

NYK Group – Respect for Human Rights in Ship Recycling

Ship recycling involves dangerous work, including cutting the ship's hull in high places, handling harmful chemicals such as mercury, lead, and asbestos left on abandoned ships, as well as residual heavy oil, and transporting cut scrap. To prevent the risk of death, injury, or damage to the health of ship recycling workers of (indirect) business partners that recycle ships owned by NYK and its group companies, as well as the spillage of hazardous materials into the ocean and the resulting damage to the health of nearby residents, NYK has established a ship-recycling policy and is working to promote responsible ship recycling in accordance with various international standards.

Policy and management in ship recycling

Policy

To promote responsible ship recycling that takes into account the environment, occupational health and safety, and human rights, the NYK Group is committed to complying with the International Maritime Organization's (IMO) Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships 2009 (the Hong Kong Convention),^{*1} the EU Ship Recycling Regulation, and relevant regulations of the International Labour Organization (ILO) in the recycling of all ships owned by NYK and its group companies, regardless of the flag country or region of operation.

In particular, as we believe that the appropriate recycling of all ships in the world in accordance with the standards of the Hong Kong Convention is important not only for NYK but also for the shipping industry as a whole, we will continue to encourage yards around the world to comply with the Hong Kong Convention so as to establish the Hong Kong Convention as the standard for all stakeholders involved in ship recycling. Ships also contain large amounts of high-quality iron, and more than 90% of medium- and large-sized ships are recycled as building materials, recycled materials, and second-hand goods. Appropriate processing of these valuable recyclable resources is important in realizing a circular economy, and we will continue to consider the role of our group in realizing this circular economy.

We have established a ship-recycling policy and undertake the recycling of ships with consideration for the environment, occupational health and safety, and human rights.

More Information : > [Ship Recycling](#)

Management

- **Selection of safe yards**

Cash buyers^{*2} are selected through bidding on the condition that the ship recycling is undertaken at a yard that has obtained a Statement of Compliance^{*3} with the Hong Kong Convention issued by the Japanese classification society ClassNK and meets standards set by NYK (in other words, an NYK-certified yard).

- **Disclosure of risk information**

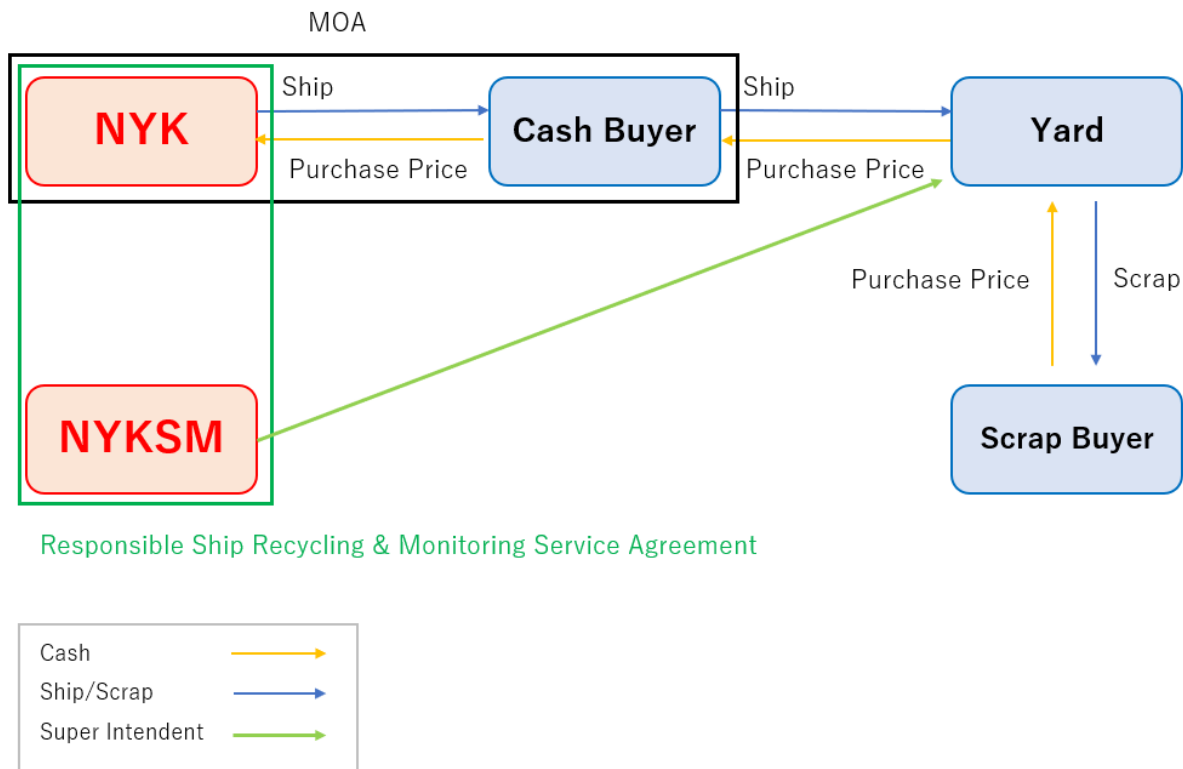
In accordance with the Hong Kong Convention, we prepare for all ships that are to undergo recycling an inventory of hazardous materials (IHM), which is a list of the approximate amount and location of hazardous substances present on a ship, to be kept on board the ship.

- **Preparation of NYK's own supervisory clauses in the ship recycling contract**

After the selection of a cash buyer, NYK and the cash buyer enter into a ship recycling contract that NYK prepares independently. This includes the right for a site supervisor dispatched by NYK Ship Management Pte. Ltd. (NYKSM), an NYK Group ship management company, to enter the yard and conduct site supervision.*4

- **Confirmation of compliance with safety, human rights, and environmental requirements by the site supervisor**

After the conclusion of the ship recycling contract, the ship is handed over to the recycling yard company by the cash buyer, and the recycling work begins. At the same time, NYKSM enters the recycling yard and begins on-site supervision. NYKSM's site supervisor conducts checks every day to ensure that there are no hazardous conditions on site. If there are any hazardous conditions, the supervisor reports these to the yard company and proposes improvements to be made within a certain period of time. The supervisor also reports to NYK on conditions at the site through daily reports. The yard company sells scrap (recycled valuables) to scrap buyers, who then sell these materials to buyers that recycle and reuse them.



Engagement

NYK is a member of the Ship Recycling Transparency Initiative, an information disclosure platform for enhancing transparency in ship recycling. Utilizing this platform, we disclose information about our initiatives and make efforts to improve our ship recycling level in light of initiatives of other companies that have disclosed information.

Human Rights Due Diligence

In 2022, two ships were recycled in Alang, India, and in June 2023, one ship was recycled in Chittagong, Bangladesh. Our human rights due diligence initiatives in ship recycling are as follows.

India

In April 2022, in conjunction with ship recycling in Alang, India, we conducted interviews with a total of six managers and site supervisors from NYK Ship Management Pte. Ltd. (NYKSM) regarding management aimed at ensuring the occupational safety and respecting the human rights of ship recycling workers working at the yard. Through these interviews, it was confirmed that NYKSM personnel patrol the ship recycling yard daily and monitor occupational health and safety. Interviews with yard personnel and workers, who are actual rights holders, *5 were left as a task to be undertaken at the time of the next recycling.

Bangladesh

In May 2023, in conjunction with ship recycling in Chittagong, Bangladesh, we visited the PHP Ship Recycling Facility (PHP SRF), a ship recycling facility operated by PHP Ship Breaking and Recycling Industries Ltd. (PHP SBRIL), where we interviewed PHP managers and 35 ship recycling workers engaged in the recycling of the heavy lifter Kamo, owned by NYK Bulk & Projects Carriers Ltd., a group company of NYK, as well as the site supervisor dispatched to PHP SRF from NYKSM, a group company of NYK. The interviews of ship recycling workers including regular employees (18 workers with a literacy rate of 89% and average monthly income 28,706tk*6) and non-regular employees (17 workers with a literacy rate of 53% and average monthly income 21,418tk) were conducted by CRT Japan's local partner in Bengali, a language understandable to all workers.

In Bangladesh, ship recycling is designated by law as a high-risk industry, and women and young workers under the age of 18 are prohibited from working in the ship recycling industry. All the workers interviewed this time were men between the ages of 27 and 60, and at the time of their hiring, PHP verified that they had a national identity card, which is issued by the Bangladesh Election Commission to citizens aged 18 and over.

As NYK employs only workers over the age of 18, we confirmed that there was no child labor at the PHP SRF. NYK also places importance on the payment of a fair wage above the living wage, and it was found that all workers in PHP were paid more than 19,255tk, the local living wage used as a reference*7 by third-party CRT Japan, and that all workers interviewed were satisfied with the amount. Additionally, PHP has in place a grievance policy, which is available not only to workers at the PHP SRF but also to its business partners, their workers, and the nearby local communities. Complaints can be submitted either by name or anonymously through a suggestion/complaint box installed in the PHP SRF. In addition to this box, workers at the PHP SRF can also express their grievances and opinions through three worker representatives or directly to management. The interviews confirmed that there was a general understanding of these procedures.

Through this visit, we learned that PHP has established and implemented a human rights policy that complies with internationally recognized human rights standards and is taking active steps to respect the human rights of workers. At the same time, it was found that improvements could be made in areas such as providing comfortable safety protective equipment to workers engaged in work under the blazing sun and arranging comfortable rest areas and other amenities for them. Furthermore, although explanations are given verbally to workers who are illiterate, there is a possibility that they do not fully understand the contents of employment contracts and various policies and regulations established by PHP. Therefore, improvement in this situation through the provision of education to illiterate workers is desirable. We have provided feedback to PHP regarding this and other areas where improvement is expected, and in response, PHP has recently established an educational center named "Sromik Shikkha Kendro,"*8 and a memorandum of understanding has been signed between PHP SBRIL and the local NGO

YPSA to oversee its operation. YPSA has initiated its operations from August 2023, and the education center was inaugurated in the presence of the NYKSM local representative in September. The kick-off program commenced with 25 workers in the first batch and 27 workers in the second batch, starting from November 2023. Workers have been provided with safe and comfortable personal protective equipment, as well as comfortable rest areas and other facilities. Concerning personal protective equipment that may be challenging to replace in certain cases, PHP will continue to investigate the availability of personal protective equipment in the country that adheres to both international standards (for safety) and provides comfort. We will collaborate with PHP to ensure the respect of human rights for ship recycling workers.



The NYK Group will continue to establish mechanisms for applying the [NYK Group Human Rights Policy](#) to ship recycling. Examples of such initiatives may include, when selecting business partners, requiring them to formulate a human rights policy in line with the NYK Group Human Rights Policy and to agree to the acceptance of site supervision and our conducting interviews with ship recycling workers as business conditions, and making efforts to strengthen supervision procedures in the supervision of human rights at work sites. We at NYK, together with our group companies, will continue to build a framework for ensuring respect for human rights at every yard where ships owned by the NYK Group are recycled.

Message from our supplier



Mohammed Zahirul Islam

Managing Director, PHP Ship Breaking and Recycling Industries Ltd.

NYK is the first Japanese company to engage in recycling at PHP SRF, Bangladesh. Aligned with the NYK Group's human rights policy, NYK acknowledges our its commitment to both the social and environmental aspects of ship recycling. NYK has supported our continual improvement processes (kaizen) through their field staff, assessing our environmental and social efforts through on-site human rights impact assessments. PHP SRF proudly became the first in Bangladesh to attain certification of Statement of Compliance to the Hong Kong Convention in 2017, tirelessly working to elevate standards for responsible ship recycling in the country. As a collaborative partner with NYK, PHP SRF remains dedicated to supporting NYK's human rights initiatives, striving to enhance our responsiveness to become a preferred supplier, as well as aim to be The Change Maker of Sustainable Ship Recycling in the world.

- *1 The International Maritime Organization adopted the Convention in May 2009 to ensure occupational safety and environmental protection during ship dismantling. To enter into force, the Convention requires the following:
 1. Ratification by at least 15 countries
 2. At least 40% of the merchant shipping tonnage of the signatory countries
 3. At least 3% of the maximum annual dismantled tonnage of the signatory countries in the last 10 yearsAs of November 2023, 23 countries have ratified the treaty, including Japan, India, and Bangladesh.
- *2 Cash buyer: Company that buys ships from shipowners for cash and sells them to ship recycling yards.
- *3 The Statement of Compliance is a document that certifies that a ship or maritime-related facility complies with specific standards or criteria.
- *4 The main purpose of NYKSM's role is the site supervision as a supervisor/administrator. As there is no contractual relationship between NYKSM and yard workers, NYKSM is not in a position to give work instructions and orders to workers.
- *5 Rights holders, meaning holders of rights (human rights), are those groups and stakeholders who may be affected by corporate activities.
- *6 tk=Bangladesh Taka
- *7 Reference:[Global Living Wage Coalition, https://globallivingwage.org/countries/bangladesh/](https://globallivingwage.org/countries/bangladesh/)
- *8 "Sromik Shikka Kendro" means "worker education center" in English.