

A TOOL DESIGN TO ASSESSED SUSTAINABILITY IN THE SHIPPING INDUSTRY

MASTER IN SCIENCE: SHIPPING AND FINANCE
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1. INTRODUCTION

This report corresponds to the final master thesis project as part of the MSc program in Shipping and Finance at CUT. Specialization of the author of this report is on Sustainability of Shipping Finance.

1.0 Background

The credit crisis and the housing bubble initiated in the USA was one of the major reasons alongside with some subordinated causes that led to the global economic recession that dates back in December of 2007 (Holt, 2009). A rigorous reaction from the banking system in order to reduce the risks during credit crush situation was followed by extreme measures on the basis of the international regulatory framework for banks, where Basel III was implemented ("Basel III: international regulatory framework for banks", n.d.).

The reformed measures and new regulatory frameworks and standards resulted in a scarcity in capital availability for lending (Brunnermeier, 2009). This "tectonic damaged" sourced by the financial crisis of 2007-2009 has been principally blamed by the public on financial institutions (Claessens, Kose, Laeven, & Valencia, 2012). Since the Banks had a damaged public image it seemed a reasonable effort to try and rebuilt consumer's trust in the financial services (Chater, 2015).

In order to recover the damaged images, banking groups have taken actions and were tightly committed to overcoming these issues initiated from the 2007 economic crisis. The strategic plan of various banks, including the ABN AMRO that coincide with the studied banking group of this research, was to implement the strategy of sustainability when it comes to banking services.

1.1 Objectives

ABN AMRO was chosen as the focused banking group in order to examine the philosophy of sustainable investments in the shipping industry. "The sustainability is part of our DNA" coincide with ABN AMRO strategic plan in order to transform their system towards a more future orientated profile where sustainability matters in terms of environmental, social and economical settings. As they stated: "ABN AMRO wants to be a better bank working towards a better world..." noticeably illustrates that ABN AMRO is seeking to find solutions to regain their customers' trust in a more sustainable manner and thereafter was preferred as the case study of this master thesis (Zalm, 2011).

Subsequently in order to evaluate the sustainability performance of an investment in the shipping industry a metric system should be developed and should be in accordance to the existing ones. This evaluation also coincide with the screening processes of banking groups in accordance to the sustainable criteria in order to assess the sustainability of shipping companies. The objective of this paper is to identify and design a tool that facilitates the initial stage assessment processes of banks during the decision-making activities for sustainable investments in the shipping industry. Thereafter the main objectives of the master thesis paper are:

1. To assess the sustainability regarding shipping and evaluate the current criteria and requirements of sustainability in the shipping industry
2. To developed (from literature and available data) a metric scheme that helps the evaluation of these sustainable investment in order to measure the sustainable performance

To recap the author of this paper will try to measure the sustainability in shipping. This will be obtained through the determination of a measured scheme via available literature in order to evaluate the sustainability of banks' investment strategy.

1.2 Thesis Structure

- Introduction: This chapter will introduce the thesis subject to the reader
- Literature Review on Sustainability: In order to evaluate Sustainability it is required to clearly understand the concept of sustainability prior to the analysis. Also Sustainable Strategies of ABN AMRO are outlined here as an example of an investment firm that has implemented specific rules in order to comply with the philosophy of sustainable development.
- Brief review to the Shipping Industry: The shipping industry is introduce in terms of finance and regulations.
- Current Legislation with respect to Sustainability: This section will provide a brief review on current legislation that is closely related to sustainable development.
- Measuring Sustainability: This section will demonstrate the requirements in order to assess sustainability, but also will discussed the current schemes that will in turn facilitate to model a tool in order to measure sustainable investment in the shipping industry. The tools will developed will also be presented in this chapter
- Conclusion and Further Recommendations: This corresponds to the final outcomes and conclusion that ascended from the research.