



# **MODERN SLAVERY TRANSPARENCY STATEMENT 2020**

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## FINANCIAL YEAR 2020

MSC Mediterranean Shipping Company SA (thereafter “MSC”) submits this statement in accordance with Section 54 of the UK Modern Slavery Act 2015. It describes key current practices and processes conducted by MSC to identify, prevent, and mitigate the risk of modern slavery, slavery-like practices and human trafficking in its business activities and its supply chain as part of its broader Human Rights Due Diligence Process.

In line with MSC’s commitment to advance responsible business conduct, this document also takes into account relevant considerations as contained in the Australian “Commonwealth Modern Slavery Act 2018 - Guidance for Reporting Entities”<sup>1</sup> and related recent developments in national legislations on this matter. The reporting areas addressed below cover the financial year 2020.

Previous versions of MSC Modern Slavery Transparency Statements are publicly available on MSC’s website: [msc.com/sustainability](https://www.msc.com/sustainability)

## ORGANISATIONAL STRUCTURE

Headquartered in Geneva, Switzerland, and privately owned, MSC Mediterranean Shipping Company SA is a global business engaged in the transportation of goods via road, rail, sea and inland waterways and related logistics activities, covering 155 countries across five continents. MSC operates a fleet of 590 vessels sailing on more than 215 trade routes, calling at over 500 ports. MSC employs more than 74,300 employees for its offshore and onshore activities.

This statement refers to MSC’s Cargo Division which consists of the following entities:

- **MSC and its global network of Agencies** (thereafter “MSC Agencies”) responsible for commercial and operational activities in each of the countries where services are provided. Agencies include Mediterranean Shipping Company (UK) Limited and Mediterranean Shipping Company (Australia) Pty. Ltd
- **MEDLOG, MSC’s logistics arm**, which is present in 70+ countries worldwide and provides multimodal inland transport, storage, and value-added service solutions
- **Terminal Investment Limited (TiL)**, MSC’s subsidiary, which is one of the world’s largest and most geographically diverse container terminal managing investors. Active in 30 countries across five continents, with highly strategic assets located in key gateways for global trade, TiL enjoys a presence at seven of the world’s 30 busiest ports by volume, operating 62 terminals
- **MSC Shipmanagement offices** based respectively in Limassol, Cyprus, and Sorrento, Italy (thereafter “MSC Shipmanagement”), responsible for managing crew on board cargo ships, training activities and for the technical management of the MSC fleet

## NEW SUSTAINABILITY DEPARTMENT

In 2020 MSC focused on reshaping its sustainability approach to ensure consistency and alignment with the evolving scenario, continuing its industry leadership and readiness to address key stakeholders’ increasing expectations. Following a review of internal processes and capabilities, MSC’s Sustainability Department was further expanded to continue serving as a core function for the entire Cargo Division. Working in close collaboration with company leadership and senior management, the Sustainability Department updated the sustainability roadmap, aligning sector-specific targets and future investments with the United Nations Sustainable Development Goals (SDGs) and Environment, Social and Governance (ESG) criteria.

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<sup>1</sup> <https://www.homeaffairs.gov.au/criminal-justice/files/modern-slavery-reporting-entities.pdf>

MSC's role in connecting global economies means that our commitment to sustainable development has a direct impact on the social and environmental challenges of stakeholders across value and supply chains. Building and engaging in new partnerships is an integral part of MSC's approach to sustainability, with the aim to act as both a catalyst as well as an enabler of positive change to 'build forward better'.

For more information visit: [msc.com](https://www.msc.com) and [msc.com/sustainability](https://www.msc.com/sustainability)

## **HUMAN RIGHTS DUE DILIGENCE PROCESS**

### **ADVANCING HUMAN RIGHTS DUE DILIGENCE IN MSC'S BUSINESS**

MSC's advocacy efforts have demonstrated the importance of leveraging and integrating collective action into a common process with responsibility shared by all parties. In October 2020, MSC welcomed the joint call for action to address the crew change crisis under the UN Guiding Principles on Business and Human Rights (UNGPs). The joint statement recognises that "...the responsibility to respect the human rights of seafarers is not only limited to the shipping sector. In line with the UNGPs, this responsibility extends to the thousands of business enterprises that use the services of maritime freight transport – which accounts for almost 90 per cent of world trade. Business enterprises of all sectors, especially multinational firms and global brands, as well as financial institutions with links to the sector, should assess and act upon the human rights situation of seafarers in the context of COVID, no matter which place they occupy in the value chain".

This has resulted in an increase of initiatives launched by the international community helping raise awareness of the shipping sector's human rights challenges among 'cargo owners' and promoting further concerted efforts in this respect. To help address these concerns, MSC joined the Container Cargo Owners Human Rights Working Group launched by the Institute for Human Rights and Business (IHRB) and the Consumer Goods Forum. Through active participation in the Working Group, MSC seeks to contribute to a better understanding of human rights assessments and relevant international standards which take into consideration maritime activities and related rights holders, among other sectors. In parallel, MSC continued to actively engage with third parties, whenever appropriate, to ensure the inclusion of human rights, labour standards and modern slavery considerations in contractual requirements, tailored to the maritime industry.

MSC's reporting methodology aims to fill gaps related to human rights standards in international reporting frameworks for businesses that have been recognised by a number of stakeholders. In September 2020, MSC participated in the global consultations on the review of the GRI Standards and the development of the GRI Human Rights-related Standards, contributing inputs and promoting the integration of human rights guidance tools and data collection frameworks of relevance to the international shipping sector.

A preventive and dynamic approach to assess the respect of human rights is and will remain key to MSC's ability to adapt to an evolving scenario and the progressive integration of emerging concerns into MSC's business model. In 2020, MSC reshaped its priorities and related risk assessment models to address the adverse impacts on value chains, deepening linkages between relevant human rights, social issues and climate change considerations. Operational implementation across the Cargo Division and among third parties efforts has been further enhanced through the continuous improvement of procedures, data collection systems and risk management frameworks.

### **STRENGTHENING MSC'S POLICY COMMITMENT AGAINST MODERN SLAVERY**

Considering MSC's global operations and the international shipping sector's complex regulatory framework, ensuring compliance with its legal obligations is a daily task that requires continuous monitoring of applicable laws and regulations. To meet this challenge, MSC has created a compliance programme in accordance with the ethical standards of responsible business conduct as set forth in the MSC Code of Business Conduct (the 'Code'). The Code is applicable to all MSC's employees worldwide. It includes dedicated chapters on Human Rights and Labour Standards as well as on Occupational Health and Safety.

The Code was updated in the spirit of constant development of MSC's compliance programme and adherence to international standards and principles, including the United Nations Global Compact Ten Principles in the areas of anti-corruption, human rights, labour, and the environment. This was conducted through a drafting process in collaboration with internal subject matter experts. The revised version of the Code further clarifies MSC's systematic approach to Modern Slavery. In this respect, MSC prohibits a person's economic and social exploitation by another for personal and/or commercial gain, forced and compulsory/involuntary labour as defined in the ILO C029-Forced Labour Convention, 1930 (No. 29), the use of prison labour and any forms of slavery or servitude, including bondage labour and human trafficking, in the company's operations and value and supply chains. It also strictly prohibits the use of child labour, adhering to relevant international standards related to children's rights, such as the ILO C138-Minimum Age Convention, 1973 (No. 138), the ILO C182-Worst Forms of Child Labour Convention, 1999 (No. 182) and the United Nations Convention on the Rights of the Child (UNCRC).

Additionally, being an international ocean carrier, the revised version of the chapter 'Human Rights and Labour Standards' of the Code refers to MSC's sector-specific human rights regulatory framework, addressing compliance with relevant provisions as contained in applicable maritime conventions adopted at the international level, such as the ILO Maritime Labour Conventions, 2006 (thereafter 'MLC, 2006').

## **INTERNAL RISK ANALYSIS AND ASSESSMENT**

MSC's cross-functional Human Rights Function provides policy guidance and supports due diligence efforts, both internally and externally, in the areas of Business and Human Rights, Labour Standards and Modern Slavery, for MSC's entire Cargo Division. Ongoing activities adopt a human-rights based approach, aiming to leverage existing due diligence processes and compliance infrastructure within the organisation to maximise the creation of long-term sustainable value, while preventing and/or mitigating adverse impacts on people and communities.

Throughout 2020, the Function continued to further improve internal processes, promoting policy development across the organisation and embedding relevant human rights considerations into the work of key departments, as part of MSC's Human Rights Due Diligence Process. The latter is designed as a continuous improvement process which can be adapted to the following considerations: emerging human rights considerations and risks arising from MSC's evolving and future business operations and operating contexts, relevant developments at the national and international levels over time as well as to internal level of maturity and understanding of areas related to Business and Human Rights.

## **GLOBAL VIRTUAL AUDIT**

One of the most significant activities to further advance MSC's internal risk analysis and assessment included the integration of specific human rights/Modern Slavery considerations into the Global Virtual Audit, which was conducted by MSC Corporate Audit Department. An updated assessment is scheduled for the next financial year.

The Global Virtual Audit was performed using a web tool provided by a specialised third-party, designed to assess the maturity of the Internal Control System (ICS) of each MSC Agency. The Global Virtual Audit's objectives were:

- Perform a global standard risk assessment on targeted key processes
- Enhance MSC Headquarters' (HQ) awareness of the perception of risks levels for key processes under scope
- Increase audit coverage with a combination of physical and remote audits
- Adapt an MSC audit universe and orient audit scope accordingly

A set of Audit Questionnaires was developed for each process, based on key internal controls under the responsibility of MSC Headquarters subject matter experts and business owners, in line with relevant MSC HQ policies/procedures. The methodology used to design specific human rights/Modern Slavery questions follows a human rights-based approach, in line with MSC's commitment to human rights and applicable standards and principles of responsible business conduct as set forth in relevant sections of the MSC Code of Business Conduct. This was essential not only to assess compliance matters, but also to improve the internal understanding of challenges, their respective root causes whenever possible and the stage of implementation of remediation programmes. This naturally enhances a long-term participatory process and dialogue with concerned stakeholders.

In order to conduct a full assessment from a human rights perspective, collaborate on corrective actions as well as reach consensus on how critical areas of concern can be improved, the following problem analyses were undertaken:

- Analysis of prevailing norms, legal systems and/or industry standards against relevant international standards and MSC's expectations in relation to relevant responsible business practices
- Analysis of role/behaviours and cultural patterns to assess accountability concerns and differentiate patterns as factors of resistance to change from those as a factor to change
- Causality analysis with different kinds and levels of causes
- Vulnerability analysis to further address country-specific situations and/or potentially disproportionate adverse impacts on identified vulnerable categories of workers
- Analysis of supporting evidence documentation and/or explanations for future policy development/policy guidance purposes and best-practice development and sharing

A preliminary risk rating was associated with each audit question, based on the answers and evidence gathered from each Agency. The level of risk severity will be reassessed over time against associated considerations arising from the above-mentioned problem analysis. Follow-up activities are conducted with relevant stakeholders as needed.

## **INTERNAL MONITORING MECHANISMS**

Throughout 2020, the Compliance Team continued to work closely with the Corporate Audit Department and with local 'Code implementers' based in each of the MSC Agencies worldwide, to assess and monitor the implementation of the Code as well as compliance with all ethical standards, applicable laws, regulations, procedures, and relevant policies.

Additionally, the Global Human Resources Department, continued to monitor the implementation of policies and compliance with relevant country-specific domestic laws and requirements, including applicable employment laws and labour standards.

## **EMPLOYEES REPORTING CHANNEL**

Establishing a 'speak up culture' where MSC employees feel safe to speak up and raise their concerns is a priority for MSC, reflected by confidential channels of reporting at employees' disposal. The MSC Speak Up Line is an online platform developed by a third-party service provider which complements MSC's existing reporting procedures.

Throughout 2020, as required by MSC's Values, MSC Speak Up Line led to an open and accountable workplace. MSC employees worldwide were strongly encouraged to report any misconduct or violation of laws without fear of retaliation. The mechanism is adapted to applicable laws and requirements. All reports received were carefully and confidentially evaluated on a case-by-case basis by experts in the relevant subject matter concerned. Depending on the report, internal investigations may be initiated, and an action plan is adopted where deemed necessary.

## **ENHANCING HUMAN RIGHTS DUE DILIGENCE RISK ASSESSMENT WITH THIRD PARTIES**

MSC expects third parties to comply with applicable laws as well as to adhere to and support similar standards and principles of responsible business conduct, including in relation to human rights and Modern Slavery. In this respect, throughout 2020, MSC's Human Rights Function continued to work closely with relevant departments to further strengthen human rights due diligence control mechanisms across supply chains, strengthening's MSC risk assessment processes as appropriate. Main activities included:

- **Tailored revision of contractual requirements and/or tailored inclusion of contractual requirements related to human rights/Modern Slavery**, in line with MSC's standards and expectations, in collaboration with Contract Team. Contractual requirements imposed on third parties are based on a high-level risk assessment and preliminary supply chain mapping. The approach is tailored as it is proportionated based on the risks identified and/or potential risks considered when assessing third parties' relevant documentation provided during rounds of contracts negotiations. Inclusion of specific provisions include, but are not limited to, the following factors: third party industry /sector with different operating circumstances, third party's location (country/countries of operations and/or location of the Headquarters); types of service agreement and nature of the work under the terms of the contract; third party's business/supply chain model; technical and/or industry-specific labour or employment standards that are applicable to the contract, third party's level of maturity of human rights due diligence processes and commitment to adhere to relevant international standards.
- **Due Diligence engagement with Third Parties** whenever appropriate, to raise awareness of MSC's sector-specific human rights regulatory framework, MSC's Human Rights Due Diligence Process and/or agreement on respective expectations in with respect to human rights commitments to be detailed in contracts.
- **Inclusion of specific human rights considerations in the pilot phase of the vendor homologation process, as part of the broader MSC Responsible Procurement Process.** MSC is re-assessing and working on improving processes and procedures related to a number of critical areas, including supply chain risks, relationship management optimisation, and supplier performance management/auditing processes. The pilot phase includes a vendor questionnaire for completion, requiring evidence to support answers (e.g., certificates, procedures, reports, etc.). Pre-screening questions related to Modern Slavery topics were also included in the pilot version of the 'MSC Vendor Homologation Questionnaire'.

## **MEASURING EFFECTIVENESS**

MSC complies with and implements relevant standards and recommendations developed by the International Organization for Standardization (ISO)<sup>2</sup> and recognised classification societies. Whenever applicable, MSC complies with and considers relevant IFC Performance Standards on Social and Environmental Sustainability<sup>3</sup> in its social and environmental risk management systems. Compliance with such applicable standards is assessed by external third parties. Additionally, MSC follows the ISO 26000 Guidance on Social Responsibility<sup>4</sup>.

## **TRAINING**

MSC focuses on employee's capacity-building and professional development. We therefore provide regular training sessions on specific modules on the MSC Code of Business Conduct to MSC's employees at MSC's Headquarters as well as within MSC Agencies. MSC's objective is to raise awareness of legal requirements that are relevant to each employee's daily work. Such trainings are tailor-made to the shipping industry with illustrative examples and case studies.

## **PROTECTING HUMAN RIGHTS OF SEAFARERS**

### **COMPLIANCE WITH THE ILO MARITIME LABOUR CONVENTION, 2006 (MLC, 2006)**

Being an international ocean carrier, MSC considers the protection of human rights of seafarers an integral part of its Human Rights Due Diligence process. In this respect, MSC fully supports and complies with and/or exceeds the standards as set forth in the ILO MLC, 2006 and its related applicable amendments, in the best interests of all concerned parties, including seafarers, ship managers, shipowners, crew supply countries, ports of calls and vessels' flag state administrations.

MSC also strictly complies with the terms and conditions of the applicable collective bargaining agreements negotiated by the International Transport Federation (ITF) on behalf of the seafarers. Repatriation, payment of wages and further social protection related to seafarers' well-being are guaranteed by insurance certificates for each vessel as required by the MLC, 2006 and are issued by insurance providers such as P&I Clubs<sup>5</sup>.

### **ILO MARITIME LABOUR CONVENTION, 2006: MINIMUM STANDARDS**

The MLC, 2006 encompasses all relevant standards of existing ILO maritime labour conventions and recommendations, as well as fundamental principles contained in core International Labour Conventions and the ILO 1998 Declaration on Fundamental Principles and Rights at Work. Minimum requirements and standards include:

- Minimum requirements for the seafarers to work onboard ships
- Conditions of employment
- Accommodation, recreational facilities, food, and catering
- Health protection, medical care, welfare, and social security protection
- Compliance and enforcement

### **MONITORING MECHANISMS, REPORTING CHANNELS AND TRAINING**

Since 2012, MSC Shipmanagement has a 'Crew Welfare Department' with a dedicated MLC Superintendent, responsible for monitoring compliance with the MLC, 2006 and for auditing vessels. The MLC Superintendent and the Technical Superintendents/Internal Fleet Auditors of MSC Shipmanagement conduct regular inspections on board. During these inspections and audits each crew member is also interviewed to verify the level of awareness of MSC Shipmanagement's policies and processes. All findings are reported directly to Senior Management for consideration and immediate corrective action as appropriate.

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<sup>2</sup> <https://www.iso.org/home.html>

<sup>3</sup> [https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/publications/publications\\_handbook\\_pps](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/publications/publications_handbook_pps)

<sup>4</sup> <https://www.iso.org/iso-26000-social-responsibility.html>

<sup>5</sup> "Each Club is an independent, not-for-profit mutual insurance association, composed by shipowners and charterer members playing a leading role in coordinating the response to, and management of maritime casualties as well as in providing coverage against third-party liabilities arising out of the use and operation of ships." Source: <https://www.igpandi.org/about>

Throughout 2020, MSC Shipmanagement continued to promote training activities and open communication through several reporting tools and platform such as the MSC Speak Up line. It also continued to monitor the effective implementation of applicable international standards, including those as set forth the MLC, 2006 on board ships, through:

- periodical audits on board ships
- individual interviews with crew members to understand their concerns/feedback
- follow-up and implementation of any gaps or areas of improvements as noted during audit/on-board inspection/third party inspections
- Biennial Crew Engagement Survey conducted by an independent party; the latest survey was completed in April 2020

The Department also continued to work closely with MSC Shipmanagement Technical, Safety and Quality, Crewing and Learning and Development Team to ensure that all corrective actions and findings related to compliance with the MLC, 2006 were addressed as a matter of priority.

## **AUDITS FROM THIRD PARTIES**

Periodical verifications are carried out by relevant Flag State and Port State control authorities to ensure compliance on board ships. Crewing companies based in the labour supply countries need to undergo audit and verification by local governmental authorities and/or by third parties such as recognised classification societies. Respective Flag States and classifications societies conduct intermediate surveys (every two-three years) and renewal survey (every five years) of MSC ships to ensure proper compliance with the MLC, 2006. Port state inspectors further verify compliance during the routine and periodic port state control examinations at the ships' ports of call. The International Transport Workers' Federation (ITF) representatives also visit vessels randomly at various ports as part of their responsibility to monitor the effective implementation of the MLC requirements and standards.

## **ADDRESSING EMERGING MODERN SLAVERY RISKS DURING COVID-19**

Since the beginning of the global health crisis, despite the operational challenges, MSC remained committed to responsible business practices, in line with the standards set forth in its Code of Business Conduct. Operational and human rights challenges affecting the work of the maritime sector and of nearly two million seafarers worldwide as a result of COVID-19 restrictions, have gained increased attention. The unprecedented crew change crisis has led to serious consequences for seafarers' wellbeing. MSC and its crewing offices have been working tirelessly to protect MSC seafarers, in line with IMO Guidance and related protocols and also by engaging with relevant authorities and other stakeholders. Throughout 2020, MSC continued working collectively with other shipowners, seafarers' groups and global industry associations in consultative status with the IMO, representing the maritime sector, to bring this issue to the attention of governments and the United Nations system with particular focus on encouraging the implementation of existing protocols and/or additional protective measures. Main actions included:

- **Extension of MSC crew's contracts, ensuring the respect of agreed terms.** Additionally, in compliance with its Outbreak Management Plan, MSC Shipmanagement technical, safety and support teams have been mindful of the crew condition on board due to delayed relief and have provided **psychological support** to seafarers motivating them to share personal stories and day-to-day issues, and helping them cope with stress, anxiety or other health matters that may have arisen during the pandemic.
- **Ensuring safe crew changes and the safe repatriation** of its seafarers are considered priority matters by MSC. MSC's Leadership and Senior Management worked collectively with other shipowners, seafarer groups and global industry associations in consultative status with the IMO, representing the maritime transportation sector. Efforts centred on encouraging the international community, including specialised United Nations Agencies such as the ILO and the IMO, as well as regional authorities, to implement existing protocols and/or additional measures to protect seafarers' health and ensure the respect of fair working conditions in line with applicable international standards. As a result of this collective advocacy work, multiple statements, calls for action and communications were released by the broader international community recognising seafarers as essential workers and urging governments to act. The shipping industry was recognised for its key role in the global logistics supply chain, and specifically, for ensuring the flow of essential goods, energy, food, medicines and other supplies to people and communities, despite the challenging working conditions.

- **MSC's multi-stakeholder engagement** addressed the need to ease port restrictions in order to facilitate ship crew changes, crew relief operations and repatriations, as well as to provide emergency medical treatments ashore in the event of medical emergencies. Additionally, MSC engaged directly with governmental bodies and officials in some countries to address specific repatriation challenges. At the time of writing, MSC is focusing on continuously improving existing emergency preparedness and response continuity/contingency plans as well as health and safety operating protocols onboard its cargo ships. This work is based on different scenario analyses and is designed in accordance with relevant international, national and/or regional guidelines. MSC is and will remain fully committed to further enhancing existing management systems to minimise risks related to human capital management, as well as to crew safety, both during the crisis and in post-pandemic operations.
- In December 2020, MSC signed the **Neptune Declaration on Seafarer Wellbeing and Crew Change** led by the **Global Maritime Forum**, that aims to build a more sustainable maritime value chain. More than 850 companies and organizations have since become signatories to the Declaration (as of December 2021), acknowledging our shared responsibility in addressing the crew change crisis. The document outlines key strategic areas of collaboration and practical steps to be implemented as a matter of priority, thus contributing to reducing the risks of disruptions in global supply chains.

Information about MSC's efforts to address the risks and challenges related to the global health crisis as well as about compliance with applicable laws and regulations can be found in **MSC 2020 Sustainability Report**, published as part of MSC annual commitment as a UN Global Compact participant to submit a '**Communication on Progress (COP)**'.

For more information visit [msc.com/sustainability](https://www.msc.com/sustainability)

**This statement was approved on December 21, 2021**

**Signed**

**Soren Toft**

**CEO**

**MSC MEDITERRANEAN SHIPPING COMPANY SA**