

## Case Study

### J. Lauritzen A/S covers the road to sustainability and how this is smoother with IMPA ACT

Established in 1884, Danish shipowner J. Lauritzen is an international shipping company that operates more than 150 vessels and has a base of over 350 suppliers. Collaborating with these had become a challenge in terms of time, but with IMPA ACT, the journey has been smoother than expected. For this case study, IMPA is joined by Henning Andersen (Head of Purchase) and Anel Medina (Purchase Manager) at J. Lauritzen, a co-founder of the IMPA ACT initiative.

#### Responsible Supply Chain Management (RSCM) and its importance

There has been a lot of talk about supply chain sustainability in the maritime industry. Its objective is easy to understand: creating, protecting and growing social, economic and environmental value for all stakeholders. It is simple: we perceive suppliers as an extension of our business and understand that close traceability and collaboration brings social change and loyalty between parties.

RSCM is so important in the maritime industry because today's global economy runs on water with ships carrying over 90% of the world's trade: millions of people are employed in this industry. We are talking about a massive sector where lots of things can go wrong without proper traceability put in place.

The world has shifted a bit from how it was 15 years ago, and there is increasing pressure on businesses to be good corporate citizens. And surely, you cannot address your company's adverse impacts on human rights, environment and anti-corruption without looking further to your supply chain and seeing how the products you buy are sourced in the first place.

#### RSCM at J. Lauritzen before IMPA ACT

We have always been driven by CSR but in the past, we were focusing more on environment and health and safety, rather than the whole picture comprising human rights (including labour rights), environment and anti-corruption. We were also facing increasing amounts of guidance and regulations that we had to incorporate into our practice, so our Codes of Conduct were changing quite often; this was undermining the collaborative atmosphere that we wished to share with suppliers. In turn, our suppliers were burdened with codes of conduct not just from ourselves, but their entire base of customers. The benefit of uniformity then became clear and the launch of the UNGPs in 2011 further demonstrated that a common code of conduct – intended to become best practice within marine procurement – should be a next goal.



## Building IMPA ACT

In 2011, senior management at J. Lauritzen became a signatory of the UN Global Compact and began implementing the UN Guiding Principles on Business and Human Rights. It was very sudden, and it was the first time when there was agreement at a political level on the right way for businesses to work with human rights, labour standards, environment and anti-corruption.

We were in touch with D/S NORDEN at the time and, together with IMPA, we began shaping IMPA ACT, the industry's first initiative on responsible supply chain management. The aim was to bring about uniformity and understanding in this area. As part of the programme, we also created a common Code of Conduct - intended to become an industry standard. This Code was based on the UNGPs and the UN Global Compact's ten principles. We did this for three reasons:

- To make purchasers' jobs easier and not have to invest time, resources and manpower in obtaining consultancy from CSR advisors every time there was a small change in guidance. This way, someone else would do it for us and provide us with the updated Code, should there be an update.
- To make suppliers' jobs easier. With more companies joining IMPA ACT and adopting the Code of Conduct, suppliers would not have to spend as much time sifting through individual company-created codes, thus cutting down on time and cost.
- To create a theme of collaboration across purchasing and supplying; we are not enemies in this industry.

Rome was not built in a day – the programme is well-set and the Code of Conduct is finalised and being implemented within the business practice of some major shipping actors. Many large shipping companies and major suppliers have signed up to IMPA ACT. But for the programme to achieve its objective, there needs to be more: more signatories, more engagement, more contributions.

## How IMPA ACT worked for J. Lauritzen

When we decided to start, we started slowly. But we had to start somewhere, and we began by assessing our own actual and potential adverse impacts on human rights, labour standards, environment and anti-corruption. We wouldn't have had it otherwise, as it wouldn't be acceptable to start raising requirements from your suppliers before committing to those standards yourself.

Once internally committed, we moved on to raising the requirements from our suppliers and engaging a handful of them periodically. And we are getting there together. IMPA ACT has always been intended as a two-way street, with both purchasers and suppliers walking the same path. We collaborate, learn from each other and share best practice. And the feedback we had when we engaged with one of our suppliers on the programme was that they know us better now, so IMPA ACT has added value to our practice.



# NORDEN

## Case Study

### Dampskibsselskabet NORDEN A/S talks compliance with the right standards under IMPA ACT

Established in 1871, Danish shipowner NORDEN is one of the oldest and most experienced shipping companies in the world. Specialising in global tramp shipping, the company operates one of the most modern and flexible fleets of over 300 dry cargo bulkers and product tankers. In time, NORDEN has developed a base of over 400 suppliers. And with so many suppliers, it is important to make sure that they are in line with NORDEN's standards. For this case study, IMPA is joined by Ole Lykke (Head of Strategic Purchasing) and Kristina Kunigenas (CSR & Compliance Manager), both of whom work at NORDEN, co-founder and first joiner of the IMPA ACT initiative.

#### Responsible Supply Chain Management (RSCM) and its importance

CSR is often seen as good corporate citizenship and internal compliance with community standards or, just as philanthropy. But CSR should be a strategy tool and tied to the core business of the company and, in order to be efficiently tied with economic success in the maritime industry, it needs to encompass at least seven elements: CO2 efficiency, vessel safety, employee conditions, transparency, anti-corruption, environmental management and, very importantly, Responsible Supply Chain Management (RSCM).

The latter element is crucial to the effectiveness of a CSR strategy; because how can you establish long-term trustworthy relationships with your suppliers if they do not share your set of values?

If your company does things right and tries hard to mitigate its impacts on human and labour rights, anti-corruption and environment, it is only natural to have the same expectation from your supply chain. It is, after all, how a real partnership works and conducting RSCM correctly can increase a business' competitive advantage.

#### RSCM at NORDEN before IMPA ACT

NORDEN has always been a visionary shipowner and welcomed CSR as an opportunity rather than a reactive tool. We were among the first few shipowners to take an active stance on sustainability in 2006 and this has allowed us to gain the competitive advantage that Kristina mentioned. RSCM was in the spotlight before the introduction of IMPA ACT. The main difference in NORDEN's RSCM practice is that before IMPA ACT in 2013, RSCM was difficult and unstructured, we felt that we were not going down the right path with our approx. 400 suppliers and we spent much time on RSCM.



## Building IMPA ACT

In 2009, NORDEN's senior management became a signatory of the UN Global Compact whose principles were made operational by the UN Guiding Principles on Business and Human Rights just two years later. I remember being in front of the Guidelines and understanding nothing from the wording. What did all those things mean?

I am not an academic and it really seemed like rocket science at the time. It was the first time that it really felt needed to take a step further and streamline what had turned into a 'code-mania' system that was burdening procurement professionals.

A way we could see this done was through adopting a uniform approach across the marine procurement industry; we got in touch with Danish shipowner J. Lauritzen and discussed creating a common code of conduct. We contacted IMPA to ask if they could bring this idea to the market as an industry standard.

IMPA ACT was never supposed to reinvent the wheel on social, environmental and economic compliance. What it did, however, was still pioneering work – it brought together the internationally-endorsed principles on corporate governance, tailored to the maritime industry and created the IMPA ACT Code of Conduct. IMPA ACT was meant to be a tool that facilitated cooperation; we have wanted to engage with our suppliers and help them understand the benefits of RSCM, and this Code of Conduct bridges this gap for us.

## How IMPA ACT worked for NORDEN

The IMPA ACT Code of Conduct adds to our current sustainability work. The accompanying benefits, such as the guide to RSCM and online resources offered to members ease the process of reading into legislation, guidelines and complicated wording that all-too-often deters professionals from addressing societal challenges.



Since we began implementing the IMPA ACT Code of Conduct, as well as pass it on to our suppliers, we have opened dialogue with our base of suppliers based on the requirements of the Code and we have seen how they are getting a better understanding of a robust RSCM policy. We no longer use the phrase 'customer and supplier'; we prefer 'partnership'.

We started our RSCM journey by engaging five suppliers each year and worked with each of them towards alignment with the Code of Conduct.

We collaborate with these suppliers and prefer to guide them to compliance even if they in the first instance do not satisfy the IMPA ACT requirements, and here it is that the partnership will come into force – we help them to fulfil the requirement. We build trust and, while we know it is business and that relationships sometimes come down to cost, loyalty is always beneficial; as one party grows, so does another. We now get a different cooperation level with our suppliers because we discuss soft issues too.



And they also have the option of becoming an IMPA ACT members and get resources to help them with the implementation of the Code's principles.

The feedback we have had from suppliers was great, and we have had eight partners completing their journey and becoming fully compliant with the IMPA ACT Code of Conduct since 2013. They also have the chance to promote this to their customers. It is only natural that buyers would prefer to engage suppliers who are virtually risk-free and are constantly mitigating their impacts on human rights, labour, environment and anti-corruption. It substantially lowers those high costs involved in the initial due diligence.

In the future, we hope to see the IMPA ACT Code of Conduct becoming the preferred approach across the industry.

Everyone must realise that we now operate in a time where the efficiency of a procurement practice no longer lies solely in a game of numbers, and long-term collaboration between purchasers and suppliers has become very much key.

A standard in the industry was needed to facilitate this work; this is why IMPA ACT has been brought to the market.





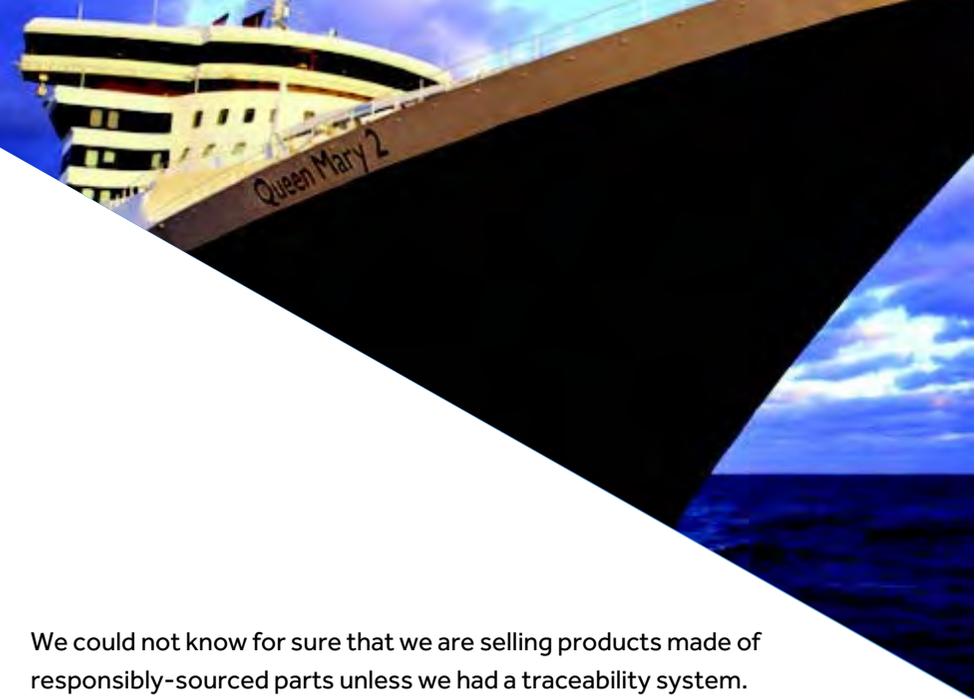
## Case Study

### World leader Alfa Laval on how IMPA ACT helps with strengthening partnerships and improving CSR

Ever since 1917, when Alfa Laval provided the US Navy with the first marine centrifugal separator, the company has been steadily becoming the world leader within the key technology areas of heat transfer, separation and fluid handling. The company's worldwide presence allows it to help customers optimise their processes in nearly 100 countries. Today, Peter Borgnaes, Nordic Market Unit Manager, and Catarina Paulson, Head of Sustainability, share how IMPA ACT has helped Alfa Laval not only strengthen the relationship with one of its main customers, but also correct some blips on the company's CSR radar.

#### **Responsible Supply Chain Management (RSCM) and its importance**

There are many urgent global issues facing us today; among these, we have human rights abuses, corruption and climate change. While in the past, the governments were the only ones expected to respond to these, the focus has now expanded to include society leaders and multi-government organisations. As a global company, we too now have the responsibility to ensure that we have policy statements in place, as well as due diligence and remediation systems to enable prevention or compensation of human rights abuses.



We could not know for sure that we are selling products made of responsibly-sourced parts unless we had a traceability system. RSCM is important because, if done right, your company will not be dealing with an erosion of its reputation. It is also important because there is an increasing expectation for businesses to deal sustainably, especially from customers and investors, and you often find that you will develop much better relationships with these. Lastly, you will get to know your own suppliers better.

#### **RSCM at Alfa Laval before IMPA ACT**

I reckon that the strong focus on CSR applies for the whole of Scandinavia more or less, as companies here have always been frontrunners in placing major importance on respecting human and labour rights. As an example, Alfa Laval has been a signatory to the United Nations Global Compact since 2011 and has been investing in RSCM for over a decade. So, to answer this bit, Alfa Laval has been a company versed in sustainable practice for years. And when one of our biggest customers approached us with the IMPA ACT Code of Conduct, we did not feel like we would be inventing the wheel – the wheel was already there.



However, what the IMPA ACT programme did was help us further our CSR efforts and spot additional issues that needed to be addressed. It also helped us strengthen our partnership with this important customer. IMPA ACT was a complementary tool for our responsible business practice.

One of the main reasons that makes me proud of working for Alfa Laval is definitely the company's long-standing stance on CSR. Yes, IMPA ACT has brought about consolidation, as well as identification of some of the risks that we didn't know were there. But Alfa Laval had not been new to the CSR arena before this initiative – we had already ticked the required boxes in terms of environmental and health and safety compliance, so it was not innovative altogether; consolidating for sure, but not pioneering for Alfa Laval's practice.

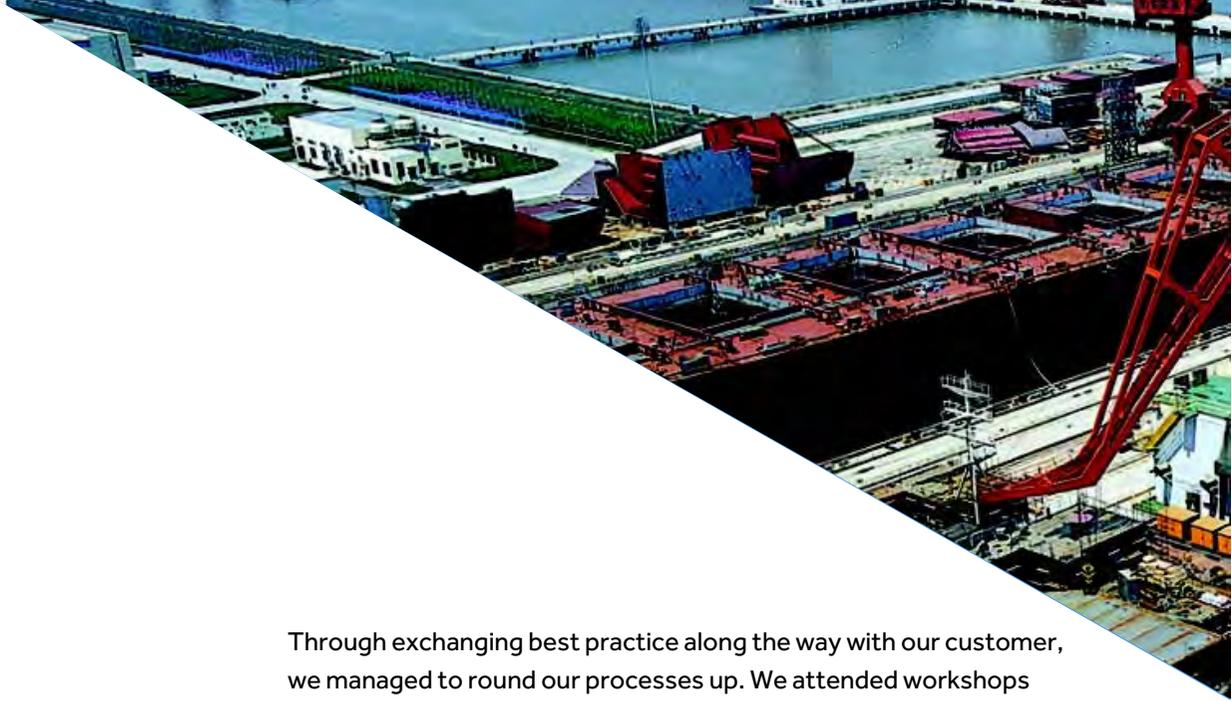
#### **How IMPA ACT worked for Alfa Laval**

When we were contacted by one of our customers to implement the IMPA ACT Code of Conduct, we naturally said yes. It was an opportunity to take sustainability a level further and maybe identify some glitches in our practice. So we started working with this company for two years. We took everything step-by-step.

Did we have a policy commitment that attested our compliance with human rights, environmental regulations and anti-corruption principles? Yes, we already had one and it listed expectations in line with the IMPA ACT Code of Conduct's principles.

Was our due diligence process addressing all potential and actual impacts on these four areas of fundamental responsibility? No, it lacked demonstrating mitigation for some potential impacts.

Did we have a comprehensive remediation process that was actual, legitimate and transparent? Yes, but not that comprehensive.

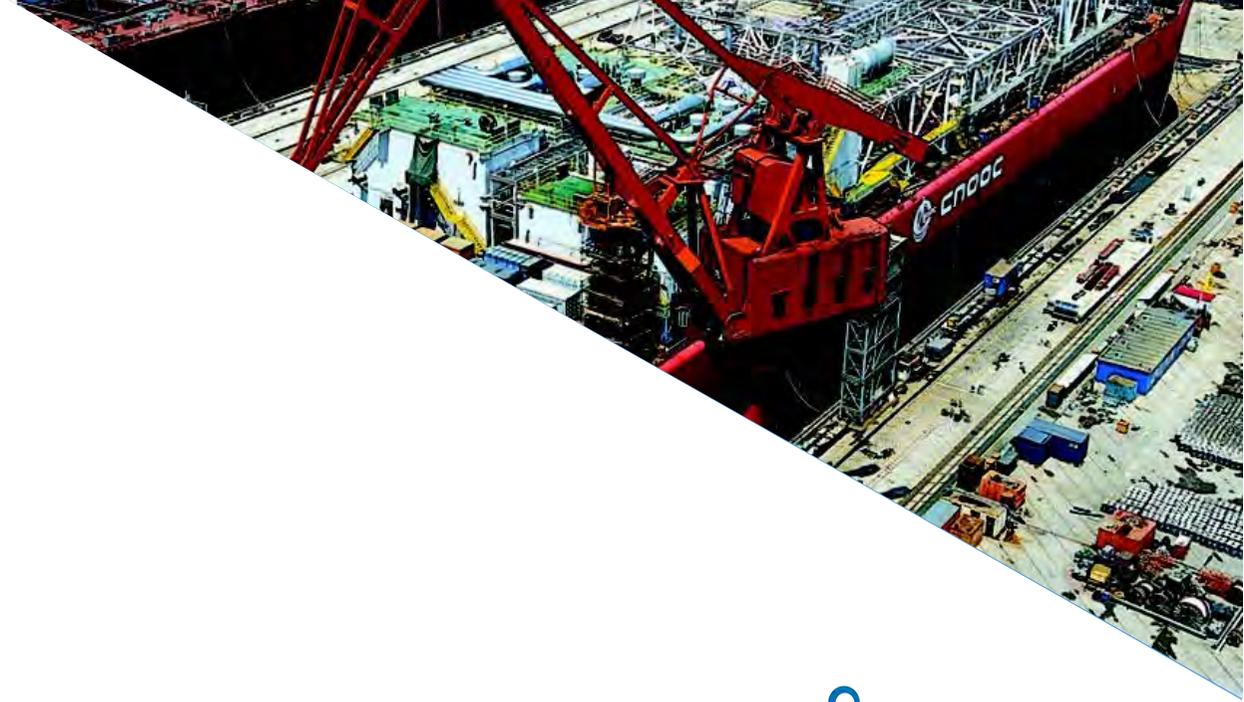


Through exchanging best practice along the way with our customer, we managed to round our processes up. We attended workshops together and had many discussions on these soft issues.

I would like to underline how important this dialogue aspect is. Yes, you can go through the IMPA ACT process alone; but would we recommend it? No. The most important thing about the programme is the collaborative aspect – not only do you improve your own processes, but your partner can also improve theirs.

For Alfa Laval, the process finalised in 2016 when we successfully undertook an audit that saw us become an IMPA ACT Certified Company. And this proved to be more than just a quality stamp; it made our processes more robust – we now have better systems to prevent adverse impacts and better remediation practices.

I see the real and tangible benefits and, in my view, IMPA ACT was the perfect opportunity to strengthen our relationship with a valued customer, manage risks better within our supply chain, and increase the quality of the products we source.



It is simple and I saw IMPA ACT as a commercial tool from the very beginning – yes, you are preventing, mitigating and remediating your adverse impacts on human rights, labour standards, environment and anti-corruption regulations, but at the same time, you develop better products, higher in quality that satisfy your customers much better.

Yes, the prices will be higher than our competitors', but the key here is to understand that buying and supplying is no longer a race to the bottom – we do not want to give priority to those customers who are only looking for the smallest prices and often find ourselves challenging their approach to making business.

This is about developing high-quality products that you can sell and attest to their sustainability.

IMPA ACT has helped us understand more about ensuring traceability of the components we source and has contributed to our developing of better auditing processes for sub-suppliers.

IMPA ACT does not drive our processes, of course not – we have to be realistic about this – but it certainly helps them run smoother.

And there is no harm in highlighting that the programme can be a commercial tool – it is definitely why some customers choose Alfa Laval over other suppliers – we are not afraid of placing quality over price.



Responsible Business Conduct  
in the Global Maritime Industry

**International Marine Purchasing Association**

IMPA ACT is an initiative of IMPA, a non-profit organisation that facilitates cooperation between marine buyers and suppliers and develops best practice standards within the shipping industry. As of 2022, IMPA has more than one thousand members internationally.

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