



Shoreline – News Bulletin September 2024

HOW CAN SHORELINE'S MDCI CLIENT PROTECTION SCHEME HELP SHIPOWNERS ENHANCE THEIR COMPLIANCE PROFILE WITH NEW EU SUSTAINABILITY REGULATIONS?

Overview: CSRD & CSDDD Compliance Challenges for the Shipping Industry

The EU's **Corporate Sustainability Reporting Directive (CSRD)** and **Corporate Sustainability Due Diligence Directive (CSDDD)** represent major regulatory shifts for the global shipping industry. These directives place accountability and transparency obligations on the largest shipowners, aiming to address failures in self-regulation, particularly regarding human rights and environmental standards in shipping.

CSRD and CSDDD: What Should We Know?

The **CSDDD**, effective from July 2024, mandates that large shipowners, namely those with over 1,000 employees and a turnover exceeding EUR 450 million within the EU, embed robust due diligence measures into their operations and supply chain management. This requires them to actively mitigate human rights risks such as **forced labor, wage theft, abandonment and seafarer criminalization or forced detention**. Shipowners are now held accountable not only for their direct activities but also for the practices of their business partners within the supply chain.

The **CSRD** adds another layer of complexity, mandating that companies provide public reports on their **ESG** compliance, including how they mitigate risks and threats to the human rights of their employees and the environment. Non-compliance risks hefty financial penalties and reputational damage, as non-compliance will be made public.

The New Reality for the Shipping Industry

Historically, the shipping industry has relied on self-regulation and voluntary compliance. However, the increasing frequency of issues like seafarer abandonment, wage theft and poor working conditions demonstrates that this approach has proven insufficient. In response, the **CSDDD** requires shipowners to be accountable not only for their own operations but also for the practices of their business partners, such as **manning agencies, ship management companies and charterers**. All entities within the supply chain must adhere to the same operational standards and best practices, ensuring a more consistent approach to seafarer welfare and environmental compliance.

How can Shoreline's MDCI Client Protection Scheme (MCPS) Help?

With the increasing focus on port state control inspections in **U.S. ports** following high-profile incidents such as the Dali Bridge allision, shipowners trading to the U.S. face heightened risks of detention. Shoreline's **MDCI Client Protection Scheme** provides essential protection, offering **operational cost indemnification** and **legal/welfare** protection for seafarers when detained in the U.S. As ESG audits become more common, having MDCI coverage in place demonstrates a shipowner's commitment to safeguarding their seafarer employees from this known risk of detention when trading to U.S. ports.

Key MDCI Features:

- **Comprehensive Coverage:** MDCI covers your seafarer's personal legal representation, shipboard investigations, crew-related detention expenses and vessel loss of hire due to **MARPOL-related detentions**.
- **U.S. Focus:** With an increased USCG inspection risk following the **Dali Bridge allision**, MDCI is a critical safeguard for vessels trading to U.S. ports.
- **Mitigating Detention Risks:** MDCI provides immediate access to legal and financial support and loss cost indemnification, helping resolve detentions swiftly and minimizing business disruption.

Conclusion: Taking the Lead in Compliance

The shipping industry is undergoing a significant transformation. By embracing these regulatory changes and embracing innovative, new insurance solutions like MDCI, shipowners can take a step towards safeguarding themselves from financial and operational risks and their crew's welfare when and if detained in the U.S. Shipowners who adapt to these evolving standards will benefit from greater trust and reduced risks over the long term.

For more information on how MDCI can protect your vessels and crew in U.S. waters and beyond, contact us at mdci@shoreline.bm.