

# PRACTICAL GUIDANCE FOR THE UN GLOBAL COMPACT **SUSTAINABLE OCEAN PRINCIPLES**

**SHIPYARDS (SHIPBUILDING)**



**Sustainable  
Ocean Business**  
Action Platform



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**Note:** The Practical Guidance maps current regulations, business standards and best and emerging practices for a particular sector. Under the auspices of the UN Global Compact Sustainable Ocean Business Action Platform, the guidance has been mainly developed by companies operating within the sector.

The guidance is a dynamic working document. It will be reviewed on a regular basis to follow new legislation, best business practices, higher standards and market innovations. Input, feedback and comments from all stakeholders are welcome. If you would like to contribute, please contact: [ocean@unglobalcompact.org](mailto:ocean@unglobalcompact.org)

# GENERAL INTRODUCTION TO THE GUIDANCE DOCUMENT

## 1. THE UN GLOBAL COMPACT SUSTAINABLE OCEAN PRINCIPLES

The UN Global Compact has, in consultation with more than 300 stakeholders worldwide, developed the Sustainable Ocean Principles. The purpose is to promote the well-being of the ocean for current and future generations, as well as to emphasize the shared responsibility of businesses to take necessary actions to secure a healthy and productive ocean.

The nine principles cover three areas: ocean health and productivity; governance and engagement; and data and transparency. Signatories confirm their endorsement of the principles, setting out a framework for responsible business practices across relevant sectors and geographies. The principles build upon and supplement the overarching Ten Principles of the UN Global Compact, including the fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption.

The principles are relevant for companies with activities that may impact ocean health and companies that are part of an ocean productivity value chain. The principles are, therefore, also relevant for land-based industries, including the financial sector. The principles are directed at company boards and executive management. They are designed as a tool for moving beyond minimum standards and towards excellence in sustainability. They can be used as basis for due diligence assessments and serve as a reference point for interaction between companies on sustainable uses of the ocean.

Companies should understand the broader environmental and social consequences of their activities. Companies should ensure that material ocean-related risks and opportunities are integrated in corporate strategy, risk management and reporting. They should ascertain that the ensuing responsibilities are clearly defined within the organization. The company board should effectively guide, monitor and review company management in these efforts.

The principles are not introducing a new set of reporting measures, but rather encourage companies to use existing mechanisms to disclose their practices.

**\*DISCLAIMER :** This guidance and the information contained therein are intended as a general guide to the issues addressed. They must not be considered a substitute for legal advice and questions regarding the legal interpretation and application of the information should be directed to appropriate legal counsel. Any actions taken or omissions or alterations made on the basis of this information are done at the user's risk.

The guidance was issued in September 2020 and will be updated on a regular basis to ensure that relevant developments, expectations, standards and requirements are properly reflected.

## 2. THE GUIDANCE

### WHAT?

This guidance document is complementary to the UN Global Compact Sustainable Ocean Principles and is intended to broadly outline ways to operationalize these nine principles to specific industry sectors. The guidance aims at guiding signatories on how they can deliver on the principles in practical terms.

### WHO?

First and foremost, the audience is the set of companies operating in the sector targeted by the guidance. The guidance may also be used by financial institutions and insurers as a due diligence tool and to inform their decisions. The guidance may also support policymakers and civil society organizations to better understand the challenges, opportunities, regulations and standards of the sector.

### WHY?

The guidance aims at identifying shared challenges, common solutions, risks, opportunities, relevant partnerships and reporting frameworks needed to help operationalize the principles.

### HOW?

The document starts with an introduction presenting the authors and contributors, defining the scope of the document and general considerations for the sector, in line with the preamble of the Sustainable Ocean Principles.

**The guidance is organized in three sections: following the Sustainable Ocean Principles**

- **OCEAN HEALTH AND PRODUCTIVITY**
- **GOVERNANCE AND ENGAGEMENT**
- **DATA AND TRANSPARENCY**

For each of these sections, the guidance describes the main challenges and opportunities of the sector.

The document also highlights relevant reporting frameworks and partnerships which will help companies in the implementation of the principles.

Under each principle, the document seeks to provide clear and practical tools on how to implement the principles in business operations. In order to inspire companies, the document also identifies good practices from companies or initiatives.



## Sustainable Ocean Principles

The ocean is vital to the wellbeing and prosperity of humankind. To achieve the world community's ambitions as laid out in the Sustainable Development Goals, there is a need to expand our use of the ocean to produce food, energy, raw materials and transportation. Carrying out these activities in a sustainable manner will contribute to reducing global warming and environmental degradation. Ensuring a healthy ocean provides significant opportunities for business and global economic growth.

As described in Sustainable Development Goal 14 on Life Below Water, there is an urgent need to protect and restore the health of the ocean, which is rapidly deteriorating due to increasing temperatures, acidification, depletion of natural resources and pollution from land and sea. Businesses have a shared responsibility, alongside Government and civil society, to take necessary actions to secure a healthy ocean.

These Sustainable Ocean Principles provide a framework for responsible business practices across sectors and geographies. They build upon and supplement the Ten Principles of the United Nations Global Compact on human rights, labour, environment and anti-corruption. We, as signatories of these principles, recognize the urgency and global importance of a healthy ocean, and will take action to promote the well-being of the ocean for current and future generations. As relevant to their business, we believe that companies should:

### OCEAN HEALTH AND PRODUCTIVITY

**Principle 1:** Assess the short- and long-term impact of their activities on ocean health and incorporate such impacts into their strategy and policies.

**Principle 2:** Consider sustainable business opportunities that promote or contribute to restoring, protecting or maintaining ocean health and productivity and livelihoods dependent on the ocean.

**Principle 3:** Take action to prevent pollution affecting the ocean, reduce greenhouse gas emissions in their operations to prevent ocean warming and acidification, and work towards a circular economy.

**Principle 4:** Plan and manage their use of and impact on marine resources and space in a manner that ensures long-term sustainability and take precautionary measures where their activities may impact vulnerable marine and coastal areas and the communities that are dependent upon them.

### GOVERNANCE AND ENGAGEMENT

**Principle 5:** Engage responsibly with relevant regulatory or enforcement bodies on ocean-related laws, regulations and other frameworks.

**Principle 6:** Follow and support the development of standards and best practices that are recognized in the relevant sector or market contributing to a healthy and productive ocean and secure livelihoods.

**Principle 7:** Respect human-, labour- and indigenous peoples' rights in the company's ocean related activities, including exercise appropriate due diligence in their supply-chain, consult and engage with relevant stakeholders and communities in a timely, transparent and inclusive manner, and address identified impacts.

### DATA AND TRANSPARENCY

**Principle 8:** Where appropriate, share relevant scientific data to support research on and mapping of relevance to the ocean.

**Principle 9:** Be transparent about their ocean-related activities, impacts and dependencies in line with relevant reporting frameworks.



# SHIPYARDS (SHIPBUILDING) GUIDANCE

## CONTRIBUTORS:

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## SCOPE

This guidance applies to:

- Shipyards -- companies that build ships, ship hulls, parts of ships, perform ship maintenance, drydocks or convert ships. This includes shipyards that build, maintain and report marine structures for other marine and energy sectors, like rigs, semi-submersibles, Floating Production Storage and Offloading (FPSO) and Floating Storage and Offloading (FSO) units, ocean fish farms and similar structures.
- Ship designers and suppliers of materials and services as part of the ship value chain
- International regulators, flag states and class societies that govern the correct production, maintenance and repair of ships according to Class and under safe working environments
- Business entities:
  - ☐ in the shipping sector that own or use ships such as ship owners, operators, etc.
  - ☐ in the marine energy sector that use offshore structures such as energy contractors, oil companies, offshore renewable energy companies, etc.
  - ☐ in other sectors that use marine structures (aquaculture, fishing, etc.)
  - ☐ that supply goods and services to shipyards for shipyard operations (equipment, technology, materials, etc)

- ☐ that provide other services to shipyards including financial institutions (investors, finance/ banking, insurance) and other services (legal, classification societies, etc.)

The guidance focuses on construction and repair yards. A guidance for recycling/scraping yards will be developed separately. If you have comments and/or would like to contribute to the next versions, please send an email to: [ocean@unglobalcompact.org](mailto:ocean@unglobalcompact.org)

## The objectives of this document are to:

- Encourage shipyards to be social and environmentally responsible in order to be resilient
- Encourage shipowners, or other purchasers of ships and the financial institutions that provide the financing for them to choose yards that commit to the Sustainable Ocean Principles and implement them in line with this Practical Guidance.
- Establish a voluntary global standard for shipyards

## NOTE OF CONSIDERATION

Shipyards and their value chain have a responsibility, to protect the environment; to respect human and labour rights; to be transparent and report publicly. Shipyards, like other business entities, have a responsibility to meet international standards and expectations to address their adverse impacts on the environment, on society and on workers, even where these may not be set out in national law. Simultaneously they can also strive to have positive sustainability impacts. Both dimensions are necessary to contribute to achieving the Sustainable Development Goals. In particular, shipyards can contribute to:

- Goal 14: Life below Water and the target 14.2: By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans
- Goal 8: Decent Work and Economic Growth and target 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high value added labour intensive sectors

The International Maritime Organization (IMO) has set challenging targets to reduce GHG emissions from international shipping by at least 50 per cent by 2050 compared with 2008. Companies in the sector are also setting decarbonization objectives for the operations and value chains. Zero-emission vessels and fuels need to be in operation as early as 2030 to meet the IMO's 2050 ambition.

In order to achieve these objectives, there will need to be new ship designs, propulsion systems, and alternative fuels that will be integrated into new ships. One scenario for meeting IMO GHG targets is the building of greener new ships and modify existing ships to meet new regulatory demands.

This will provide challenges but also opportunities to shipyards. Shipyards also need to drive or at least adapt to the development of autonomous vessels.

Shipyards are where new technology is implemented in practice and will require new management systems, new capabilities, new technology and new business models that ensure building, operation and maintenance of ships in a sustainable manner.

One of the conclusions of the working group that developed the Practical Guidance is the need to establish or strengthen international collaboration of shipyards. Shipyards with leading sustainability practices are encouraged to collaborate to share good practices and engage with peers.

# OCEAN HEALTH AND PRODUCTIVITY

## CHALLENGES AND OPPORTUNITIES OF THE SECTOR

- Ensuring that ships are built, maintained and repaired with no release of harmful substances into the environment
- Using opportunities when designing, building, maintaining and repairing ships to curb sea discharges, sea noise and air emissions
- Developing business strategies that encourage customers to choose and use sustainable solutions
- Attracting capital/investments/financial benefits emanating from innovative finance mechanisms (such as Blue Bonds)

## REPORTING REGIMES OF RELEVANCE

- IMO GHG reporting / Poseidon Principles
- GRI reporting or similar international initiatives

## PARTNERSHIPS TO BE CONSIDERED

- [Building Responsibility](#)
- [Sea Europe](#) and the associated working groups on green and sustainable shipping



## PRINCIPLE 1.

### ASSESS THE SHORT- AND LONG-TERM IMPACT OF THEIR ACTIVITIES ON OCEAN HEALTH AND INCORPORATE SUCH IMPACTS INTO THEIR STRATEGY AND POLICIES.

#### GUIDANCE

##### Strategy & Governance

- Set long-term, medium-term and short-term strategies, policies & targets on identified material sustainability issues, including those covered in the principles, to institutionalize systems and initiatives to meet the targets
- Establish clear responsibilities for sustainability performance anchored at board level and senior management level
- Ensure that sustainability performance requirements are incorporated into relevant operational responsibilities, standards and requirements into job descriptions and contracts. Provide training to support the uptake of responsibilities, training of the yard workforce and subcontractors that covers environmental awareness, the consequences of the shipyard activities on the life in the ocean, its communities and those living nearby the yard
- Develop an organizational culture of environmental awareness, including environmental and social impact awareness
- Develop an organizational culture of continuous improvement built on continuous learning and transparency, including through consistent reporting of accidents, incidents and near misses related to environmental consequences and lessons learned

##### Relevant Actions

- Prior to yard establishment or expansion: Conduct an Environmental, Health & Safety, and Social Impact Assessment (ESIA) (See also Principle 4), which:
  - Assesses, prevents, mitigates and remediates the direct, indirect and cumulative impacts on the ocean environment
  - Includes potential impacts, including human rights impacts, on the adjacent and neighboring communities and livelihoods (See also Principle 7)
  - Assesses possible impacts to, and risks from, climate change. This includes changes in the ocean environment, higher water levels and storms, as well as the effect on the yard's ability to perform in a sustainable manner
- On a regular basis during operations: perform regular health, safety, environmental and social risk assessments, and materiality assessments, in particular for new activities and materials, and reflect the results in the yard's management systems
- As part of ship design: Adopt a risk-based approach (HAZID, HAZOP) for ship designs to ensure reliability during the operations and minimal impact on marine resources. Evaluate the GHG impact of ships built, maintained and repaired, as well as other potential environmental effects of the built ship, or due to the changes made on the repaired ship (See also Principles 2 and 3)

## GOOD PRACTICE EXAMPLES

- HSE certification and audits by competent accreditation companies such as Lloyd's Register/DNV GL/Bureau Veritas.
- LMG Marin and Norled are designing and building the world's first zero emission hydrogen ferries capable of carrying 299 passengers, 80 cars and 10 trucks. Ferries to be operational by 2021.
- VARD performs risk assessments for all new operations performed at the yards, in addition to a **comprehensive program for management of chemicals** with specific risk assessment and replacement of dangerous substances.

## PRINCIPLE 2.

**CONSIDER SUSTAINABLE BUSINESS OPPORTUNITIES THAT PROMOTE OR CONTRIBUTE TO RESTORING, PROTECTING OR MAINTAINING OCEAN HEALTH AND PRODUCTIVITY AND LIVELIHOODS DEPENDENT ON THE OCEAN.**

### GUIDANCE

#### Strategy & Governance

- Demonstrate willingness to promote and invest in improved technology and solutions that protect ocean health and livelihoods dependent on the ocean
- Develop competency on how best to develop, build, modify or repair ships that meet these sustainability targets
- Establish open communication channels with customers to prompt uptake of improved technologies and solutions that protect ocean health and livelihoods dependent on the ocean

#### Relevant Actions

Establish partnerships and collaborations throughout the value chain to:

- Promote research, development and new solutions for pollution control
- Promote research, development and consumption of renewable marine fuels and alternative technologies and power delivery systems on ships
- Promote research, development and new solutions for greater resource efficiency in the shipbuilding sector, and seek new opportunities to recycle and reuse key materials and/or resources and implement sustainable consumption approaches
- Meet international and national standards on sourcing of conflict minerals. In addition, as end users, develop responsible sourcing requirements for sustainable mining production and/or processing
- Promote sustainable alternatives for construction/use of materials/chemicals/equipment, and other sustainable practices for ocean health that are less harmful to the environment, both for the construction and operations of the ship-to-ship owners/buyers
- Build ships with components/parts that allow for interchange/upgrades to keep pace with sustainable technologies and improved safe environment
- Work closely and cooperate with chemical suppliers, such as paint producer, and clients (ship owner), to align common goal to reduce the use of toxic materials and support the development of eco-friendly paint
- Assess and improve the GHG emissions profile of a built or modified ship (See also Principles 1 and 3)

## GOOD PRACTICE EXAMPLES

- Remontowa Shiprepair carried out the conversion of two BC Ferries “Spirit Class” vessels to running on LNG. This allowed to reduce the vessels' CO2 emissions by abt. 12 500 tonnes per year which corresponds to removing abt. 2500 vehicles off the roads per annum. Remontowa Shiprepair also converted Stena Line's “Stena Germanica” to running on methanol – it was the first such conversion in the world.
- **Yara Birkeland**, built by VARD, will be the world's first fully electric and autonomous container ship, with zero emissions. With this vessel, Yara will reduce diesel-powered truck haulage by 40 000 journeys a year.

## PRINCIPLE 3.

**TAKE ACTION TO PREVENT POLLUTION AFFECTING THE OCEAN, REDUCE GREENHOUSE GAS EMISSIONS IN THEIR OPERATIONS TO PREVENT OCEAN WARMING AND ACIDIFICATION, AND WORK TOWARDS CIRCULAR ECONOMY.**

### GUIDANCE

#### Strategy & Governance

- Monitor environmental regulatory developments to ensure continued compliance with laws and regulations. Develop systems to comply with relevant environmental regulations such as IMO SOLAS, NORSOK, local governing frameworks and relevant class society (e.g. ABS, LR, DNV-GL) guidelines
- Set strategies and targets that focus on product design and performance to achieve targets of zero accidental harm to people, property, the environment and local communities dependent on oceans both in the construction and the operations phase of ships
- Develop and maintain a robust Environmental Management System in line with ISO 14001 that is anchored at top management, applies to the activities of the shipyard, including sub-contractors (See also Principle 1)

#### Relevant Actions

- Ensure that the Environmental Management System applies in an integrated way to the activities of the yard and incorporates the following:
  - Applies the principles of the mitigation hierarchy: avoid/prevent negative impact, and if not, seek to reduce, restore, remediate or compensate. This includes the impact and clean-up of legacy pollution
  - Compliance with relevant policies and procedures including for hazardous chemicals (IHM (Inventory of Hazardous Materials))
  - A Waste Management Plan in line with the waste management hierarchy principles, and continuously monitor its waste stream to ensure correct and optimal reduction, storage, reuse, recycling, disposal and energy recovery
  - A Water Management Plan, particularly in regions where freshwater is scarce and/or local communities rely on the same water sources
  - An Emergency Preparedness and Response Plan that integrates major environmental incidents such as oil and chemical spills to sea
  - Optimization of the yard's production processes to minimize GHG emissions, and the release of pollutants to the sea and air. This includes, but is not limited to:
    - Collecting the residues after blasting of hulls and slags after hot work or welding
    - Developing vacuum chambers for blasting and direct collection of ship discharges from dry-docks in the form of waste water and dust
    - No application of paints under or above water
    - Discharge/runoff from ship during docking, repairs and construction to be collected or retained and monitored prior to discharge
    - Zero-spill policy in relation to all operations like launching, docking/undocking, sea trials
    - Strict control of grit blasting, and evaluate the use of alternative methods such as high pressure water jetting



- ❑ Developing engineering capabilities to support implementation of green technologies and solutions, including energy efficiency (i.e.: Energy Efficiency Design Index)
  - ❑ Maximizing the use of recyclable materials in all parts of the ships
  - ❑ Evaluating alternatives to chemical-based solutions (e.g. using UV based treatment or ultrasonic wave cleaning instead of chemicals for water treatment)
  - ❑ Strive to use environmentally friendly materials and processes for surface preparation and painting
  - ❑ Use eco-friendly fuel for work-boat fleets, tugs etc.
- As part of the Environmental Management System, establish an Environmental Monitoring Program that includes all relevant risks and impacts, as well as enabling a prompt response to non-compliance. This includes effluents sampled at upstream, discharge and post-mixing zones, and the emissions monitoring include GHG

## GOOD PRACTICE EXAMPLES

- VARD has 3 of its 7 shipyards ISO 14001 certified for many years, and the remaining 4 are operating according to the standard. Environmental aspects are present in the HSEQ Policies, and in risk assessments performed by the yards. Chemicals are managed by the comprehensive and well renowned system Chemical Manager. VARD has also published for over 15 years annual environmental reports, where waste management is the focus. Figures and incidents are registered in Synergi Life, the HSE and Quality management tool used in the organization.
- Remontowa Shipbuilding has procedures to combat environmental threats and pollution in place and is in possession of equipment dedicated to serving this purpose such as: motor boats, oil dams, portable oil spill removal kits and bilge wastewater collecting barges.

## PRINCIPLE 4.

**PLAN AND MANAGE THEIR USE OF AND IMPACT ON MARINE RESOURCES AND SPACE IN A MANNER THAT ENSURES LONG-TERM SUSTAINABILITY AND TAKE PRECAUTIONARY MEASURES WHERE THEIR ACTIVITIES MAY IMPACT VULNERABLE MARINE AND COASTAL AREAS AND THE COMMUNITIES THAT ARE DEPENDENT UPON THEM.**

### GUIDANCE

As most shipyards are located in, and have potential impact on, marine environments and coastal areas, robust environmental and social management systems in line with internationally recognized standards need to be in place to mitigate any and all negative impacts.

#### Strategy & Governance

- Set objectives of protecting and, if possible, enhancing the area's main ecosystem functions and services, as well as applying the principle of net positive impact to biodiversity

#### Relevant Actions

When establishing a new shipyard:

- Use integrated spatial planning when first determining the location of a shipyard
- Avoid any new shipyards or expansions in marine protected areas or key biodiversity areas, as well as environmentally critical or sensitive areas. In marine areas not considered critical or sensitive apply the principle of no net loss to biodiversity. Conduct an ESIA (See Principle 1), that includes the cumulative impacts on marine resources, its ecosystem functions and services, when considering the shipyard location
- Work with local communities and industry actors (including port authorities, fisheries, aquaculture, agriculture) and environmental and social experts to identify potential preventative and mitigating measures where relevant (See also Principle 7)
- Keep an open dialogue on environmental monitoring and performance of construction with local communities, and authorities and other interested parties

When operating a shipyard:

- Collaborate with all relevant parties to continuously reduce negative impacts, as well as enhancing potential positive effects in the local marine environment (See also Principle 3)
- Keep an open dialogue on environmental monitoring and performance of operations with local communities, authorities and other interested parties
- Strive to increase awareness and capacity of local stakeholders on protecting and conserving marine resources, its ecosystem functions and services, including through their own conduct
- Support and promote local/domestic initiatives for environmental improvement such as clean-up initiatives, restoration and safeguarding the oceans and shorelines

- Perform sea trials in areas that are not considered vulnerable sea/shore areas or in areas that interfere with local livelihoods

## GOOD PRACTICE EXAMPLES

- Sembcorp Marine removes marine plastics and debris from surrounding waters that drift into the shipyard seasonally.

# GOVERNANCE AND ENGAGEMENT

## CHALLENGES AND OPPORTUNITIES OF THE SECTOR

The shipyard industry, as part of the shipping sector (which includes ship owners, classification societies, insurers and ship finance institutions) is regulated by international conventions and regulations by the IMO and ILO and by national legislation. These are enforced by flag states, port states and specialized agencies.

The intention of international conventions is in part to promote a “level playing field.” The vessels built in shipyards are governed by rules and regulations laid down by IMO, but there is not the same level of uniform adherence to these rules and regulations or to the expectations of governance of shipyards worldwide.

Many shipyards have management systems and technical, environmental and safety certifications, but may have insufficient coverage of certain areas including labour conditions. A standardized evaluation system with guidance documents can be utilized to provide shipyards with a method for meeting requirements and disclosing the status of their shipyard regarding working conditions that includes health and safety, environmental awareness and labour conditions. This guidance aims to provide an overview of Environmental, Social and Governance (ESG) good practices to financial institutions, insurers, shipbuilders and other stakeholders, as well as reducing the risk of gaining competitive advantage due to poor working conditions.

See Annex 1 for an overview of global regulations and guidance.

## REPORTING REGIMES OF RELEVANCE

No specific reporting regime on shipyards governance currently exists. However, shipyards can report on their governance practices through standardized public reporting, such as:

- UN Global Compact Annual Communication on Progress
- Global Reporting Initiative

## PARTNERSHIPS TO BE CONSIDERED

- **Cesa** (Europe)
- **Asef** - Active Shipbuilding Experts' Federation (Asia)

## PRINCIPLE 5.

### ENGAGE RESPONSIBLY WITH RELEVANT REGULATORY OR ENFORCEMENT BODIES ON OCEAN RELATED LAWS, REGULATIONS AND OTHER FRAMEWORKS.

#### GUIDANCE

- In collaboration with customers, classification societies, financial institutions and insurers support the uniform enforcement of international regulations and conventions and ensure that positions taken by industry align with these
- Promote through industry bodies the ratification of international conventions such as the HNS Convention (providing strict liability for spills of hazardous and noxious substances, and mandatory insurance for clean-up and compensation)
- Ensure shipbuilders and shipyards are represented in activities that engage government agencies and inter-governmental organizations in developing public-private collaboration and cost-effective work on developing and testing solutions to cross-cutting problems (See also Principles 2, 3, 4 and 7)
- Work collaboratively with other nearby shipyards or port authorities to address cross-functional social and environmental improvements
- Work with regulatory bodies to address carbon emission and reduction of GHG
- Institutionalize well-defined protocols that require timely reporting of risks and incidents to regulatory authorities and stakeholders. Raise awareness of reporting requirements internally through exercises and awareness activities
- Become members of international organizations in the marine industry sector promoting sustainability improvements (See Principles 2, 3 and 4 on relevant objectives)

#### GOOD PRACTICE EXAMPLES

- The **Sea Europe organization**, comprised of shipyards and equipment manufacturers, is an example on how companies can work together towards the green goals set by the EU.
- VARD is a member and an active participant of the **trade association Norsk Industri Maritime**. The Federation of Norwegian Industries works to ensure that companies shall maintain high standards in health and safety and in environmental matters and create an inclusive workplace.
- Remontowa Shipbuilding is a member of the Polish Partnership for Transition to Hydrogen Economy. Remontowa Shipbuilding is representing the maritime industry in the partnership. This underlines the importance for shipyards to engage with initiatives working on the future of the shipping industry.



## PRINCIPLE 6.

**FOLLOW AND SUPPORT THE DEVELOPMENT OF STANDARDS AND BEST PRACTICES THAT ARE RECOGNIZED IN THE RELEVANT SECTOR OR MARKET CONTRIBUTING TO A HEALTHY AND PRODUCTIVE OCEAN AND SECURE LIVELIHOODS.**

### GUIDANCE

- Individually and collectively encourage actions that go beyond compliance with national and international standards with a view to meeting the objectives of these principles, including by participating in the development of standards and best practices for the industry with industry and multi-stakeholder initiatives, to fill the gaps in the regulatory framework
- Participate actively with regulators, global organizations (e.g. IMO, ILO, etc.), flag states, and classification societies in the development of standards and requirements affecting the value chain that meet the objectives of these principles, including to improve decent working practices in the sector so that poor labor practices are not seen or used as a competitive advantage, and protect and enhance local marine resources and livelihoods that can benefit local communities
- Participate actively in technical committee discussions with classification societies to ensure a holistic approach to the development of standards that meet the objectives of these principles
- Support, participate in and/or create an international forum to improve sustainability standards in the sector, and lead by example in its implementation
- Individually and collectively encourage actions that go beyond compliance with national and international standards with a view to meeting the objectives of these principles, including by participating in the development of standards and best practices for the industry with industry and multi-stakeholder initiatives, to fill the gaps in the regulatory framework

### GOOD PRACTICE EXAMPLES

Examples of practices have not been identified at this stage.

Should you want to suggest some, please email: [ocean@unglobalcompact.org](mailto:ocean@unglobalcompact.org)

## PRINCIPLE 7.

**RESPECT HUMAN-, LABOUR, AND INDIGENOUS PEOPLES' RIGHTS IN THE COMPANY'S OCEAN RELATED ACTIVITIES, INCLUDING EXERCISE APPROPRIATE DUE DILIGENCE IN THEIR SUPPLY CHAIN, CONSULT AND ENGAGE WITH RELEVANT STAKEHOLDERS AND COMMUNITIES IN A TIMELY, TRANSPARENT AND INCLUSIVE MANNER, AND ADDRESS IDENTIFIED IMPACTS.**

### GUIDANCE

Shipyards are expected to respect the human rights of workers (also referred to as labour rights) as well as local communities who may have distinct cultural identities and attachments to the land and sea and/ or distinct rights and status (e.g. Indigenous Peoples). Respecting the human rights of these groups means at a minimum following the principles of "do no harm" as well as engaging with them about how the shipyard may impact their lives, and taking their views and rights into account.

#### Labour rights and decent work

- Shipyards should respect labour rights in line with international standards and provide decent work for the entire workforce at the shipyard (full-time, part-time, temporary, contracted, day labourers and migrant workers, particularly those hired through labour brokers/agents). This includes: freedom of association, no forced or child labour or discrimination, as well as protection of workers' health & safety and fair terms of employment, including remuneration
- The shipyard should engage responsible recruitment agents and the shipyard, rather than the worker, should pay the full costs of recruitment and placement (following the "employer pays principle")
- Shipyards should have policies, procedures and management systems to address human rights, including labour rights and HSE for the entire workforce, including contracted workers
- The management system should include an accessible mechanism for handling complaints from workers and communities so that grievances can be addressed early and remediated without retaliation

#### Management of supply chain

- A shipyard's supply chain consists primarily of contractors on site at the shipyard and suppliers of goods and services
  - As part of its management system, the yard should develop a contractor management plan that sets out its approach to managing contractors covering the levels of contracting tiers, pre-contract audits, and ensuring rights to audit contractors and their subcontractors, including their workers
  - The yard should have a Code of Conduct that includes labour rights extended to their contractors and suppliers. The Code of conduct should be part of contractual obligations
  - The shipyard should evaluate all its (existing and new) contractors and suppliers, assess the human rights risks, and clearly define acceptable risk levels
  - Contractors and suppliers identified as presenting higher risks should undergo pre-contract audits and be monitored more closely
  - There should be a focus on the recruitment process, including that of contractors, particularly for migrant workers. The recruitment agencies should use transparent hiring and contracting processes, as well as ensuring fair and correct contracts of employment, and subsequent payment
- Shipyards use a wide range of materials to construct and repair ships. They should put in place responsible sourcing approaches so that they assess and act on any severe human rights issues in their supply chains, including conflict minerals.

## Stakeholder engagement

- When acquiring land for a shipyard, shipyards should engage and negotiate with local communities utilizing or living on the land about the conditions for accessing and acquiring the land. They should recognize that local communities may not have legally recognized rights to the land but may have customary rights to land and resources that should be respected
- In addition, shipyards should engage continuously with local communities about other potential impacts of shipyard construction and operation and identify prevention and mitigation measures that avoid and reduce negative impacts on their health, livelihoods and quality of life

## Financial institutions, business partners and customers of shipyards

- When contracting with a shipyard, they should require that shipyards adhere to the steps set out above as a condition of contract
- They can also consider financial incentives and disincentives to encourage these steps

See Annex 1 for relevant international conventions, declarations and guidance

Additional guidance on Decent Work in the Supply Chain is available here: <https://sustainableprocurement.unglobalcompact.org/>

**GOOD PRACTICE EXAMPLES**

Examples of good labour and worker welfare practices:

- The Norwegian Export Credit Agency (Eksfin, formerly known as GIEK) and Maersk have developed an agreed approach to due diligence of health, safety and labour rights at shipyards. The guideline is complemented with a checklist for labour audits, as well as a fully integrated sustainability review. The guideline and checklists can be found [here](#).

Examples of good practices for management of subcontractor and suppliers:

- Industry examples of code of conducts
  - [Sembmarine CoC](#)
  - [Sembmarine CoC for suppliers](#)
  - [Damen shipyard supplier Code of Conduct](#)
  - [Fincantieri supplier Code of Conduct](#)
  - [Remontowa Shipbuilding](#)

# DATA AND TRANSPARENCY

## CHALLENGES AND OPPORTUNITIES OF THE SECTOR

- Shipyards are part of a very competitive business environment. Some data is very business sensitive, but sustainability data that is relevant to a broad range of stakeholders and therefore should be made publicly available, e.g.:
  - ☐ Health & safety
  - ☐ Environmental, including GHG reporting
  - ☐ Labour practices
  - ☐ Supply chain management practices and procedures
- Sharing good practices, as well as consistent reporting on health, safety, environmental and human rights and labour rights performance can provide stakeholders and customers with important information and enable peer-to-peer comparison in the sector.

## REPORTING REGIMES AND PARTNERSHIPS OF RELEVANCE

\*certifications have been mentioned under principle 6, as well as principle 1 and 3.

- Global Reporting Initiative (GRI)
- Sustainability Accounting Standards Board (SASB)
- International Integrated Reporting Council (IIRC)
- UN Global Compact Annual Communication on Progress
- OECD Guidelines on Multinational Enterprises, section on reporting
- IMO GHG
- Poseidon Principles
- TCFD
- CDP

Additionally, shipyards can use the Guidelines - ESG reporting in the shipping and offshore industries – by the Norwegian Shipowner's Association and the Maritime Sustainability Reporting Guide by the Maritime and Port Authority of Singapore (MPA).

## GOOD PRACTICE EXAMPLES

*Examples of practices have not been identified at this stage.*

*Should you want to suggest some, please email: [ocean@unglobalcompact.org](mailto:ocean@unglobalcompact.org)*

## PRINCIPLE 8.

### WHERE APPROPRIATE, SHARE RELEVANT SCIENTIFIC DATA TO SUPPORT RESEARCH ON AND MAPPING OF RELEVANCE TO THE OCEAN.

#### GUIDANCE

Shipyards can:

- Encourage the dissemination of information on how to use new material and technologies. This includes GHG and fuel alternatives, availability and the impacts on building, maintaining and repairing ships
- Share information on recyclability of materials and their possible positive and negative impacts
- Share/collect data (e.g. sighting of marine animals, water samples) with relevant coastal protection agencies

Shipyards are encouraged to establish forums where best practices and data can be shared to better assess risks and mitigation.

#### GOOD PRACTICE EXAMPLES

- **CLIMMS** (Climate Change Mitigation for Maritime Sector) research project
- **NSRP** – Shipbuilding R&D collaboration
- The **World Harbour Project**



## PRINCIPLE 9.

### BE TRANSPARENT ABOUT THEIR OCEAN-RELATED ACTIVITIES, IMPACTS AND DEPENDENCIES IN LINE WITH RELEVANT REPORTING FRAMEWORKS.

#### GUIDANCE

- Publicly report on the shipyard's health, safety, environment, labour and human rights performance, practices and impacts, as well as impacts on the surrounding communities, on a regular basis. The shipyard can report regularly on these aspects to customers as specified in the contracts
- Publicly report on risks of conflict minerals, including cobalt, in the value chain, as well as outlining due diligence measures taken to address these risks
- Collaborate with peers in the sector to ensure consistent and like-for-like reporting on key performance indicators
- Use globally accepted reporting standards to report on the shipyards sustainability impacts and develop relevant, international standards for reporting across the sector on sustainability impacts and performance
- Improve the transparency throughout the value chain of the sector by collaborating with peers to develop standardized protocols and evaluation schemes on ocean related activities

#### GOOD PRACTICE EXAMPLES

- **Damen** annual CSR report
- **Fincantieri** annual sustainability report
- **Sembcorp Marine** annual sustainability report
- **Wartsila** integrated annual report
- **Aibel** integrated annual report

## SELECTION OF RELEVANT REGULATIONS AND STANDARDS:

### 1. International Conventions and Standards

#### Selected relevant IMO Conventions:

- IMO conventions. Please refer to the conventions, multilateral instruments, amendments, etc.
- International Convention for the Safety of Life at Sea (SOLAS), 1974, as amended
- The Torremolinos International Convention for the Safety of Fishing Vessels (SFV), 1977, superseded by the the 1993 Torremolinos Protocol; Cape Town Agreement of 2012 on the Implementation of the Provisions of the 1993 Protocol relating to the Torremolinos International Convention for the Safety of Fishing Vessels
- International Convention on the Control of Harmful Anti-fouling Systems on Ships (AFS), 2001

#### Selected relevant IMO Conventions:

- International Convention for the Control and Management of Ships' Ballast Water and Sediments, 2004

#### Selected conventions/declarations relating to social and human rights:

- ILO core labour standards (set out in the ILO Declaration on Fundamental Principles and Rights at Work)
- Maritime Labour Convention (2006 as amended)
- ILO conventions, including ILO code of practice; safety and health in shipbuilding and ship repair 2019
- UN Universal Declaration of Human Rights
- UN Declaration on the Rights of Indigenous Peoples
- UN Guiding Principles on Business and Human Rights (UNGPs)

#### Selected international standards

- IFC Performance Standards and World Bank EHS Guidelines
- OECD Guidelines for Multinational Enterprises

### 2. Selected Certification Standards for Shipyards

- ISO 9001 management system for quality (implemented in RSB)
- ISO 14001 management system for environment (implemented in RSB)
- ISO 45001 / OSHAS 18001 management system for health and safety (implemented in RSB)
- ISO 47020 / ICS 47 standards for shipbuilding and marine structures (implemented in RSB)
- ISO 26000 social responsibility

### 3. Selected Guidances

#### UN Global Compact [Decent Work Toolkit for Sustainable Procurement](#)

- Institute for Human Rights and Business, Rafto Foundation and Danish Institute for Human Rights, [The Ship Lifecycle - Embedding Human Rights from Shipyard to Scrapyard](#)
- Danish Shipping, Navigating Human Rights: [A Guide to Human Rights Due Diligence and Salient Human Rights Issues in Shipping](#)
- Institute for Human Rights and Business, Rafto Foundation and Danish Institute for Human Rights: [Responsible Shipping Dialogues](#)

