

# MSC MEDITERRANEAN SHIPPING COMPANY S.A. SHIP RECYCLING POLICY

## PREAMBLE

The MSC MEDITERRANEAN SHIPPING COMPANY S.A. (“MSC”)<sup>1</sup> is led by strong values that strive to achieve the best possible business performance while promoting ethical behaviour and ensuring a positive environmental and social impact in all areas of its activity. MSC is consequently proud to state that its owned and bareboat chartered fleet, as well as its two ship-management companies, are all certified to the highest standards of certification in the Industry<sup>2</sup>.

A vessel’s useful life typically ends after as much as 30 years. While MSC will always first try to ensure that its vessel is sold for further trading it may, like all industry players, also be bound to send such a vessel for recycling to designated shipyards, either directly or indirectly.

Nowadays, the ship recycling industry actively supports many developing-countries’ economies and is an important activity which, by recycling metals and other components, contributes to sustainability efforts by keeping resources in use for longer periods of time. MSC is committed towards such sustainable and socially responsible recycling of ships and strives to ensure that such recycling is performed at yards that do not present any unnecessary risk to human health, safety and to the environment.

As a signatory to the UN Global Compact, MSC aims to contribute towards the UN Sustainable Development Goals (SDG), these include SDG 8 (promoting sustained, inclusive and sustainable economic growth and decent work for all) and SDG 12 (ensuring sustainable production and consumption patterns and increasing recycling of materials and addressing hazardous waste and other chemicals) by its ship recycling policy. This policy not only closely relates to the UN Global Compact and the SDGs, but it is a reflection of MSC’s strong commitment to principles of Human Rights and Social Welfare throughout the enterprise worldwide. The MSC core values are at the heart of a commitment to conduct business only in a safe and environmentally sound manner, respecting principles of Human Rights and Social Welfare for all, which includes activities related to the recycling of ships when they are at or near the end of their service life.

The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships<sup>3</sup>, 2009 (IMO HKC) is today the sole international policy instrument that can be fully implemented, when it comes to vessel recycling processes. This Convention has however not come into force yet due to the natural timeframe for ratification by enough countries, including with sufficient ship recycling capacity and gross tonnage. The scope of IMO HKC is wide and covers the design, the construction, the operation and preparation of ships to facilitate their safe and environmentally sound recycling, without compromising the safety and operational efficiency of ships; the operation of ship recycling facilities in a safe and environmentally sound manner and the establishment of an appropriate enforcement mechanism for ship recycling, incorporating certification and reporting requirements.

In 2009, the International Conference on the Safe and Environmentally Sound Recycling of Ships requested early implementation of the technical standards of the IMO HKC at its time of adoption. Specifically, Resolution 5 that accompanied the final text of the Convention stated in relevant part:

*The Conference, HAVING ADOPTED the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, 2009...INVITES the industry to co-operate with Member States of the Organization in applying the technical standards contained in the Annex to the Convention to ships and ship recycling facilities, as appropriate.*

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<sup>1</sup> Headquartered in Geneva, Switzerland, and privately-owned, MSC became during the past 40 years a world-famous brand involved in the cargo transportation business

<sup>2</sup> ISO 9001 (Quality), ISO 14001 (Environmental), ISO 50001 (Energy), ISO 26000 (CSR), OHSAS (Health & Safety), DNVGL 5\* Excellence

<sup>3</sup> <http://www.imo.org/en/OurWork/Environment/ShipRecycling>

The fundamental purpose of this MSC Ship Recycling Policy is to effectively and fully respond to that request by the governments that developed and adopted the Convention.

## **INVENTORY OF HAZARDOUS MATERIALS (IHM)**

The IMO HKC specifies for shipowners to have a certified record of the Inventory of Hazardous Materials (IHM) onboard a vessel, which includes, for instance, Asbestos, Ozone Depleting Substances, Tributyltin (TBT) and Polychlorinated Biphenyl (PCB). The main objective of the IHM is to ensure proper handling of hazardous materials, to regulate waste management at the recycling phase of the vessel and to prevent exposure to hazardous materials for crew and recycling yard workers. The IHM provides details of the listed hazardous material quantities and locations on the ship's plan and this inventory is maintained and updated throughout during the operational life of the ship. In case of any new installation or modification to the ship, the IHM is updated accordingly as an accurate IHM is essential for safe and environmentally sound recycling. MSC commits to developing and maintaining an IHM based on the 2015 Guidelines for IHMs developed by the IMO<sup>4</sup>; onboard each of MSC's vessels, as well as to having a related statement of compliance from a classification society for each of these vessels. This applies for its owned and bareboat chartered new build and existing vessels well ahead of entry into force for the IMO HKC and is an essential element to MSC's commitment to early and effective implementation of the HKC's technical standards. There are analogous requirements in the EU SRR, which may apply in some instances.

## **SALE OF VESSEL, RECYCLING YARDS SELECTION & MONITORING**

MSC complies with all applicable national and international law applicable to itself, and applies relevant guidelines when concluding the sale of a vessel directly or indirectly to a yard for recycling. MSC sale contracts impose on the buyer or yard to undertake safe and environmentally sound recycling per IMO HKC standards, which remains the only completed regulatory framework for sustainable ship recycling practices that can be fully complied with. Whether directly or through a provision in a sale contract, MSC requires that the selected recycling yard, have:

- Compliance with the IMO HKC technical standards with related certification issued by an IACS<sup>5</sup> member
- Certification with standards of ISO 14001 (environmental), availability of concrete flooring to prevent contamination of ground and preserve soil, effective drainage system, facility for safe removal, handling, transport and disposal of hazardous waste
- Certification with standards of OHSAS 18001 (Health and Safety), training facility for the workers engaged, adherence to minimum wages payment to workers as per local regulations, mandatory use of Personal protective equipment (PPE), compliance with International Labour Organization (ILO) guidelines for safety and health in ship breaking
- Certification with standards of the ISO 30000 series (ship recycling management) which includes, besides safe working condition of workers, the recycling of various machinery and equipment from the vessel.

In addition, the selected recycling yards will comply with all guidelines and relevant reporting requirements of the IMO HKC including the regular recycling reports from involved yards.

MSC undertakes to regularly visit the selected recycling yards to review the standards either independently or with industry body on yearly basis. Furthermore, MSC may appoint its own auditor or an independent body to visit the yard during the recycling of the vessel to monitor environmental, health and safety, labour conditions and human rights, anti-corruption, selected sub-contractors and the downstream facilities for the waste handling. Any non-compliances observed during such monitoring will be reported to recycling yard management for immediate corrective action.

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<sup>4</sup> IMO Resolution MEPC.269(68), 2015 Guidelines for the development of the Inventory of Hazardous Materials

<sup>5</sup> IACS: International Association of Classification Societies, having 12 members as of 2017