and ordering, through building and operation, to breaking/recycling. To date, the maritime industry has focused on sustainability and the Sustainable Development Goals (SDGs) from a predominantly environmental perspective, with correspondingly little attention paid to human rights risks and operational responsibilities. However, there are widely documented cases of egregious abuses occurring within the sector, and as yet, no overarching human rights framework to support better due diligence from ship finance and planning through construction and operation to end of life.

## Salient Human Rights Risks

These include but are not restricted to:

- Sub-contracting: lack of contracts; 'self-employed' status
- Recruitment fees paid to labour brokers – debt bondage, risk of forced labour
- Lack of adequate health and sanitary facilities
- Lack of adequate training and/or HSE equipment
- Working hours, unpaid overtime
- Lack of freedom of association
- Under-resourced labour inspectors and lack of adequate grievance mechanisms and access to remedy
- Inadequate and/or poorly enforced regulations/legislation at all stages including flag states, port states
- Language barriers leading to health and safety risks
- Isolation, mental health problems
- Discrimination of all kinds
- Stranded crew
- Impacts on coastal communities' livelihoods eg pollution

See Appendix - Ship Lifecycle: Embedding Human Rights from Shipyard to Scrapyard - for further detail.

# Leadership, Leverage, and Collective Action

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# 2

Shipping is a highly fragmented global industry, incorporating flag states, domiciles, port states, countries of raw material production, manufacture and markets, with correspondingly complex supply chains. It was widely agreed among participants that collective action is the way forward for sustained progress in raising human rights standards across the industry. In particular, more sharing of information and dialogue between investors, shipping companies and business customers to overcome systemic and practical challenges, to learn from leading companies, and to mainstream good practice.

Other industries have seen considerable progress in raising human rights standards where stakeholders have come together to collaborate on tackling human rights risks and to engage with government to advocate for better regulation to protect worker rights. Notable among such multi-stakeholder collaborations are the electronics sector in Malaysia, fishing in Thailand and to some extent construction in Qatar.

Maritime industry initiatives such as [Ship Recycling Transparency Initiative](#) and [Clean Cargo](#) already represent important platforms for collective action in securing progress on environmental challenges such as reduction of emissions targets. There is an increasing recognition that such initiatives also need to integrate a greater focus on human rights and social impact, and to make the link more explicit between climate change and human rights (eg. risk to housing, access to food and water, health, livelihoods etc, especially for vulnerable coastal communities).

Advances in transparency and accountability in the industry will only come about through collaboration. There needs to be a balance between human rights as pre-competitive and as a drive for rising standards through healthy competitive pressure. It was noted that some kind of industry benchmarking on human rights performance is needed to achieve this, whether external through a process such as the [Corporate Human Rights Benchmark](#), or an industry-led 'scorecard'-type approach, such as already exists with Clean Cargo on emissions.

At the same time, it was acknowledged that government leadership through the [Ocean Panel](#), for example, must include a human rights dimension in calls to action to states and commit to more focus on 'inclusive equity' with no-one left behind.

# Drivers for Progress

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# 3

## Key Points from Panellists and Discussion

### **Commercial:**

- Business customers are critical in moving the needle to raise standards with ship operators and owners. This leverage is not yet being optimised. More rigorous due diligence and on-going dialogue is required to ensure responsible shipping is integral to a sustainable supply chain and value chain.
- The industry needs a common set of due diligence questions for both business customers and investors and more sharing of information to avoid duplication.
- Human rights standards in shipping operations should be included in codes of conduct and contractual obligations. The business benefits include more efficient operations, less staff turnover, lower training costs etc.
- Importance of practical pragmatism – no need to get hung up on human rights language *per se* if it becomes a barrier to progress with sub-contractors etc as long as appropriate labour standards are embedded in policies and contracts.
- More transparency reporting, eg UK Modern Slavery statements, should include due diligence and risk mitigation steps in transport and logistics.
- Lessons from collective action around land transportation/trucking can be applied to shipping. Low-cost changes can be transformative.
- Business customers need to move beyond just focusing on emissions to include human rights standards. More verification for compliance with the Marine Labour Convention is needed. Insurance certificates should be updated annually.
- Doing the right thing is simply part of business costs. It can still deliver competitive advantage.

### **Government:**

- There are lessons from legislation with extra-territorial reach, eg UK Anti-Bribery Act and UK Modern Slavery Act, in considering human rights obligations and liabilities in the shipping sector. This is not new for the shipping industry, eg regulation passed after big crude-oil spills severely limited subsequent spillages. Chains of liability are key to progress here.
- The EU's 'yellow card/red card' approach could be effective. Instructive lessons from Thailand's fishing industry given a yellow card due to risks of modern slavery on fishing boats - they were given 18 months to come up with a strategy for improvement. Thailand subsequently adopted its own Forced Labour Act and became the first country in ASEAN to ratify the International Labour Organisation's (ILO) Forced Labour Protocol.
- EU 'White List' of approved ship-recycling yards has been effective in raising awareness

of good and bad practice, due diligence by investors, contractual obligations. There is progress in standards in a few Indian shipyards in Alang through investment by leading global shipping companies, but these fall outside the White List.

- Only ten countries have to date ratified the Hong Kong Convention on the recycling of Ships – Japan is the only Asian country. So it has no teeth yet.
- Government leadership on ocean sustainability, eg Norway, has an important role to play in bringing a human rights focus into the debate, eg G20, Ocean Panel, Business Action Platform for the Ocean.

### **Financial:**

- The current reality is front-loaded leverage for many investors at ship-building stage. But human rights due diligence can be included at all stages of lifecycle, eg information regarding end-of-life before ship-building investment is approved.
- Sub-contractors need to be included on effective human rights due diligence.
- Banks/lenders/investors can exert considerable leverage with shipping companies around human rights standards through due diligence criteria and contractual obligations. They are already doing this around emissions.
- Common due diligence criteria, industry benchmarking standards for human rights and better sharing of information would contribute significantly to raising standards in the shipping industry.
- Industry initiatives such as Ship Recycling Transparency Initiative is bringing banks round the table with shipping industry players around environmental standards. Human rights standards should be included in this dialogue.
- Corrective Action Plans agreed between investors, eg the Norwegian Export Credit Agency and Polish shipyard owners, allows time for capacity-building and raising of standards in shipyards.
- The Equator Principles don't look at shipping. This is a gap to be addressed.

### **Auditing:**

- By definition the off-shore nature of crew makes auditing/spot-checks etc particularly challenging.
- International Transport Worker Federation highlighted the serious shortage of well-trained, experienced vessel inspectors: if malpractice exists on ships, eg. around contracts, it won't necessarily be clear to the naked eye.
- The auditing of shipyards by EU since Jan 2019 is important. Shipyards understand certification – SA8000 might be an appropriate standard.
- More sharing of up-to-date documentation on verification would be helpful.

### **Civil society:**

- It is crucial to have international human rights standards front and centre. The concept of human rights at sea needs to be mainstreamed with all stakeholders round the table looking at how standards, legislation, and industry initiatives fit together and where gaps remain.
- There is an essential role of NGOs in raising awareness of risks and abuses, in tracking

- cases, and calling for appropriate grievance mechanisms and remedy.
- More awareness is needed of inadequate human rights protection in South Asian breaking yards, eg lack of sanitary facilities, no hospital in Alang – 35 worker deaths in 2018.
  - There are lessons from other multi-stakeholder sector initiatives around managing human rights risk, eg fishing in Thailand, palm oil in Malaysia.
  - There are lessons to be learned from other sectors on the responsible recruitment of migrant workers and importance of the ‘employer pays principle’ to reduce risks of forced labour through debt bondage (including worker debt being transferred to families). NGOs and unions provide an essential channel of communication here.

## Recommendations

- A set of common benchmarking indicators for ship owners and operators would engender strong competitive pressure, and be valuable for enhanced due diligence by investors and customers.
- More information sharing and shining a spotlight on pockets of good practice to take to scale. Conversely, there needs to be more exposure of the consequences of non-compliance with international human rights standards by shipping industry players.
- Keep all key stakeholders round the table discussing options for collective progress, shared cost and responsibility, sustainable innovation.
- There is a need for more collaborative thinking around incentives for good practice, eg fast-track entry into port for operators with robust human rights policies and verifiable good practice.
- The current political prominence of ocean sustainability represents an important opportunity to integrate human rights into the debate.

## Unexplored Questions

These points were mentioned briefly as requiring much more detailed discussion:

- Remedy, the third pillar of the UNGPs.
- The human rights impacts of disruptive technology, eg. automation, blockchain?
- ‘What’s in the box’? – how far can carriers be expected to do their own due diligence on the supply chains of their cargo?



# Next Steps

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# 4

It was generally agreed that well-focused multi-stakeholder dialogue is fundamental to driving human rights progress in the shipping industry and taking advantage of the current prominence of ocean sustainability on the political agenda.

## Other steps:

- Work with Ocean Panel Team to plan roadmap to June 2020 Lisbon: UN Ocean conference – there must be a human rights dimension.
- Further roundtables in Singapore in Q4 2019 and possibly Hong Kong in 2020 to engage with Asian shipping companies, and customer shipping operations.
- Discussions to look at potential for stronger human rights focus in existing industry initiatives which have predominantly environmental or corruption focus.
- Draft a set of benchmarking indicators for ship owners and operators for multi-stakeholder consultation.
- Explore potential of engaging project finance with export credit agencies, pension funds and banks.
- Look for opportunities to bring relevant government ministries to the table with representatives of the industry, their business customers and investors to explore incentives and regulations for better human rights performance.

# Appendix: Agenda

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*0830 Arrival, coffee*

## **0900 Welcomes and Purpose of the Meeting**

- Sustainability in shipping: where's the human rights focus? – Jon Samuel, Group Head of Social Performance and Engagement, Anglo American
- Ocean transport and the human rights lifecycle of the ship – Frances House, Deputy CEO, IHRB
- What are the expectations on the shipping industry? Where are the gaps? – Allan Lerberg Jørgensen, Lead Sustainability Advisor, Social Impact, Maersk

## **0945 Salient Risks Around the Lifecycle: the Human Impact**

Moderator: Julia Batho, Research Fellow, IHRB

- Polish shipyards – Joanna Unterschuetz, Law Professor, Polish Institute of Human Rights & Business
- Seafarers – David Hammond, Founder CEO, Human Rights at Sea
- Shipbreaking/recycling – Andrew Stephens, Executive Director, Sustainable Shipping Initiative

*1100 Coffee*

## **1120 The Business Customer Perspective: Where's the Leverage?**

Moderator: Guido Battaglia, Head of Responsible Trade Programme, IHRB

- Recruitment of migrant workers, risks of forced labour; lessons from land transportation – Greg Priest, Social Impact and Human Rights Manager, and Elisabeth Munck af Rosenschöld, Sustainability Manager, Global Transport and Logistics, Inter IKEA Group
- Due diligence in chartering vessels – Samantha Webster, Global Sustainability Specialist, BP

## **1215 What Will Move the Needle for the Shipping Industry?**

Moderator: Cathrine Bloch Veiberg, Senior Advisor, Danish Institute for Human Rights

- Industry expectations – Allan Lerberg Jørgensen, Lead Sustainability Advisor, Social Impact, Maersk
- Strengthening investor due diligence – Sigrid Brynstad, Senior Sustainability Expert, Norwegian Export Credit Agency
- Collective action in the shipping industry - lessons from Clean Cargo – Peter Livey, Managing Director (GB), Hyundai Merchant Marine (Europe) Ltd

*1315 Lunch*

## **1400 Sustainable Oceans – Where do Human Rights Fit?**

John Morrison, CEO, IHRB, in conversation with:

- Kristian Teleki, Director, Sustainable Ocean Initiative, World Resources Institute
- Geir Sjøberg, Ocean Panel Team, Norwegian Ministry of Foreign Affairs
- Jostein Hole Kobbeltvedt, Executive Director, Rafto Foundation

## **1445 Concluding Remarks:**

Jan Klawitter, Anglo American, and Frances House, IHRB

*1500 End*

# Appendix: Participating Organisations

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# B

Anglo American

ASOS

BP

The Consumer Goods Forum

Danish Institute for Human Rights

De Beers

DLA Piper

Glencore

Human Rights at Sea

Hyundai Merchant Marine (Europe) Ltd / Clean Cargo

IHRB

Inter IKEA Group

International Chamber of Shipping

International Transport Workers' Federation

Maersk

Maritime Forum, Ocean Industry Forum Oslofjord

MFB Solicitors

NGO Shipbreaking Platform

Norwegian Export Credit Agency

Ocean Panel Team, Norwegian Ministry of Foreign Affairs

Polish Institute for Human Rights & Business

Rafto Foundation Norway

Reckitt Benckiser

South32

Standard Chartered

Sustainable Shipping Initiative/Ship Recycling Transparency Initiative

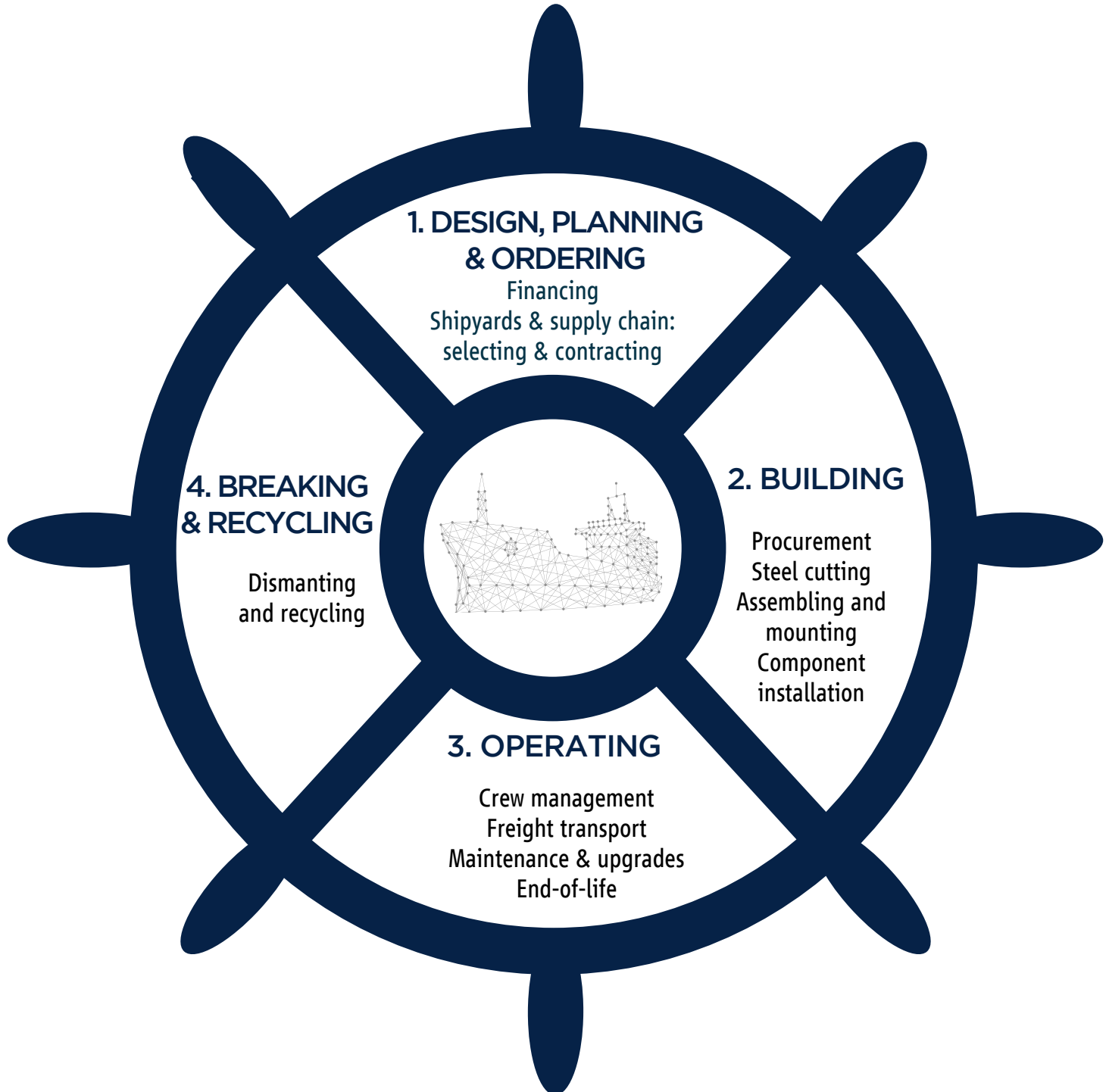
Unilever

White & Case

World Resources Institute

# The Ship Lifecycle: Embedding Human Rights from Shipyard to Scrapyard

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## Context

Maritime industry sustainability initiatives have generally prioritised environmental issues, with limited focus on human rights. This briefing presents human rights risks that actors involved in ocean transport may face throughout a ship's lifecycle – from planning through to recycling. It provides good practice examples for shipping companies, operators, business customers and investors seeking to align with relevant international standards. The briefing focuses in particular on cargo and bulk ocean transport, and draws on standards set out in the **ILO Maritime Labour Convention (MLC)**, the **UN Guiding Principles on Business and Human Rights (UNGPs)**, the **UN Convention on the Law of the Sea** and the **Hong Kong Convention on the Recycling of Ships**.

# The Ship Lifecycle: Salient Risks and Good Practice Steps

## POTENTIAL ADVERSE IMPACTS

## GOOD PRACTICE STEPS

### 1. DESIGN, PLANNING & ORDERING

#### Financing

- Prioritising low cost ship yards / suppliers poses risks of substandard working conditions and weak regulatory compliance.

- Ensure human/labour rights provisions in contracts from outset.
- Require human rights due diligence as part of mortgage terms of ship yards and suppliers, including assessment of recruitment practices and working conditions.

#### Shipyard – Selecting & Contracting

- Employing large number of temporary /contract workers, increases risks of labour rights violations and exploitation of workers.
- Temporary / contract workers required to pay recruitment fees increases risk of debt bondage and forced labour.

- Require human and labour rights policies and guarantees, including on recruitment, in ship yard selection.
- Work with recruitment/placement agencies regulated according to national law and international standards.
- Implement policies that prohibit charging of recruitment fees, irrespective of where or how workers are recruited.
- Require shipyard planning process and quote to include number of hours needed, expected overtime and related costs.

#### Supply Chain – Selecting & Contracting

- Globalised and fragmented supply chain present challenges in supplier monitoring, including risks of association with labour and human rights violations.

- Require human and labour rights policies and guarantees in supplier and contractor selection.
- Communicate expectations in contracts that human rights, employment and recruitment standards are respected across the supply chain.
- Carry out ongoing human rights due diligence of suppliers and contractors.

### 2. BUILDING

#### Procuring Materials

- Fragmented raw materials supply chain increases risk of labour and human rights abuse (e.g. steel - working and safety conditions in iron ore mines; minerals from conflict areas).

- Map raw materials supply chain to identify key risk areas/regions.
- Train procurement department in identifying key risks associated with production of raw materials.
- Collaborate with other companies and initiatives on responsible sourcing and improved conditions in sourcing regions/industries.

#### Steel Cutting, Assembling & Mounting Ship Sections, Installing Components

- Poor health and safety standards and procedures in shipyards increase risk of accidents and injuries.
- Tight timeframe increases risk of labour standards being compromised (e.g. excessive overtime; inadequate compensation).
- Recruitment and employment agencies used to hire workers are not effectively monitored.
- Temporary and contract workers are required to pay recruitment fees, increasing the risk of debt bondage and forced labour.

- Monitor health and safety standards; ensure workers in ship yards have appropriate safety equipment and training.
- Implement independent monitoring of working conditions, including interviews with workers.
- Ensure selected recruitment and employment agencies have explicit commitment to no-fees policy ('Employer Pays Principle').



### 3. OPERATING

#### Crew Management

- Recruitment and manning agencies used to hire workers are not effectively monitored; migrant workers are required to pay recruitment fees, increasing the risk of debt bondage and forced labour.
- Weak law enforcement and inspection of working conditions on-board increase risks of exploitation of offshore workers.
- Isolation due to long periods at sea and long working hours affects mental health of seafarers.
- Migrant workers have difficulty accessing health and safety information due to language barriers.
- Threat of piracy impacts workers' physical and mental health (e.g. distress; physical violence, captivity and death in case of attacks).
- Financial difficulties lead to abandonment of seafarers (on-board vessels, without remuneration, access to adequate medical treatment, food and accommodation; or at international ports without the means for repatriation).

- Provide comprehensive guidance on recruitment and employment practices (based on international standards) to recruitment and manning agencies.
- Include prohibition on the use of informal labour brokers in contracts with suppliers.
- Ensure selected recruitment agencies have explicit commitment to no-fees policy ('employer pays principle') and ongoing due diligence of agencies is carried out.
- Monitor health and safety standards; provide workers with appropriate safety equipment and training in a language they understand.
- Establish grievance mechanisms for workers (including migrant and temporary workers) to raise workplace concerns.
- Ensure effective monitoring of working conditions onboard ships.
- Adopt security measures to protect seafarers from threats of piracy.
- Provide insurance in accordance with international standards to assist seafarers in case of abandonment.

#### Transport

- Complex freight supply chain poses challenges to monitoring of business partners' practices, increasing risk of association with labour and human rights violations.
- Carbon emissions, poorly regulated ship traffic and water pollution cause adverse effects on health and livelihoods of communities in coastal and inland regions.

- Conduct mapping of business relationships across freight supply chain as part of due diligence process.
- Implement collaborative solutions such as investment in alternative fuels, new technology and industry-wide initiatives to reduce harmful emissions and water pollution.

#### Maintenance & Upgrading

- Poor health and safety standards and procedures increase risk of accidents and injuries.
- Temporary and contract workers are subjected to less favourable employment conditions than those of regular employees.

- Select a shipyard and/or subcontractor with good health and safety records, policies and procedures.
- Apply standards / policies on recruitment, employment and human rights to all workers, including temporary and contract workers.

#### End-of-Life

- Financial difficulties lead to abandonment of seafarers (on-board vessels, without remuneration, access to adequate medical treatment, food and accommodation; or at international ports without the means for repatriation).

- Provide insurance in accordance with international standards to assist seafarers in case of abandonment.

### 4. BREAKING & RECYCLING

#### Dismantling & Recycling

- Dismantling is carried out by low skilled workers on beaches or unregulated ship breaking yards, resulting in increased risk of injuries, accidents and fatalities.
- Ship breaking is carried out in countries with weak regulatory framework and law enforcement, increasing risks of substandard working conditions and worker exploitation.
- Toxic spills and water pollution cause adverse effects on workers' and local communities' health and livelihoods.

- Carry out ship breaking / recycling in regulated facilities in accordance with international standards.
- Monitor health and safety standards and working conditions in ship breaking yards; provide workers with appropriate safety equipment and training.
- Establish grievance mechanisms for workers (including migrant workers) to raise workplace concerns.
- Restrict ship breaking activities to demarcated areas to reduce potential environmental impacts.
- Develop monitoring programmes to assess short and long-term environmental impact of shipyards on local livelihoods.

# Standards, Resources, and Initiatives

## International Standards

- [Universal Declaration of Human Rights, 1948](#)
- [Maritime Labour Convention \(MLC\), 2006](#)
- [ILO Convention 185: Seafarers' Identity Documents Convention, 2003](#)
- [ILO Convention 188: Work in Fishing Convention \(2007\)](#)
- [International Convention on Maritime Search and Rescue \(SAR\) \(1985\)](#)
- [UN Convention on the Law of the Sea, 1982](#)
- [International Convention for the Safety of Life at Sea \(SOLAS\) \(1980\)](#)
- [ISO Standards related to shipbuilding and marine structures](#)
- [Hong Kong Convention, 2009 \(The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships – not yet in force\)](#)

## Implementation Frameworks

- [International Transport Workers' Federation and International Chamber of Shipping, Guidelines for Implementing the Welfare Aspects of the MLC \(2018\)](#)
- [Swedbank, Sector Guidelines for Shipping/Maritime Transport \(2018\)](#)
- [Human Rights at Sea, Introduction & Commentary to the 2011 UN Guiding Principles on Business and Human rights & Their Implementation in the Maritime Environment \(2016\)](#)
- [UN Global Compact](#)
  - [Guide for Business Action on Sustainable Development Goals \(SDGs\) \(2015\)](#)
  - [Framework for Implementation \(2010\)](#)

## Business and Human Rights

- [UN Guiding Principles on Business and Human Rights \(UNGPs\), 2011](#)
- [OECD Guidelines for Multinational Enterprises, 2011](#)
- [Dhaka Principles for Migration with Dignity, 2011](#)

## Sustainable Development Goals

- [SDG 6: Clean water and sanitation](#)
- [SDG 8: Decent work and economic growth](#)
- [SDG 10: Reduced inequalities](#)
- [SDG 12: Responsible consumption and production](#)
- [SDG 14: Life below water](#)
- [SDG 15: Life on land](#)

## Initiatives & Organisations

- [Clean Cargo](#)
- [International Maritime Organization](#)
- [Human Rights at Sea](#)
- [Business & Human Rights Resource Centre's Maritime Human Rights Reporting Platform](#)
- [Maritime Anti-Corruption Network](#)
- [NGO Shipbreaking Platform](#)
- [Ship Recycling Transparency Initiative](#)

## Host Organisations

- [Danish Institute for Human Rights \(DIHR\)](#)
- [Institute for Human Rights and Business \(IHRB\)](#)
- [Rafto Foundation for Human Rights](#)

