

CAPITAL LINK'S 4TH ANNUAL SHIPPING & OFFSHORE CSR FORUM

RAISING THE PROFILE OF CORPORATE SOCIAL RESPONSIBILITY

**by
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Ambassador, Ladies and gentlemen,

It is a pleasure to be with you today and I thank Capital Link for inviting me to speak to you on a subject that is increasingly gaining ground both in importance and significance. While I will tackle my subject of raising the profile of Social Corporate Responsibility from a general viewpoint, I hope you will forgive me if, every now and then, I make brief references to my beloved mantra of shipping.

In the 21st century, it is no longer sufficient to do business profitably. Today, public opinion is demanding that businesses act within a particular social and moral compass. Words and phrases like “sustainability” and “ethical trading” are becoming increasingly important. The challenge now is to unpack such terms, define them, understand them and then set about incorporating them meaningfully into the business landscape. How to do this is what occupies the minds of those concerned. Initiatives such as this help to understand the issue and implement its outcome in the best possible way.

Addressing WISTA's Annual Conference here in London five years ago, I admitted that, at the time, there was no formally-established and internationally-accepted standard nor principle for corporate social responsibility, which explained why there had been no universally-agreed definition in spite of the considerable debate over exactly what the concept meant and how widely it could be applied.

Since then, the International Standards Organization has adopted ISO 26000 standard, which defines Social Responsibility as the responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that:

- One, contributes to sustainable development, including health and the welfare of society;
- Two, takes into account the expectations of stakeholders;
- Three, is in compliance with applicable law and consistent with international norms of behaviour; and
- Four, is integrated throughout the organization and practised.

The ISO Standard has so far been accepted by more than 90 countries and, being as comprehensive as it undoubtedly is, seems to have been influenced by several other preceding definitions, which, although semantically different, clearly embrace a common spirit and a universal intent.

For example, The World Business Council for Sustainable Development, in a paper entitled “Making Good Business Sense”, defines corporate social responsibility as “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.”

The European Commission, in a Green Paper on Promoting a European framework for CSR, has defined it as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.”

Business for Social Responsibility, a not-for-profit organization, describes CSR as “Operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business. Social Responsibility is a guiding principle for every decision made and in every area of a business.”

Dr. Archie B. Carroll, who, in 1977, published a book entitled *Managing Corporate Social Responsibility*, describes CSR as “the need for organisations to consider the good of the wider communities, local and global, within which they exist, in terms of the economic, legal, ethical and philanthropic impact of their way of conducting business and the activities they undertake. The CSR firm should strive to make a profit, obey the law, be ethical and be a good corporate citizen.”

From all the CSR definitions I just rehearsed and, while generally endorsing Mallen Baher’s synoptic one, I would suggest that **Corporate Social Responsibility is about how companies manage their business processes to produce an overall positive impact on society with due regard to the environment.**

The same Mallen Baher, faced with a choice between the US and the European CSR model, opts in favour of the latter.

Traditionally in the United States, he explains, CSR has been defined much more in terms of a philanthropic model. Companies make profits unhindered, except by fulfilling their duty to pay taxes. Then, they donate a certain share of the profits to charitable causes. It is seen as tainting the act for the company to receive any benefit from the giving.

The European model is much more focused on operating the core business in a socially responsible way, complemented by investment in communities for solid business case reasons.

Arguing that the European model is more sustainable, he offers two reasons:

1. Social responsibility becomes an integral part of the wealth creation process – which, if managed properly, should enhance the competitiveness of business and maximise the value of wealth creation to society; and
2. When times get hard, there is the incentive to practice CSR more and better – if it is a philanthropic exercise, which is peripheral to the main business, it will always be the first thing to go when push comes to shove.

So, although the term “CSR” has gained great currency in recent years, the concept has, in fact, been around for some considerable time. Certainly, the idea of industrial philanthropy is nothing new. It was alive and well in Victorian England, for example, when industrialists, such as William Hesketh Lever and George Cadbury, established “model” towns for their factory workers to live in. Also, in the latter part of the 19th and early 20th centuries, the likes of Andrew Carnegie, John D. Rockefeller and Cornelius Vanderbilt in the United States were clearly demonstrating their understanding of the idea that big business had a wider responsibility than simply to its shareholders and to the profit motive.

But, when Dr. Carroll was writing on the subject, over thirty years ago, businesses, as a rule, tended to consider such broader concerns only when they ran the risk of being fined or having sanctions imposed on them for carrying out illegal activities. It is worth noting, as an aside, that the importance of regulation in the development of corporate responsibility has been considerable and should not be underestimated.

Over the past three decades, however, there has been a significant and genuine change in the way many companies approach the environmental and social issues related to their operations. Many have now come around to the view that good environmental and social stewardship actually makes good business sense. It seems that the vision of those Victorian luminaries – of a content, healthy and, as a consequence, efficient workforce – clearly has its echoes in today’s world, when increased

sensitivity to environmental and ethical issues has promoted heightened interest in the proper role of businesses in society.

However, as is so often the case, there are two sides to each coin. Critics of CSR argue that a corporation's principal purpose is to maximize returns to its shareholders, whilst complying with the laws of the country within which it operates. Others argue that the only reasons corporations put in place CSR programmes is utilitarian: that they see a commercial benefit in raising their reputation with their selected and targeted audiences and that, very often, such programmes are little more than window dressing.

Whatever the primary motivation, it is undeniable that, today, issues such as environmental sustainability, the fair treatment of workers and the duty of care businesses have towards their customers are of increasing concern. Media interest in these matters is heightened. Investors and investment fund managers take account of CSR policies when making investment decisions and consumers have become increasingly sensitized to the CSR performance of the companies from which they purchase goods and services – think only of all the “fair trade” goods that we can now find on our supermarket shelves. These trends have undoubtedly contributed to the pressure on all companies to operate in an economically, socially and environmentally responsible and sustainable manner.

Today, companies in industries of a comparable size to shipping – for example automotive, electronic, apparel, toys, petroleum – have strong formal CSR programmes in place. Multimodal shippers such as DHL and FedEx, to mention just two, are championing the concept in the logistics industry.

Shipping is no different from any other industry in that, both collectively and individually, shipowners and operators need to protect their brand image. They need to be confident that they can demonstrate, to a whole variety of audiences – such as investors, charterers, insurers, corporate customers and environmental activists – that their ships and their operations are safe and environmentally sound.

Shipowners need to be aware that, even if they themselves can manage to operate away from the glare of publicity and the pressure of consumer concerns, these are now becoming key issues for many of their customers. As a result, those customers will, increasingly, be looking to manage their exposure in this regard by selecting business partners – including shipping companies – that have clear and verifiable CSR policies.

Nobody, be they ship operators, shipowners or their customers, wants the embarrassment of seeing their ships or their cargo making headlines for all the wrong reasons – reasons, which might include anything from illegal oil discharges through poorly-treated seafarers to a full-blown shipping casualty.

So, shipping as a whole needs, along all the other industries, to be able to show that it has, for example, cultivated a reliable and well-trained labour force, and has good environmental, health and safety policies built into its day-to-day operations. Developing and sustaining a safety culture and environmental conscience will do much to enhance its image worldwide, which is a goal that we must all join forces to pursue energetically in every and all activities. This is one of our objectives at the “Maria Tsakos” Foundation, the Board of which I chair, while promoting social responsibility and volunteerism.

Building on the premise that managing sustainability pressures is an increasingly critical strategic challenge for ensuring growth and value across all business sectors, Linda Coady, of the Institute for Global issues, University of British Columbia, argues that the shipping industry faces new demands for greater transparency and accountability on issues such as global climate change, energy efficiency, waste management, worker safety, security, ocean and coastal health, and local community impacts and benefits. Given its global nature, the international shipping sector also faces unique challenges in managing its sustainability risks and performance. These challenges, she argues, include a high level of fragmentation within the industry itself, and a frequent lack of coordination in regulations within and across international, regional and national policy levels. She may have a point here.

Ladies and gentlemen,

A few months ago, the CEO of a London-listed company started his report to shareholders, by stating: “While our strategy is to add value for you through commercial success in our activities, we recognize that our social licence to operate has to be earned through best practice and responsible actions where we do business. This involves a commitment to continuous improvement in our performance on business ethics, human rights, employees, health, safety, environment and community investment”. I agree with him in all respects.

The clear message that we have to take forward is that balanced decisions for our future require the integration of social, economic and environmental considerations. Business is not, and cannot, be divorced from the rest of society. Business and society are inter-dependent. If we are to build a better future, concepts such as CSR and diversity in employment must become more than simply the latest business trends or fads. They must be given more than lip service. They must be taken seriously, acted upon and prompted widely, and by all concerned.

Those companies that are pro-active in developing and adopting CSR are likely to find that regulatory compliance fits comfortably and easily within such an ethos, at the same time being able to serve as a platform on which a CSR policy can be built. Think of the anxiety with which the ISM Code was greeted in its infancy steps twenty years ago, until most companies realized that much of what it was about they had been doing for a long, long time!

For some time, I was reading articles in the maritime press to the effect that shipping, as a whole, had lagged behind other industries in espousing CSR. Then, and more than then now, I am convinced the reality is that there is a massive range of CSR implementation within the industry, from those with well-developed and formalized CSR policies on the one hand, to those who have barely given the concept a thought, on the other. This meeting, I am sure, will help to raise the profile of CSR not only within the shipping industry but also within a wider range of activities and move forward the understanding and acceptance of the concept – which can only be a good thing.

I wish the Forum every success!

Thank you.
