

The logo for Woodrow, featuring the word "Woodrow" in a bold, black, serif font. The background of the entire page is a photograph of stacked shipping containers, with a green color overlay. The containers are stacked in a way that creates a strong sense of depth and perspective, with the containers in the foreground being larger and more detailed than those in the background. The green overlay is a uniform, medium-green color that covers the entire image.

Capital Perspectives:
Navigating ESG Risks
in the Maritime Sector

November 2023

The logo for FT 1000, featuring the letters "FT" in a bold, black, serif font inside a black square, followed by the text "1000 Europe's Fastest Growing Companies" in a smaller, black, sans-serif font. The background of the entire page is a photograph of stacked shipping containers, with a green color overlay. The containers are stacked in a way that creates a strong sense of depth and perspective, with the containers in the foreground being larger and more detailed than those in the background. The green overlay is a uniform, medium-green color that covers the entire image.

Foreword

We stand at a critical juncture in the global sustainability journey. While the urgency of decarbonisation is clear, the reality is muddied by conflicting needs, such as the growth in industrial activity required for Global South economies to flourish. Central to this complexity is the maritime sector – crucial in global trade and a major employer, vital for both goods movement and employment.

The sector faces an urgent need to accelerate its transition towards sustainability. Shipping, a substantial contributor to carbon emissions, is a prime example. From the absence of universally accepted green fuels to concerns over worker safety and biodiversity impact, the obstacles are significant. These are compounded by the sector's capital-heavy nature, affecting everything from R&D to fleet construction and logistics.

Financial and capital markets are increasingly incorporating ESG (environmental, social and governance) factors into decision-making, viewing them as essential in evaluating company risk. This places maritime companies, operating within a complex ESG landscape, at a difficult juncture. The question arises: *how can maritime companies secure steady capital amid perceived high ESG risks?*

This study, the first of its kind in both scale and focus, represents the views of 100 senior capital market leaders with direct exposure to maritime assets. It aims to clarify capital markets' perceptions and realities of ESG risks in the maritime sector. Its findings highlight the need to realign maritime companies with investor and lender expectations, as well as broader market demands.

At Woodrow, we approach this not as a warning bell but as a clarion call to action. Our Future Positive ethos drives us to provide genuinely useful insights that catalyse transformative action. We see this report as an essential tool to bridge perception gaps and accelerate dialogue to unlock the much-needed capital for a sustainable maritime future.



Henry Kirby | Head of Woodrow Sustainability



Woodrow [

Future Positive

We are the Future Positive communications consultancy.
Our currency isn't just content, or column inches.

It's influence.

The power to cut through complexity and [uncertainty.]

To persuade and [change] minds.

To impact the issues that matter most.

And even change *t h e* [of world events.]

c o u r s e

We believe turning
communication into influence is an
essential force for good.

Because an organisation's value isn't defined by the quantity of its sales today,
But by the quality of the [story] it tells about tomorrow.



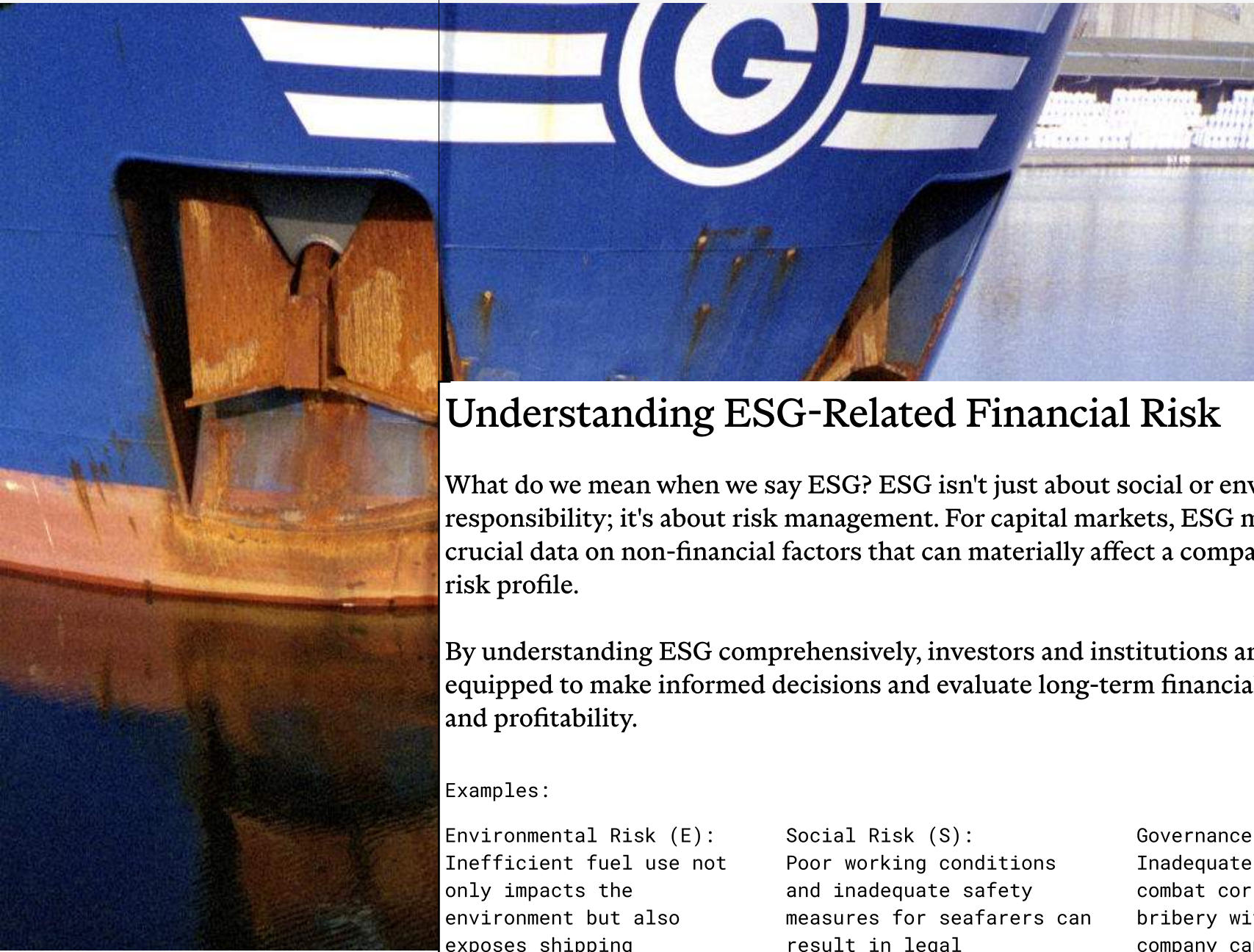
"This study highlights a key opportunity for the shipping industry. Capital markets' focus on shipping's ESG factors indicates a consensus on the industry's potential for value creation through sustainability.

By embracing ESG, the industry can foster innovation, enhance livelihoods, boost global trade and pave the way for a greener, more prosperous future."

Guy Platten, Secretary-General, International Chamber of Shipping

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Introduction

Capital Perspectives: Navigating ESG Risks in the Maritime Sector was designed to unpack the complex relationship between the maritime sector and capital markets in an era driven by sustainability and ESG-related risk.

We've surveyed 100 stakeholders from a variety of financial institutions—spanning asset management firms, commercial banks, investment banks, multilateral institutions, and private equity firms—to gain a nuanced perspective on how ESG factors influence investment decisions regarding the maritime industry.

This study – the first of its kind – includes a diverse range of respondents to capture a holistic view. The segmentation was designed based on:

- *Type of Capital Managed:* Equity, Debt, and Hybrid
- *Type of Institution:* Ranging from commercial banks to multilateral institutions
- *Exposure to Maritime Sector:* High to Exploratory
- *Size of Institution:* From Mega (more than £100 billion) to Small (Less than £1 billion), based on assets under management (AUM)

This variety allowed us to dissect views across different types of capital and institutional sizes, with varying levels of exposure to the maritime sector.

The respondents include decision-makers like Chief Risk Officers, Chief Sustainability Officers, and Chief Investment Officers, among others, making this survey a comprehensive reflection of the views shaping the capital markets in relation to maritime investments.

Understanding ESG-Related Financial Risk

What do we mean when we say ESG? ESG isn't just about social or environmental responsibility; it's about risk management. For capital markets, ESG metrics offer crucial data on non-financial factors that can materially affect a company's financial risk profile.

By understanding ESG comprehensively, investors and institutions are better equipped to make informed decisions and evaluate long-term financial sustainability and profitability.

Examples:

Environmental Risk (E):
Inefficient fuel use not only impacts the environment but also exposes shipping companies to regulatory fines and transition risks as low-emission technologies emerge.

Social Risk (S):
Poor working conditions and inadequate safety measures for seafarers can result in legal liabilities and reputational damage, affecting a maritime firm's social license to operate.

Governance Risk (G):
Inadequate measures to combat corruption and bribery within a maritime company can lead to severe legal repercussions and sanctions, directly impacting its financial stability and investor relations.

Executive Summary

The maritime sector is adapting to the global shift towards ESG-compliant investments, offering a chance to future-proof the sector. However, the capital market stakeholders surveyed highlight urgent challenges that the sector must address.

64% are considering divestment due to increasing ESG risks.

Majority of investors see maritime as high-risk, peaking at 73.5% among debt capital holders.

69% believe the sector excels in risk management, indicating a communication gap in showcasing ESG efforts.

56% find ESG disclosure in the sector less transparent, while 58% doubt its sustainability commitments.

Top ESG risks are worker conditions and safety (38%), tech disruptions (34%), and climate impact (33%).

Shipping and Maritime technology both flagged by 17% of investors, followed by Ports & Terminals and Naval and Defence at 12% each.

1. Majority of institutions actively considering divestment from maritime sector
2. Maritime sector seen as more exposed than others
3. Sector perceived as riskier, but ahead in risk management
4. Transparency and credibility issues
5. Worker safety, climate, and tech disruptions seen as biggest maritime risk factors
6. Shipping, Maritime Technology, and Ports seen as riskiest industries

<p>57%</p> <p>TRANSPARENCY AND AWARENESS:</p> <p>57% believe the sector is less aware of esg risks, and 56% criticise its lack of transparency in esg disclosures.</p> <p>TOP AREAS OF CONCERN INCLUDE:</p>	<p>64%</p> <p>DIVESTMENT CONCERNS:</p> <p>64% of senior finance professionals are considering divesting from or reducing exposure to the maritime sector due to ESG risks.</p> <p>38%</p> <p>worker safety</p>	<p>66%</p> <p>HIGH ESG RISK PERCEPTION:</p> <p>66% of respondents view the maritime sector as more exposed to esg risks compared to other industries.</p> <p>33%</p> <p>climate impact</p>	<p>34%</p> <p>technological disruptions</p>
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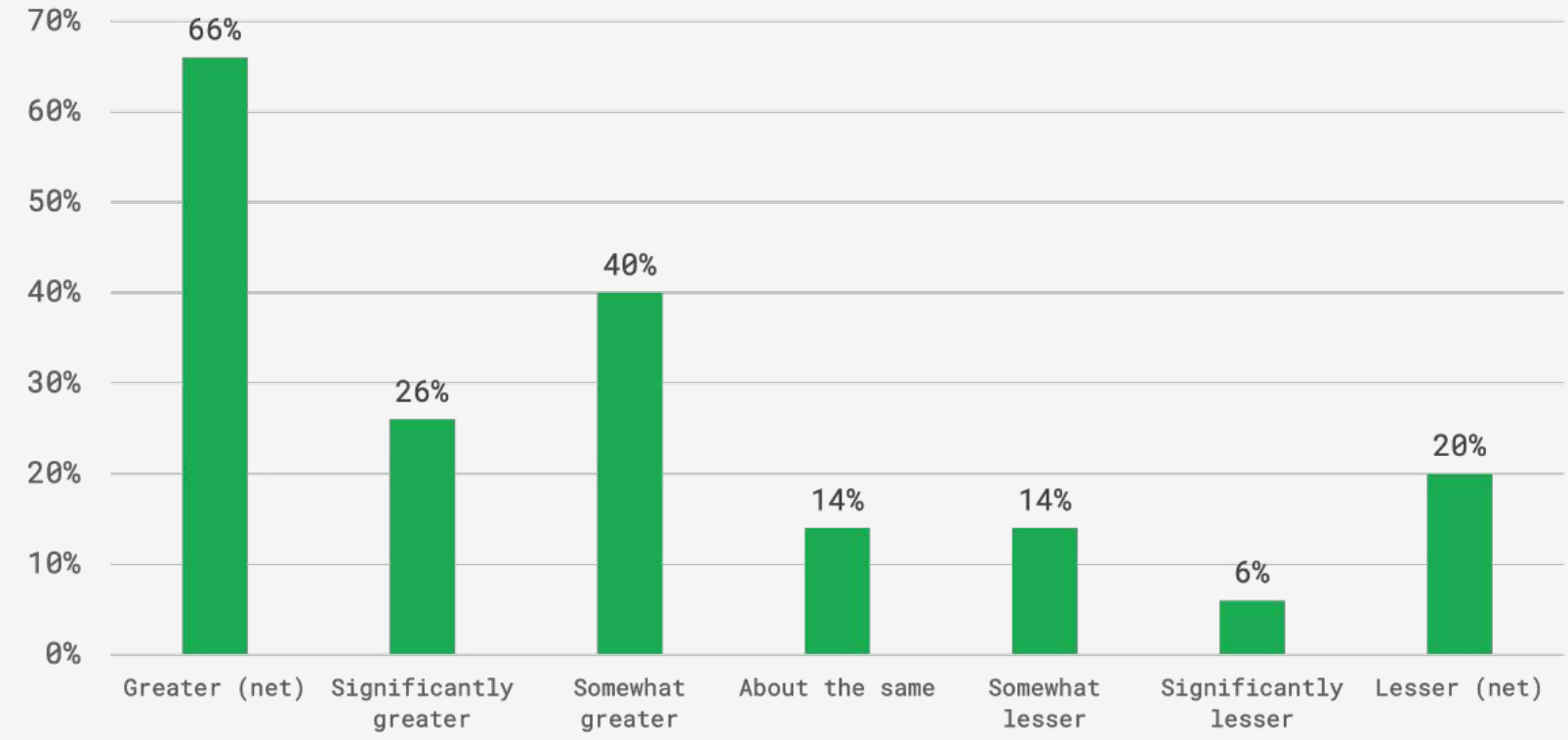


Question 1.

'Do you consider the ESG-related financial risk to maritime assets to be greater or lesser than those in other sectors?'

Perceptions of ESG Risk in Maritime

Q1. Do you consider the ESG-related financial risk to maritime assets to be greater or lesser than those in other sectors?



Two-thirds of respondents believe that the maritime sector is exposed to greater ESG-related risk than others.

Overall sentiment

Among all respondents, 66% perceive that ESG-related financial risks in the maritime sector are greater than those in other sectors.

This points to a heightened sense of caution and urgency among investors, as 26% see the risks as "significantly greater," and another 40% consider them "somewhat greater" than in other sectors.

In contrast, a smaller faction, representing just 20%, deem the risks to be lesser, while 14% see them as equivalent to other industries.

This dominant perception raises important questions about the nature of the perceived risks: Is the maritime sector inherently more fraught with ESG risks, or are these perceptions born from insufficient information or misunderstandings?

Perceptions of ESG Risk in Maritime

Q1. Do you consider the ESG-related financial risk to maritime assets to be greater or lesser than those in other sectors?

Maritime risk exposure versus other sectors	Commercial bank	Investment bank	Multilateral / IFI	Private equity
Greater (net)	58.5%	83.3%	40.0%	58.3%
Significantly greater	31.7%	19.4%	20.0%	33.3%
Somewhat greater	26.8%	63.9%	20.0%	25.0%
About the same	19.5%	5.6%	10.0%	25.0%
Somewhat lesser	19.5%	5.6%	40.0%	0.0%
Significantly lesser	2.4%	5.6%	10.0%	16.7%
Lesser (net)	22.0%	11.1%	50.0%	16.7%

Perceptions based on institution type

Investment banks are the least optimistic, with 83.3% indicating the maritime sector is more exposed to risk than other sectors.

Maritime risk exposure versus other sectors	Equity capital	Debt capital	Hybrid capital
Greater (net)	61.5%	73.5%	63.0%
Significantly greater	23.1%	23.5%	33.3%
Somewhat greater	38.5%	50.0%	29.6%
About the same	17.9%	5.9%	18.5%
Somewhat lesser	15.4%	17.6%	7.4%
Significantly lesser	5.1%	2.9%	11.1%
Lesser (net)	20.5%	20.6%	18.5%

Perceptions based on type of capital

Institutions managing debt capital are the most concerned about ESG risks, showing a 73.5% net agreement that risks are greater in the maritime sector.

"Transparent ESG disclosures serve as vital tools for informed decision-making, enabling applications from risk assessment to impact tracking.

Maritime companies that transparently track and communicate their ESG profiles not only enhance investors' abilities to achieve sustainability outcomes but also strengthen the overall resilience of the maritime sector."

Daniel Klier, CEO of ESG Book and former Global Head of Sustainable Finance at HSBC

Perceptions of ESG Risk in Maritime

Q1. Do you consider the ESG-related financial risk to maritime assets to be greater or lesser than those in other sectors?

Maritime risk exposure versus other sectors	Mega (> £100bn)	Large (£10bn-£100bn)	Medium (£1bn-£10bn)	Small (< £1bn)
Greater (net)	65.4%	75.0%	64.3%	40.0%
Significantly greater	23.1%	33.3%	25.0%	10.0%
Somewhat greater	42.3%	41.7%	39.3%	30.0%
About the same	11.5%	13.9%	17.9%	10.0%
Somewhat lesser	19.2%	5.6%	17.9%	20.0%
Significantly lesser	3.8%	5.6%	0.0%	30.0%
Lesser (net)	23.1%	11.1%	17.9%	50.0%

Perceptions based on institution size

Larger institutions, specifically those with AUM between £10 billion and £100 billion, are more inclined to perceive greater ESG risks in maritime, at a net agreement of 75%.

Maritime risk exposure versus other sectors	High	Moderate	Low	Exploratory
Greater (net)	69.7%	72.1%	52.9%	42.9%
Significantly greater	42.4%	16.3%	17.6%	28.6%
Somewhat greater	27.3%	55.8%	35.3%	14.3%
About the same	12.1%	11.6%	29.4%	0.0%
Somewhat lesser	12.1%	11.6%	11.8%	42.9%
Significantly lesser	6.1%	4.7%	5.9%	14.3%
Lesser (net)	18.2%	16.3%	17.6%	57.1%

Perceptions based on institution's exposure to maritime assets

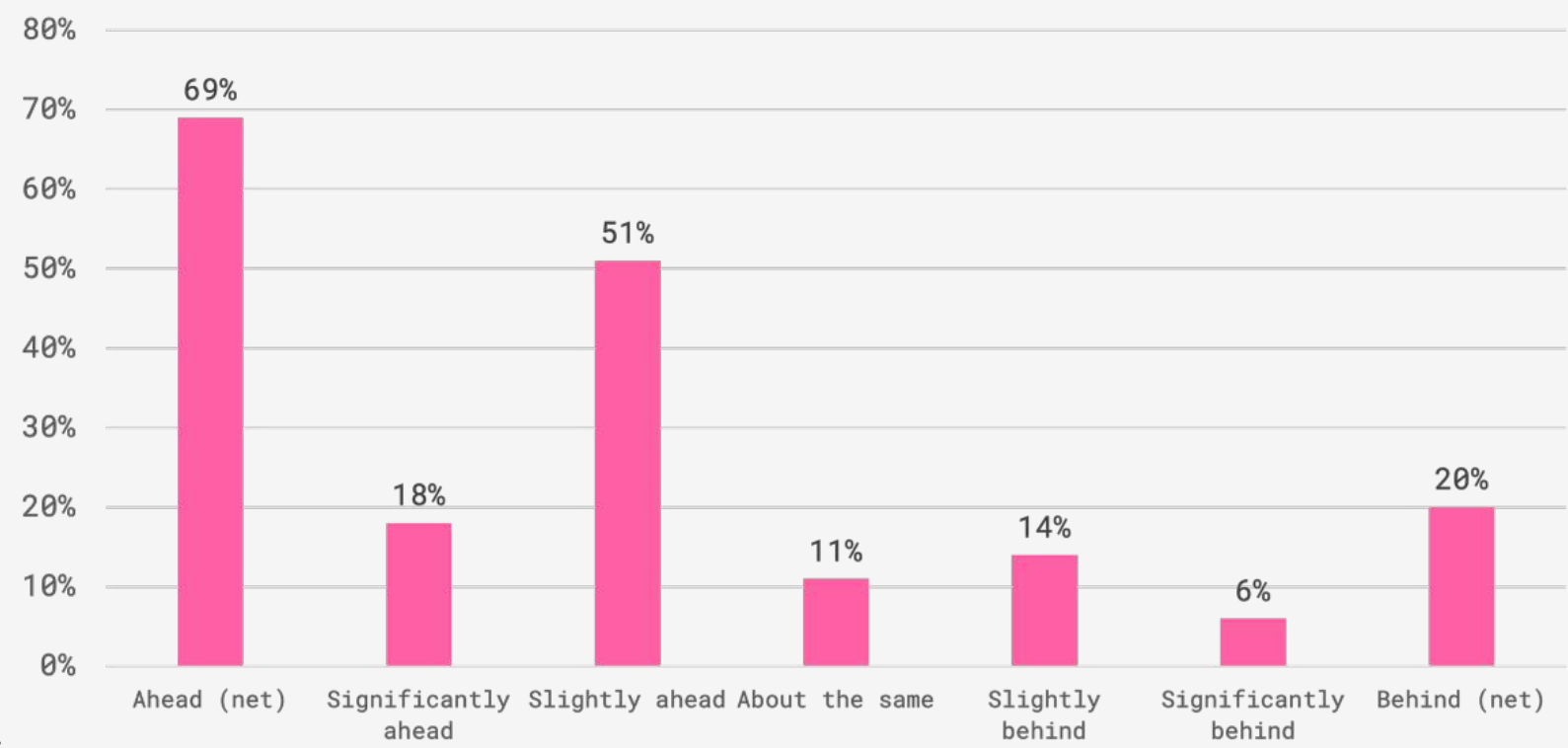
Institutions with high to moderate exposure to the maritime sector predominantly view ESG risks as greater than other sectors, with a net agreement of 69.7% and 72.1% respectively.

Question 2.

‘Do you believe the maritime sector is ahead or behind others when it comes to managing ESG-related financial risk?’

ESG Risk Management within the Maritime Sector

Q2. Do you believe the maritime sector is ahead or behind others when it comes to managing ESG-related financial risk?



Nearly 7 in 10 respondents believe that the maritime sector is ahead in managing ESG-related risk compared with others.

Overall sentiment

Overall, 69% of the respondents hold the opinion that the sector is ahead in managing ESG-related risk. This is further broken down into 18% who believe the maritime sector is "significantly ahead" and 51% who think it is "slightly ahead."

Conversely, 20% perceive the sector as lagging behind, 14% consider it "slightly behind," and 6% "significantly behind," while 11% believe it is "about the same" as other sectors.

Interestingly, this positive sentiment around ESG risk management seems at odds with data from Q1, which indicated that the maritime sector is viewed as higher-risk than others. The dissonance between these two findings suggests a complex relationship between perceived risk and actual risk management in the maritime sector.

One possible explanation for this divergence could be a communication gap between the maritime industry and financial markets. The industry might be ahead in implementing ESG risk management strategies but has not successfully communicated these efforts to investors and other stakeholders.

Alternatively, institutions with sector knowledge may recognise the inherent high risks associated with the maritime sector due to their exposure but feel that the sector is doing a suitable job in mitigating these.

ESG Risk Management within the Maritime Sector

Q2. Do you believe the maritime sector is ahead or behind others when it comes to managing ESG-related financial risk?

Maritime risk management versus other sectors	Commercial bank	Investment bank	Multilaterals / IFIs	Private equity
Ahead (net)	70.7%	77.8%	60.0%	50.0%
Significantly ahead	17.1%	22.2%	10.0%	16.7%
Slightly ahead	53.7%	55.6%	50.0%	33.3%
About the same	12.2%	8.3%	10.0%	16.7%
Slightly behind	12.2%	11.1%	20.0%	16.7%
Significantly behind	4.9%	2.8%	10.0%	16.7%
Behind (net)	17.1%	13.9%	30.0%	33.3%

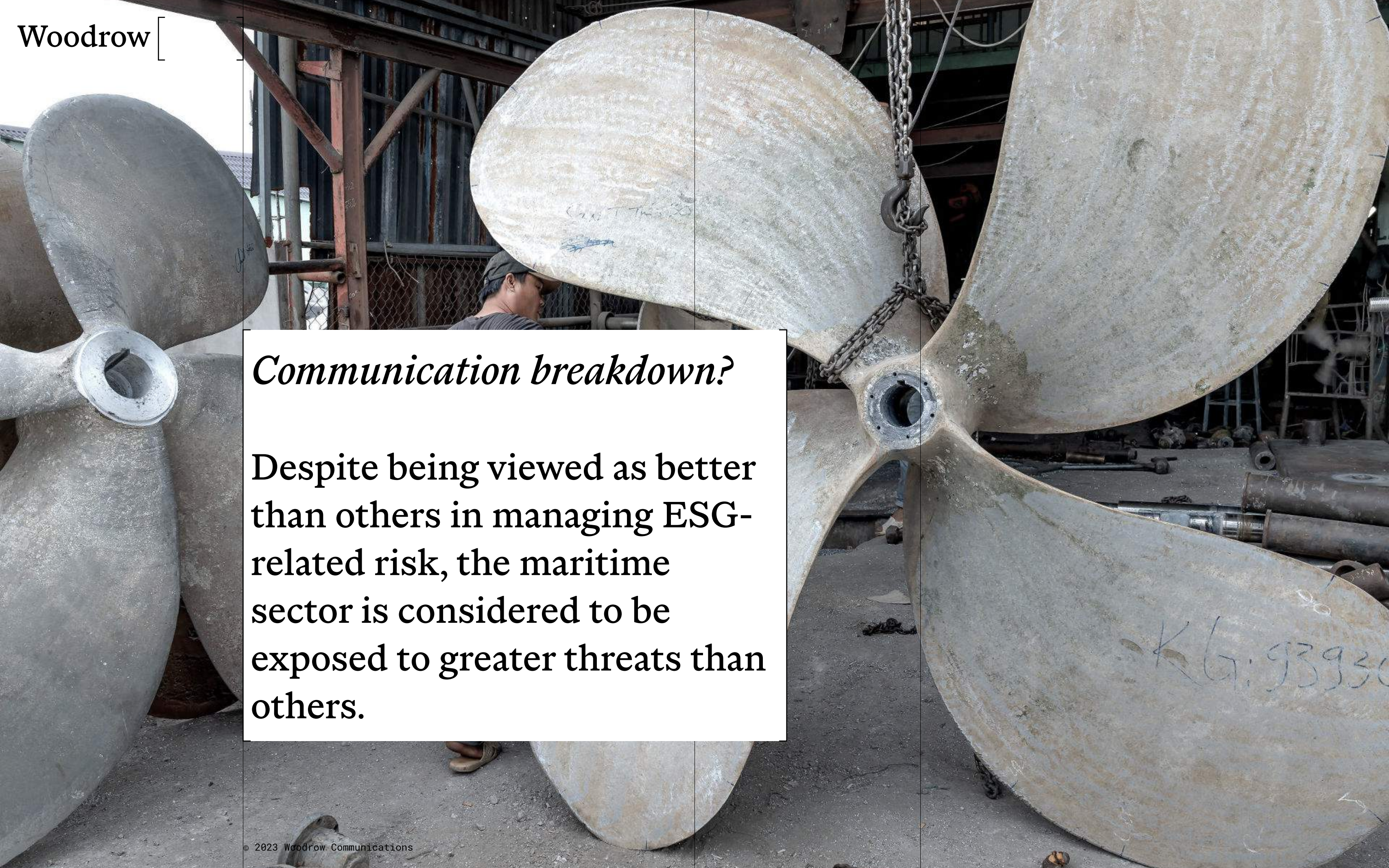
Perceptions based on institution type

One in three private equity leaders surveyed believe that the maritime sector is behind others when it comes to managing ESG risk management.

Maritime risk management versus other sectors	Equity capital	Debt capital	Hybrid capital
Ahead (net)	61.5%	67.6%	81.5%
Significantly ahead	15.4%	23.5%	14.8%
Slightly ahead	46.2%	44.1%	66.7%
About the same	12.8%	11.8%	7.4%
Slightly behind	17.9%	14.7%	7.4%
Significantly behind	7.7%	5.9%	3.7%
Behind (net)	25.6%	20.6%	11.1%

Perceptions based on type of capital

Hybrid capital managers are notably more optimistic (81.5%) about ESG risk management within the maritime sector than their equity or debt counterparts.



Communication breakdown?

Despite being viewed as better than others in managing ESG-related risk, the maritime sector is considered to be exposed to greater threats than others.

ESG Risk Management within the Maritime Sector

Q2. Do you believe the maritime sector is ahead or behind others when it comes to managing ESG-related financial risk?

Maritime risk management versus other sectors	Mega (> £100bn)	Large (£10bn-£100bn)	Medium (£1bn-£10bn)	Small (< £1bn)
Ahead (net)	65.4%	72.2%	67.9%	70.0%
Significantly ahead	19.2%	25.0%	14.3%	0.0%
Slightly ahead	46.2%	47.2%	53.6%	70.0%
About the same	11.5%	13.9%	10.7%	0.0%
Slightly behind	19.2%	8.3%	10.7%	30.0%
Significantly behind	3.8%	5.6%	10.7%	0.0%
Behind (net)	23.1%	13.9%	21.4%	30.0%

Perceptions based on institution size

Small Institutions, despite their lesser assets under management, are more optimistic (70%) about the maritime sector’s ESG management than mega institutions (65.4%).

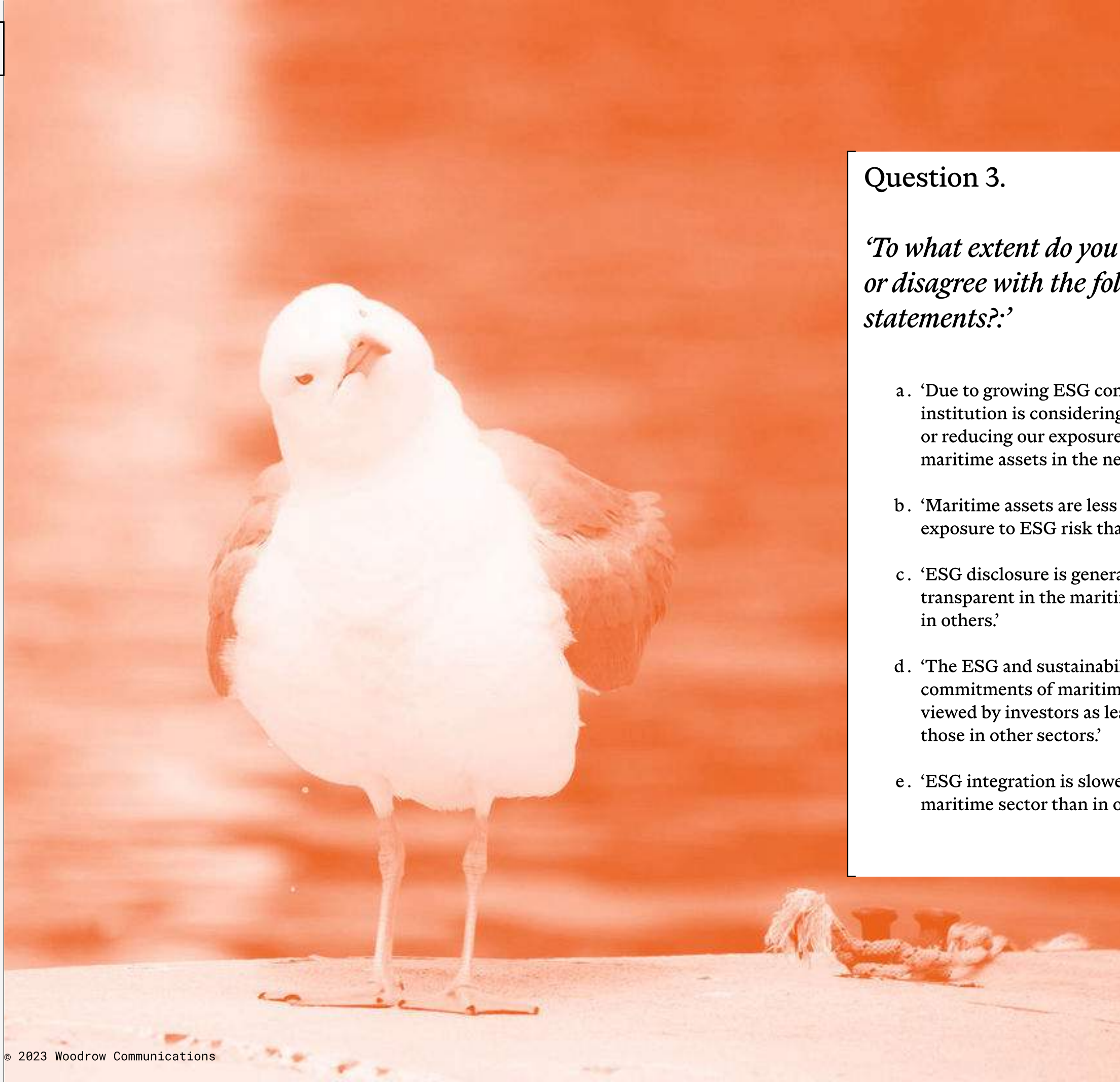
This may be a result of smaller, more specialised institutions possessing deeper sector knowledge than some larger ones with more varied portfolios to assess.

Maritime risk management versus other sectors	High	Moderate	Low	Exploratory
Ahead (net)	75.8%	72.1%	58.8%	42.9%
Significantly ahead	24.2%	14.0%	5.9%	42.9%
Slightly ahead	51.5%	58.1%	52.9%	0.0%
About the same	6.1%	16.3%	5.9%	14.3%
Slightly behind	15.2%	7.0%	29.4%	14.3%
Significantly behind	3.0%	4.7%	5.9%	28.6%
Behind (net)	18.2%	11.6%	35.3%	42.9%

Perceptions based on institution's exposure to maritime assets

Those with high exposure to maritime assets are most optimistic, with 75.8% saying the sector is ahead in managing ESG risks. Exploratory institutions are the most conservative.

This may signal that the sector is genuinely managing its ESG risks well, as the more maritime-exposed institutions post significantly more positive responses than others.



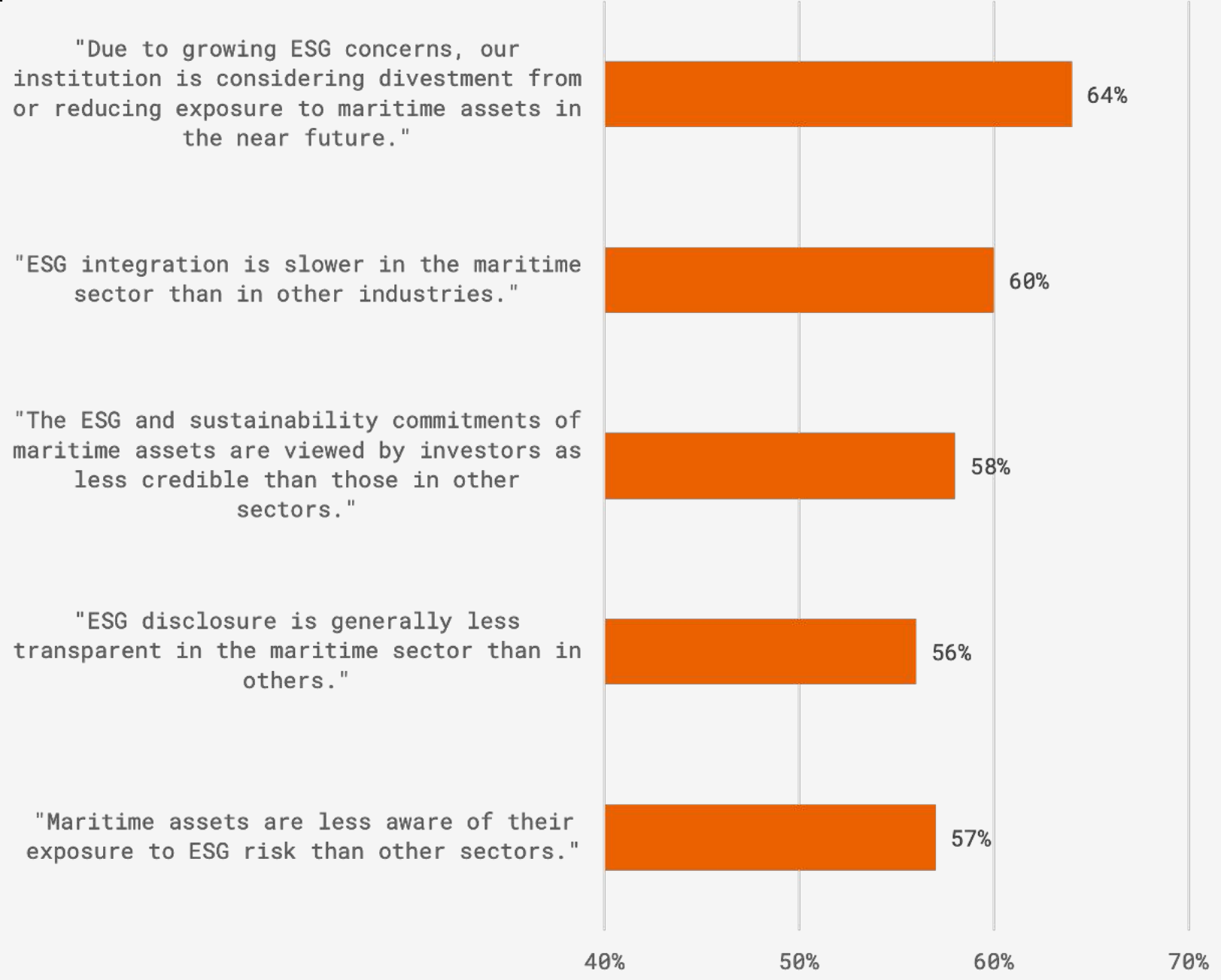
Question 3.

‘To what extent do you agree or disagree with the following statements?:’

- a. ‘Due to growing ESG concerns, our institution is considering divesting from or reducing our exposure to certain maritime assets in the near future.’
- b. ‘Maritime assets are less aware of their exposure to ESG risk than other sectors.’
- c. ‘ESG disclosure is generally less transparent in the maritime sector than in others.’
- d. ‘The ESG and sustainability commitments of maritime assets are viewed by investors as less credible than those in other sectors.’
- e. ‘ESG integration is slower in the maritime sector than in other industries.’

ESG Behaviours within Maritime Companies

Q3. To what extent do you agree or disagree with the following statements?



Overall sentiment

Most respondents believe the maritime sector is lagging in ESG (Environmental, Social, and Governance) awareness, transparency, and credibility. The overarching sentiment reveals scepticism about the maritime industry's efforts in ESG integration compared to other sectors.

It's not just the numbers that tell a story of lagging progress; it's also the prevailing attitudes and behaviours within the maritime sector that raise concerns. The maritime industry, often viewed as traditional and slow to adapt, appears to suffer from a cultural inertia that goes beyond metrics.

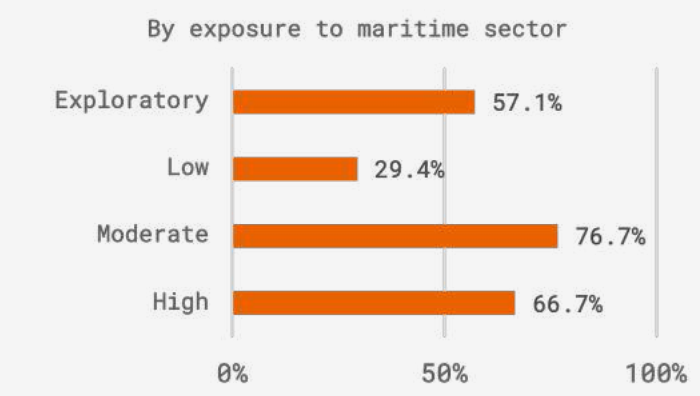
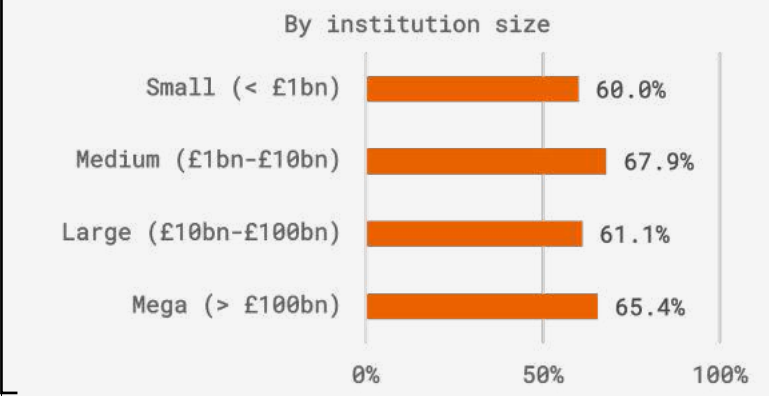
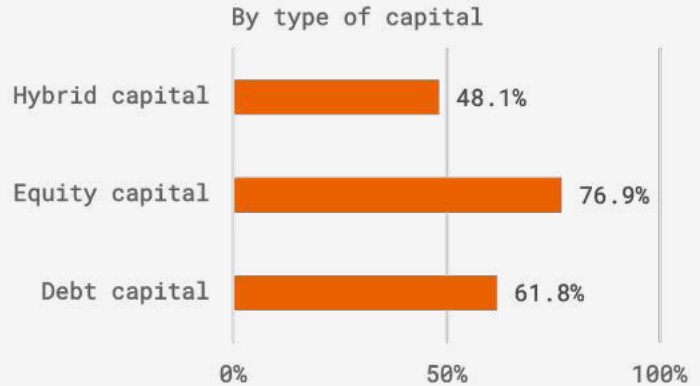
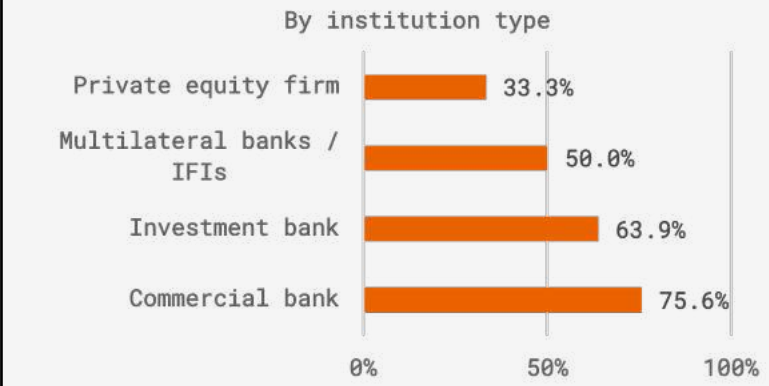
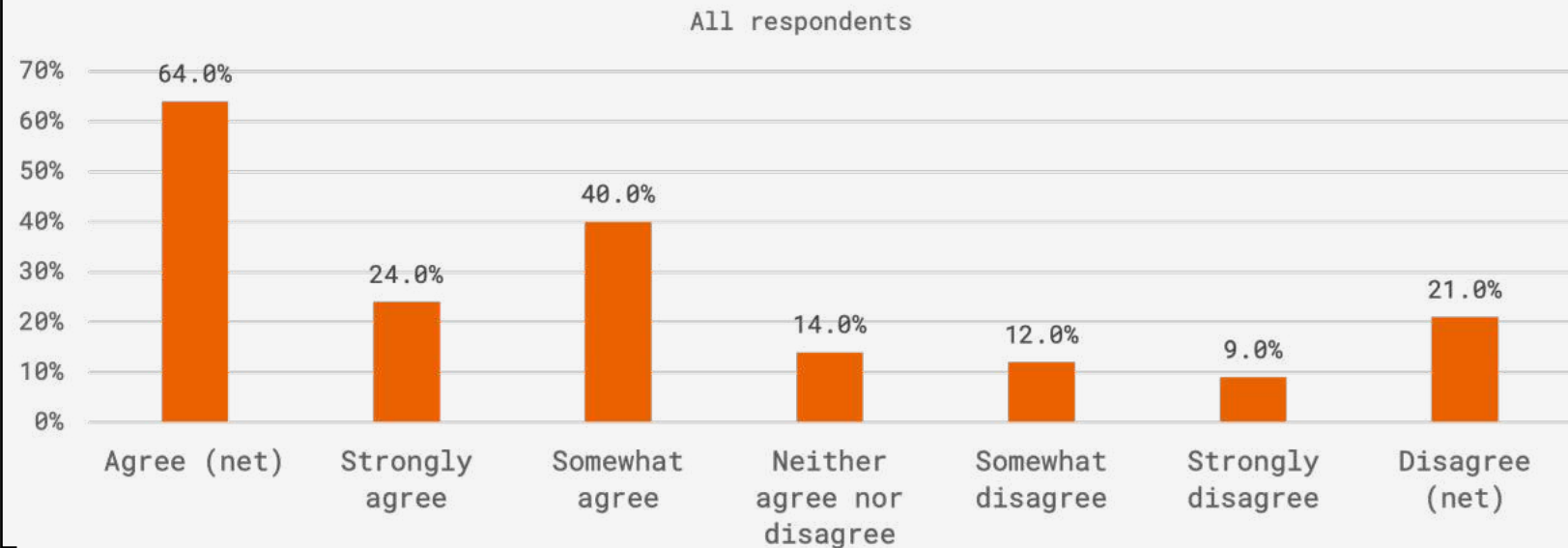
Market participants, increasingly swayed by ESG considerations, may perceive this gap as a risk multiplier. In an era where investors, regulators, and the public are scrutinising companies' ethical and sustainable practices, falling behind in ESG attitudes could have significant reputational and financial repercussions for maritime firms.

Approximately 57% agree that maritime assets are less aware of ESG risks, 56% think ESG disclosure is less transparent, and 59% view ESG commitments in the maritime sector as less credible than in other industries.

ESG Behaviours within Maritime Companies

Q3. To what extent do you agree or disagree with the following statements?:

- a. 'Due to growing ESG concerns, our institution is considering divesting from or reducing our exposure to certain maritime assets in the near future.'
- b. 'Maritime assets are less aware of their exposure to ESG risk than other sectors.'
- c. 'ESG disclosure is generally less transparent in the maritime sector than in others.'
- d. 'The ESG and sustainability commitments of maritime assets are viewed by investors as less credible than those in other sectors.'
- e. 'ESG integration is slower in the maritime sector than in other industries.'



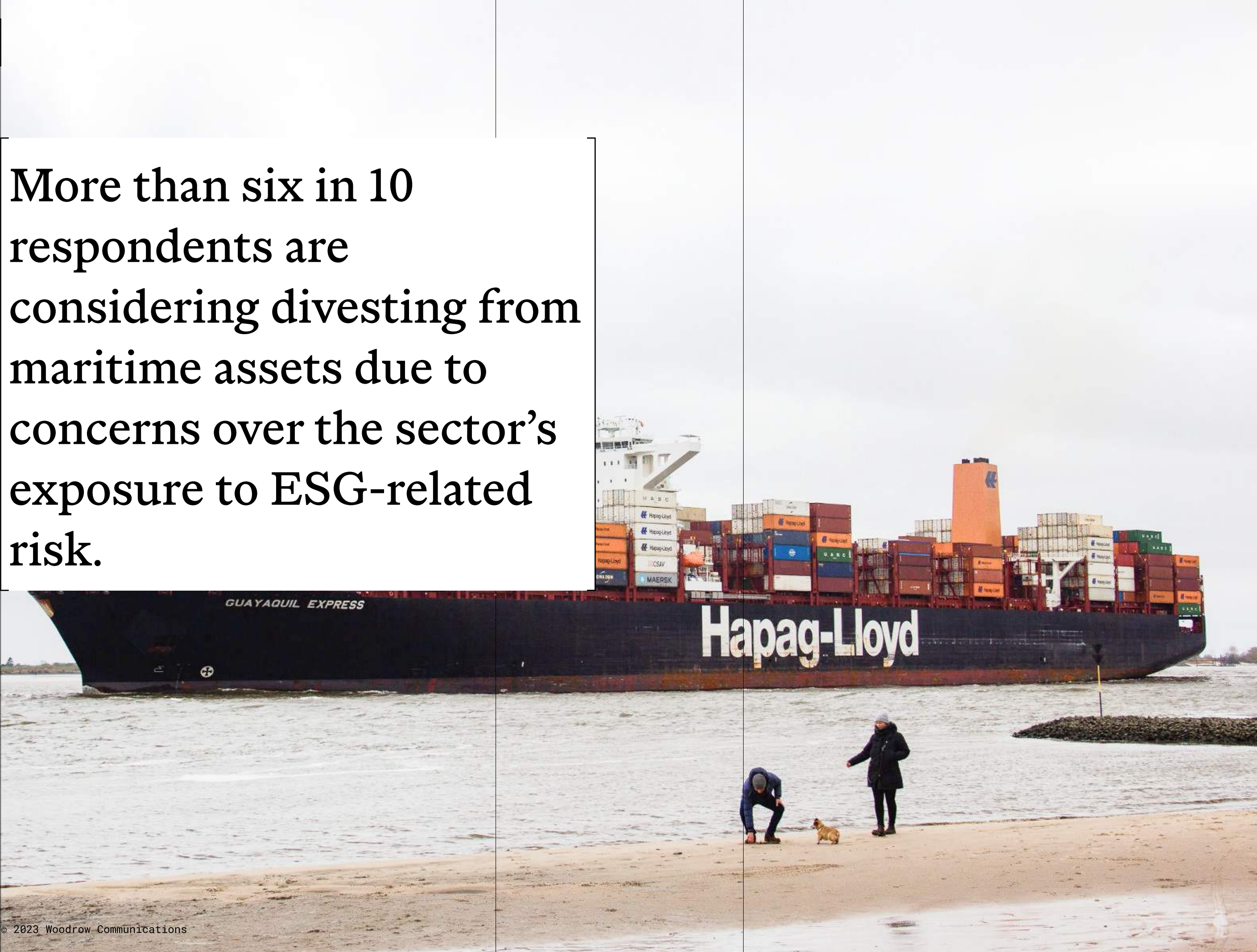
Maritime companies at serious risk of divestment due to ESG risk

Of all respondents, 64% warned that they are actively considering divesting from maritime assets soon due to the ESG risk they consider the sector to be exposed to.

Those managing equity capital agreed with this sentiment the most (76.9%), yet respondents in Private Equity were among those least likely to do so, despite managing equity capital themselves.

This nuance may be due to the disclosure requirements now placed on publicly listed equities and the risk that investors may perceive here due to maritime's carbon intensive nature – a issue that private markets do not yet have to contend with.

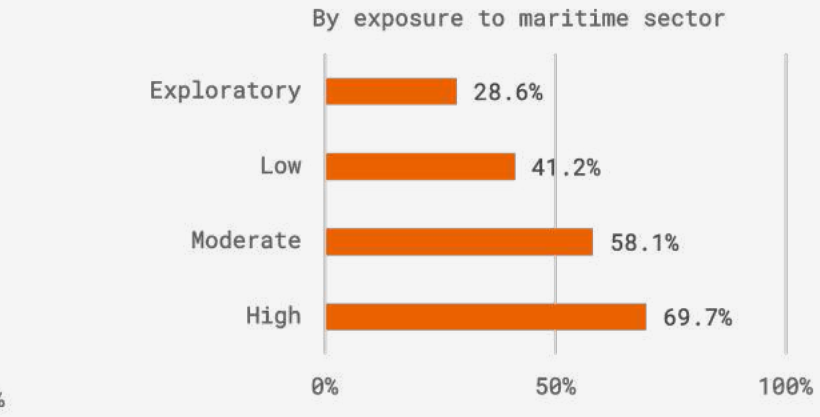
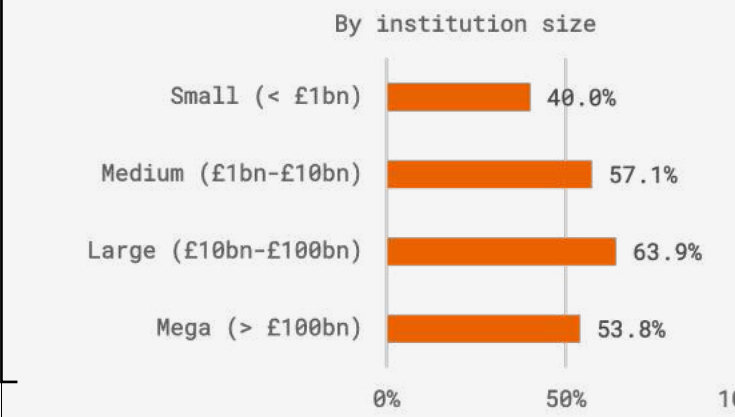
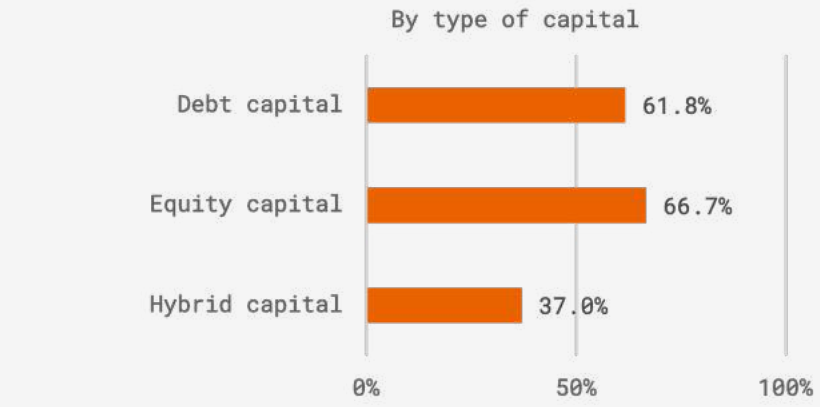
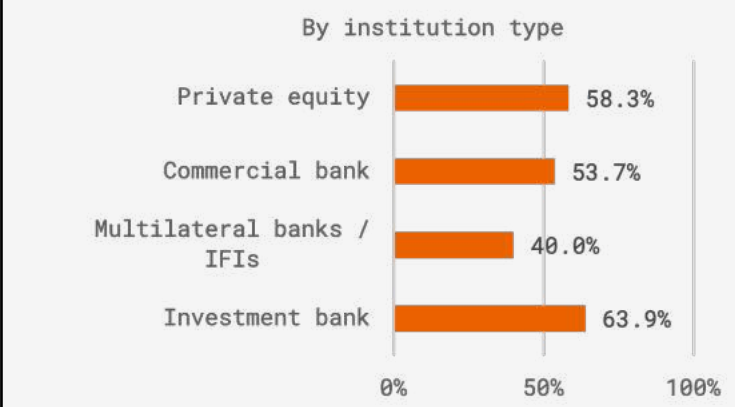
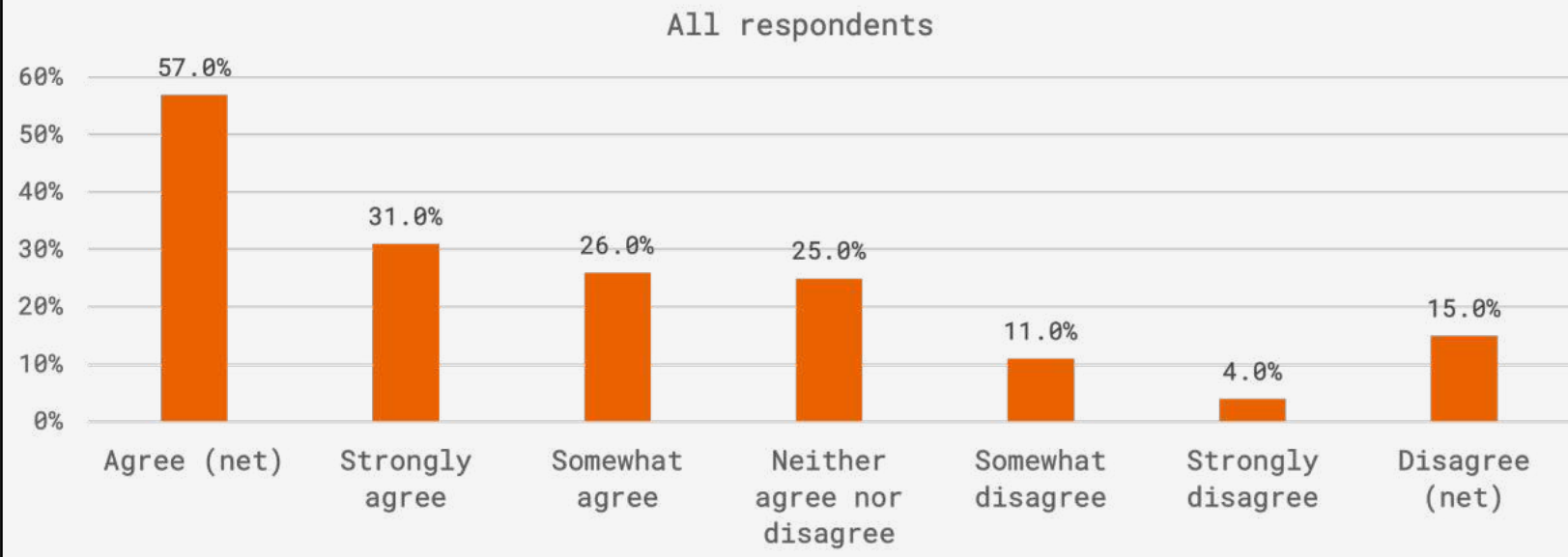
More than six in 10 respondents are considering divesting from maritime assets due to concerns over the sector's exposure to ESG-related risk.



ESG Behaviours within Maritime Companies

Q3. To what extent do you agree or disagree with the following statements?:

- a. 'Due to growing ESG concerns, our institution is considering divesting from or reducing our exposure to certain maritime assets in the near future.'
- b. 'Maritime assets are less aware of their exposure to ESG risk than other sectors.'
- c. 'ESG disclosure is generally less transparent in the maritime sector than in others.'
- d. 'The ESG and sustainability commitments of maritime assets are viewed by investors as less credible than those in other sectors.'
- e. 'ESG integration is slower in the maritime sector than in other industries.'



Concerns raised over maritime sector's ESG blind spots

Of all respondents, 57% agreed that maritime companies are less aware of their exposure to ESG risk than in other sectors. This sentiment is particularly strong among equity capital operators at 66.7% and weakest among hybrid capital operators at 37%.

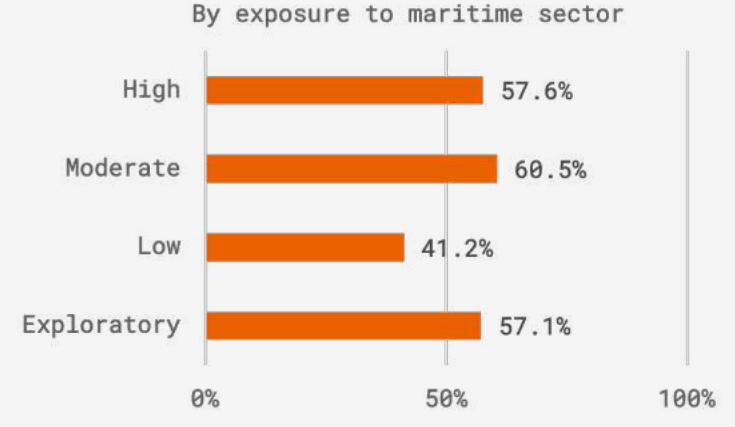
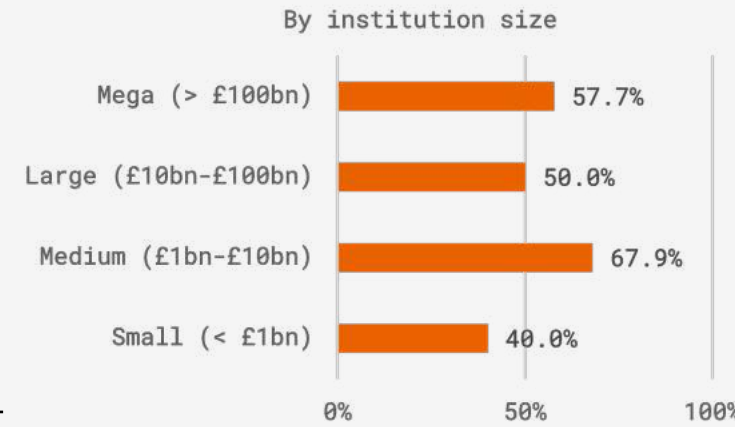
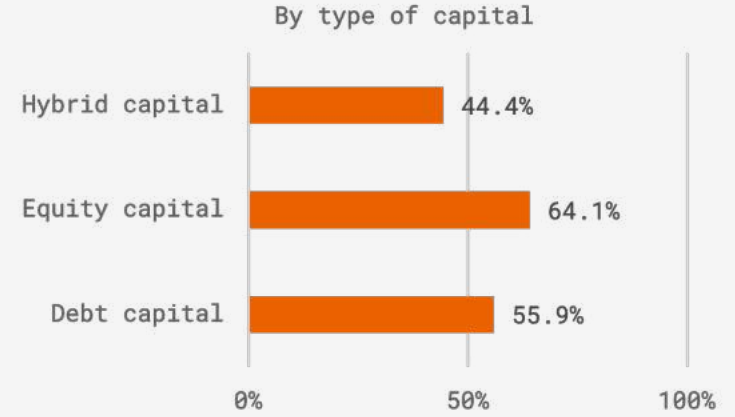
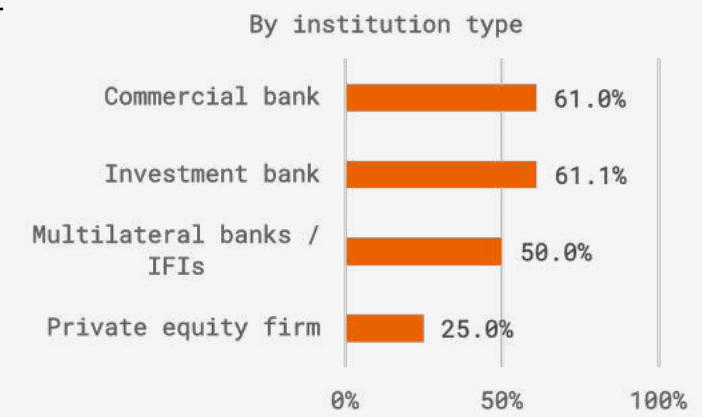
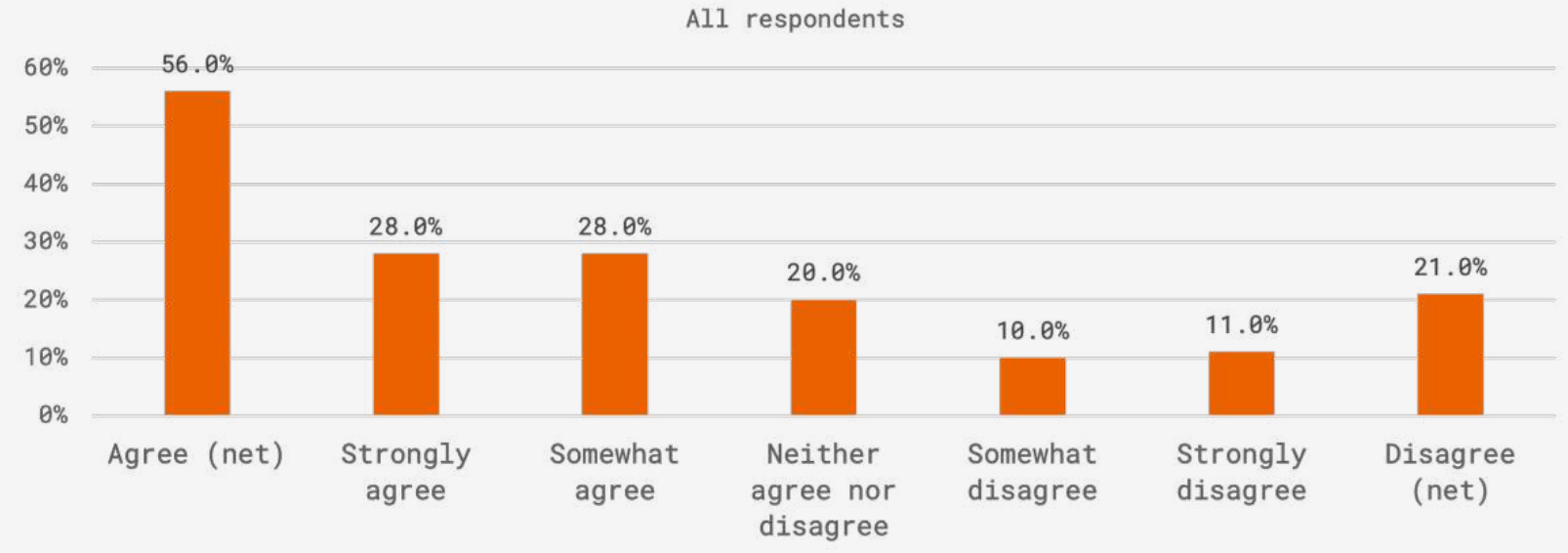
Respondents from institutions with high exposure to maritime agree more than any other exposure level at 69.7%.

57%
of respondents believe the maritime sector is less aware of its risks, and 56% criticise its lack of transparency in disclosures.

ESG Behaviours within Maritime Companies

Q3. To what extent do you agree or disagree with the following statements?:

- a. 'Due to growing ESG concerns, our institution is considering divesting from or reducing our exposure to certain maritime assets in the near future.'
- b. 'Maritime assets are less aware of their exposure to ESG risk than other sectors.'
- c. 'ESG disclosure is generally less transparent in the maritime sector than in others.'
- d. 'The ESG and sustainability commitments of maritime assets are viewed by investors as less credible than those in other sectors.'
- e. 'ESG integration is slower in the maritime sector than in other industries.'



Transparency of ESG data disclosure a concern among investors

A majority (56%) of all respondents hold the view that the maritime sector is less transparent about ESG than others.

This opinion is held most strongly by those in equity capital at 64.1% and least by those in hybrid capital at 44.4%. However, private equity firms diverge from this trend significantly, with 58.3% disagreeing with the statement.

Opacity in ESG data disclosure is now seen by investors as hinting at concealed risks, posing financial threats.

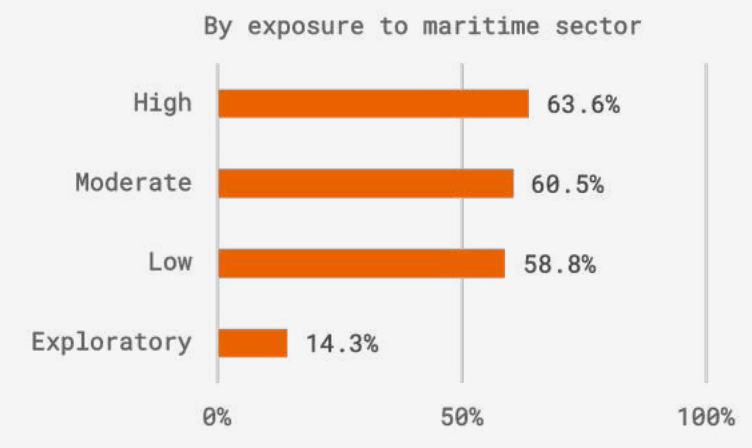
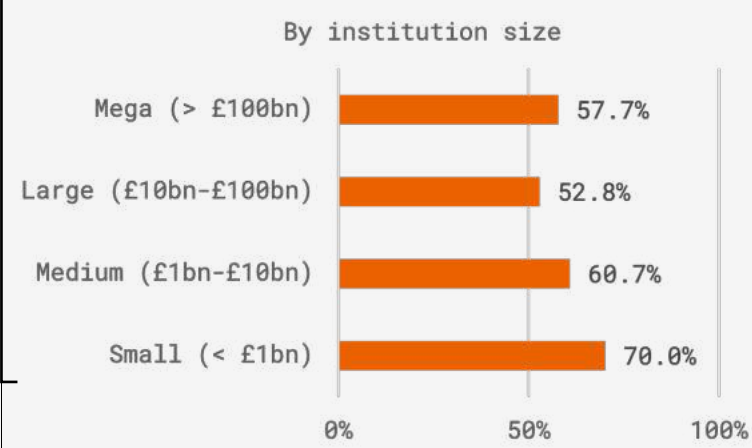
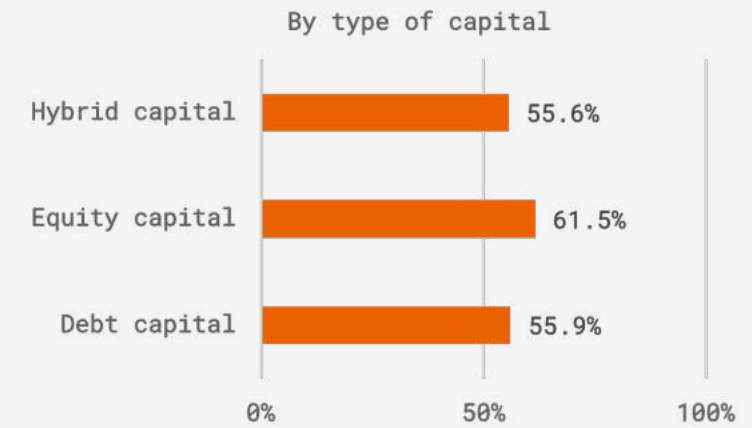
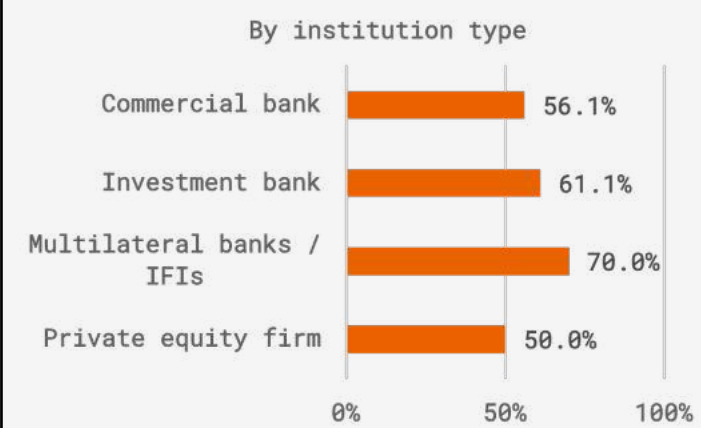
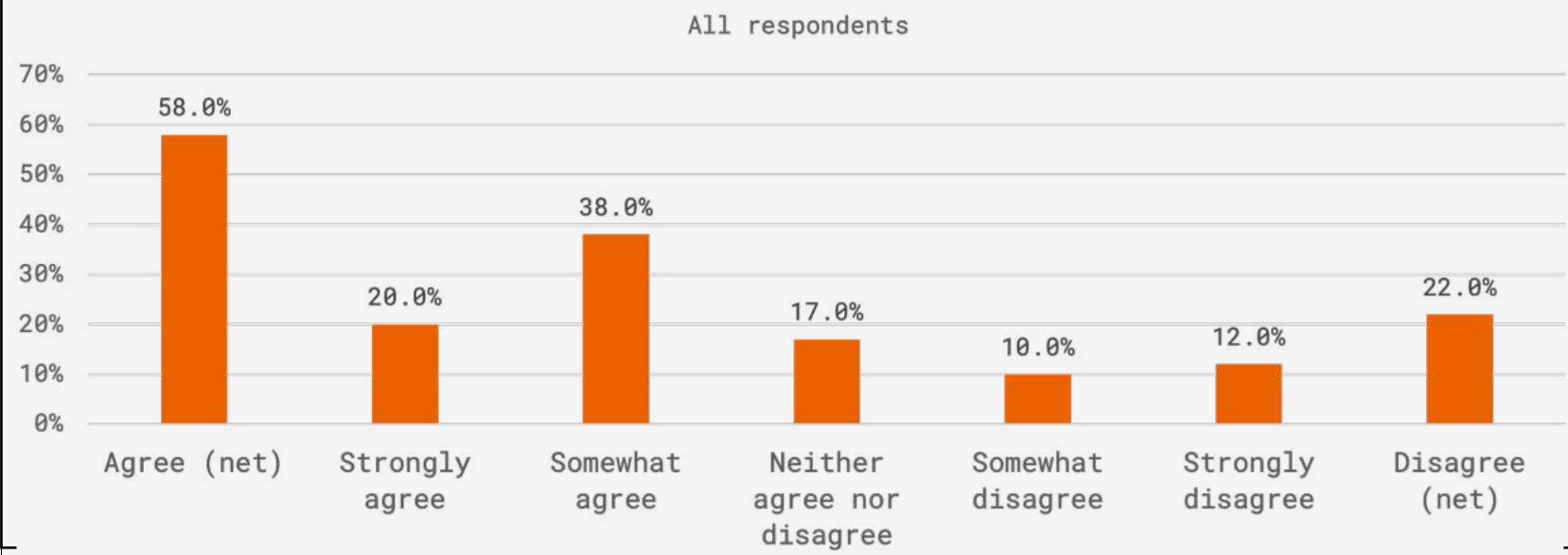
Investors increasingly favour firms that openly admit their ESG limitations and report demonstrable action to improve, as such transparency suggests superior risk management and enduring value protection.

57% agree that maritime assets are less aware of ESG risks, 56% think ESG disclosure is less transparent, and 59% view ESG commitments in the maritime sector as less credible than in other industries.

ESG Behaviours within Maritime Companies

Q3. To what extent do you agree or disagree with the following statements?:

- a. 'Due to growing ESG concerns, our institution is considering divesting from or reducing our exposure to certain maritime assets in the near future.'
- b. 'Maritime assets are less aware of their exposure to ESG risk than other sectors.'
- c. 'ESG disclosure is generally less transparent in the maritime sector than in others.'
- d. 'The ESG and sustainability commitments of maritime assets are viewed by investors as less credible than those in other sectors.'
- e. 'ESG integration is slower in the maritime sector than in other industries.'



Maritime credibility issue?

This statement saw agreement from 58% of all respondents.

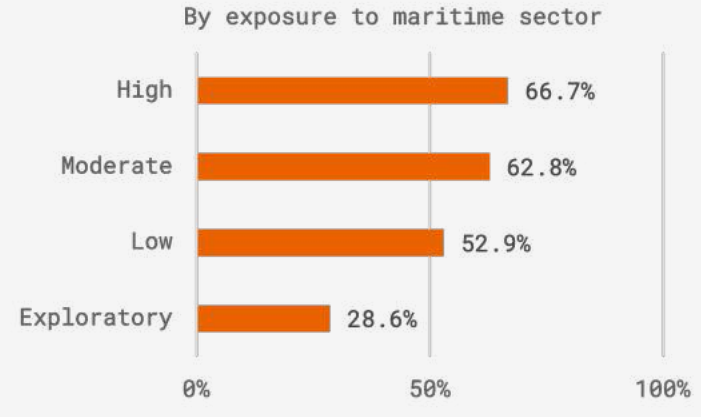
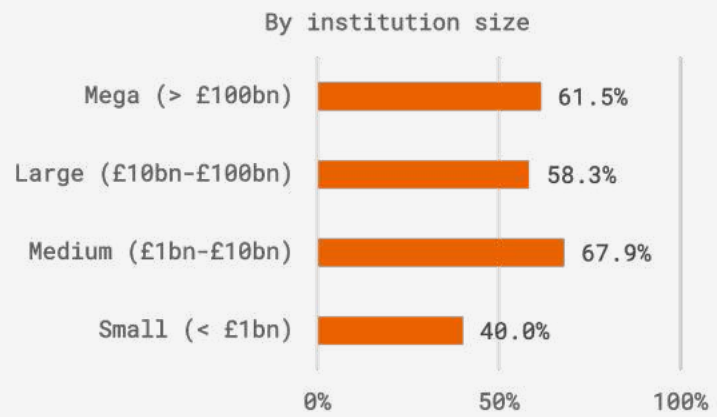
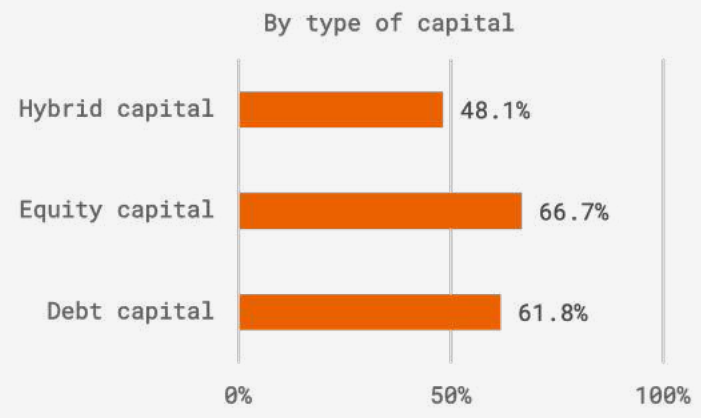
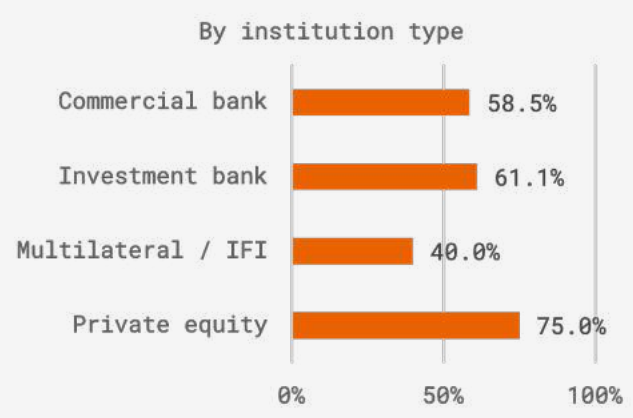
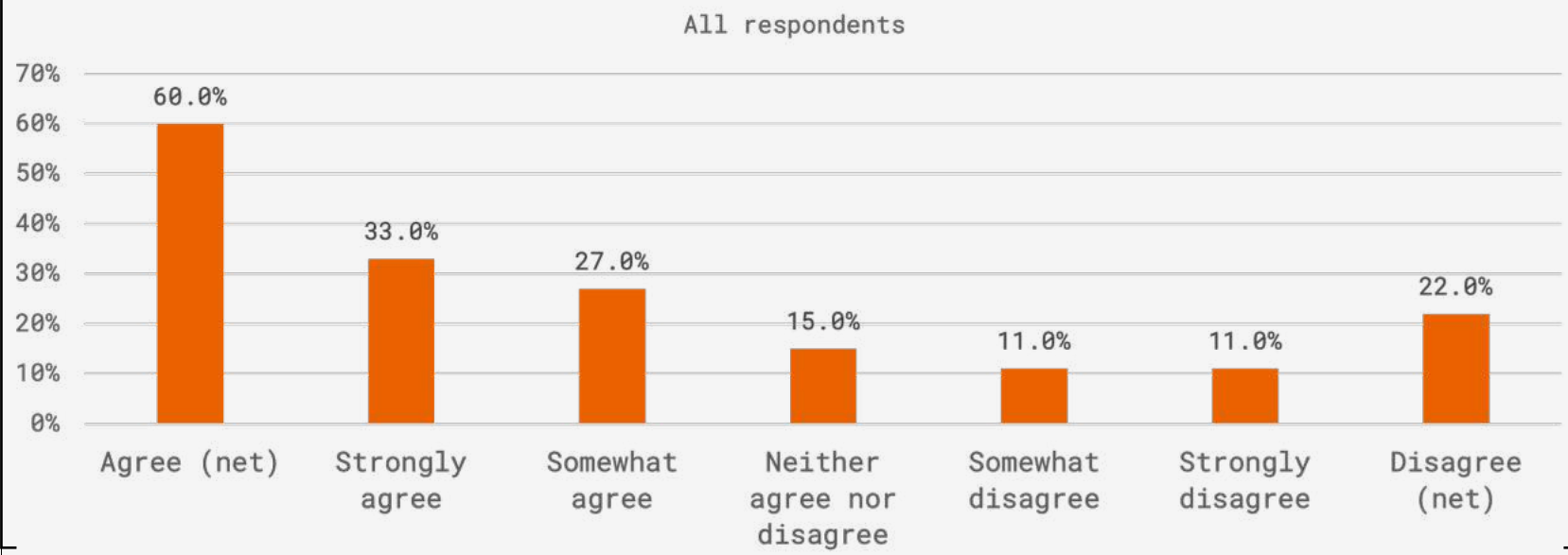
Among institution types, multilateral banks/IFIs show the highest level of agreement at 70%.

The sentiment is strongest among small-sized institutions (< £1bn), where 70% agree.

ESG Behaviours within Maritime Companies

Q3. To what extent do you agree or disagree with the following statements?:

- a. 'Due to growing ESG concerns, our institution is considering divesting from or reducing our exposure to certain maritime assets in the near future.'
- b. 'Maritime assets are less aware of their exposure to ESG risk than other sectors.'
- c. 'ESG disclosure is generally less transparent in the maritime sector than in others.'
- d. 'The ESG and sustainability commitments of maritime assets are viewed by investors as less credible than those in other sectors.'
- e. 'ESG integration is slower in the maritime sector than in others.'



A lack of pace in maritime's ESG journey.

Across all respondents, 60% believe that the maritime sector is integrating ESG considerations into operations at a slower pace than in others.

Notable differences in levels of agreement were seen among those with an exploratory level of exposure to the sector, at only 28.6%, and those in private equity, where agreement rose to 75.

The highest share of respondents disagreeing (50%) with the sentiment was seen in multilateral banks / IFIs.

75%
of private equity respondents believe there is a lack of pace in ESG integration among maritime companies.

Areas of ESG Risk in
the Maritime Sector

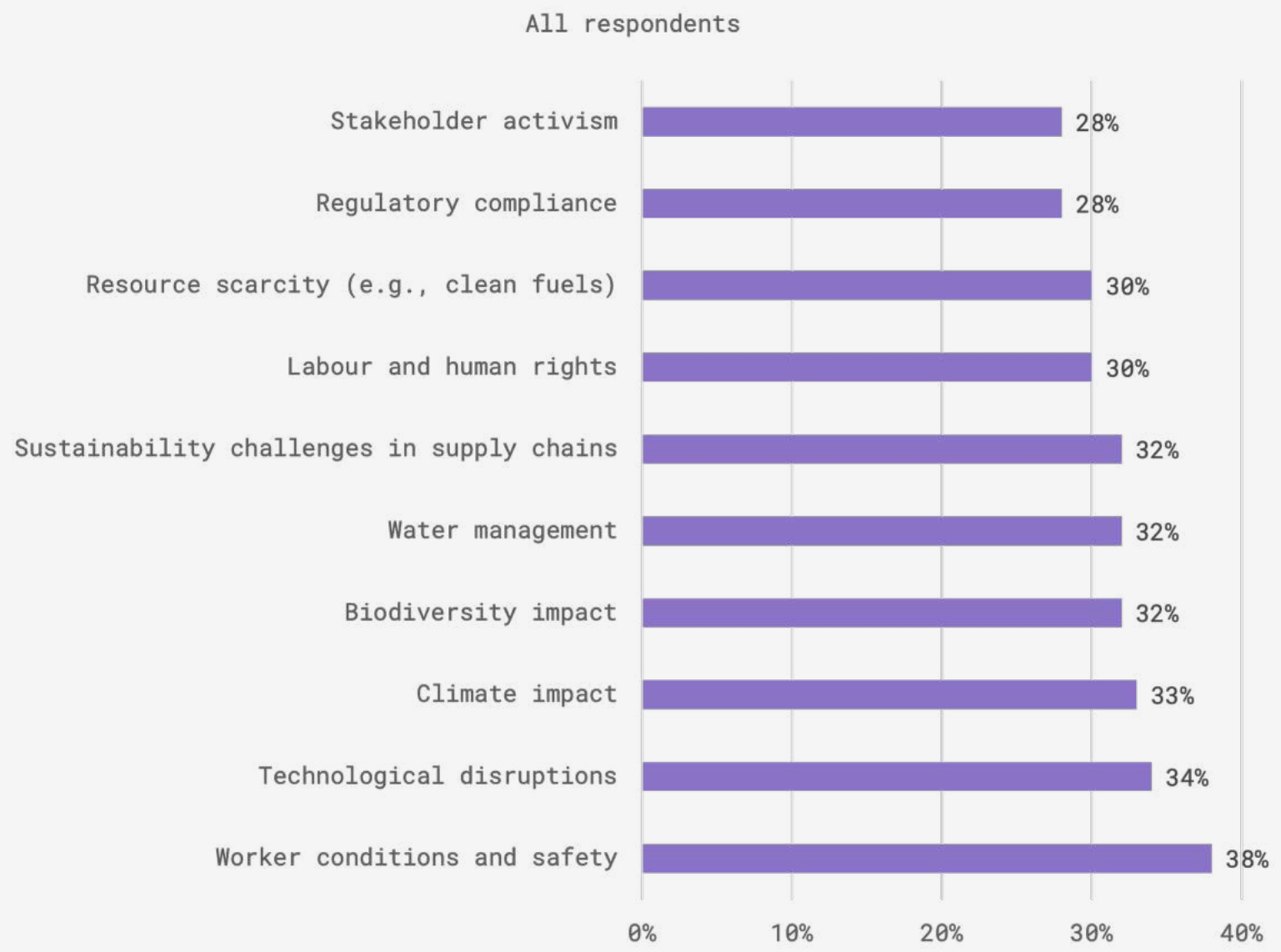
Question 4.

*‘In what areas are maritime
companies most exposed to ESG-
related risk?’*



Areas of ESG Risk in the Maritime Sector

Q4. In what, if any, areas are maritime assets most exposed to ESG financial risk? (Select all that apply)



Worker safety seen as bigger risk than climate impact.

As awareness of the ESG landscape has grown across markets, many financial institutions are approaching capital allocation with a greater level of sophistication.

Where previously ESG risk was seen largely through an environmental lens, it is now understood to exist in areas as diverse as regulatory compliance, reputational risks of stakeholder activism and water management.

Respondents were asked to identify the risk areas they believed the maritime sector to be most exposed to. While no one area was selected by most respondents, the even distribution reflects the reality of maritime ESG risk being multi-faceted due to the reach and complexity of the sector.

Notably, Worker conditions and safety emerged as a leading concern among all respondents, at 38.0%. This was closely followed by worries about technological disruptions and climate impact at 34.0% and 33.0%, respectively.

The lack of consensus on the green technologies of the future creates a precarious situation for maritime technology companies.

Areas of ESG Risk in the Maritime Sector

Q4. In what, if any, areas are maritime assets most exposed to ESG financial risk? (Select all that apply)

Risk area	Private equity	Multilateral / IFI	Investment bank	Commercial bank
Worker conditions and safety	50.0%	50.0%	41.7%	29.3%
Technological disruptions	16.7%	40.0%	33.3%	36.6%
Climate impact	41.7%	40.0%	30.6%	31.7%
Biodiversity impact	33.3%	20.0%	36.1%	31.7%
Water management	25.0%	60.0%	27.8%	31.7%
Sustainability challenges in supply chains	58.3%	30.0%	22.2%	34.1%
Labour and human rights	41.7%	10.0%	33.3%	29.3%
Resource scarcity (e.g., clean fuels)	33.3%	20.0%	27.8%	34.1%
Regulatory compliance	50.0%	20.0%	22.2%	26.8%
Stakeholder activism	16.7%	40.0%	27.8%	26.8%

Perceptions based on institution type

Different institution types displayed varying degrees of concern. For example, commercial banks appeared apprehensive about climate impact and technological disruptions, whereas Multilateral banks/IFIs showed an increased focus on water management.

Private equity firms expressed considerable concern about sustainability challenges in supply chains.

Risk area	Debt capital	Equity capital	Hybrid capital
Worker conditions and safety	32.4%	38.5%	44.4%
Technological disruptions	29.4%	33.3%	40.7%
Climate impact	29.4%	38.5%	29.6%
Biodiversity impact	41.2%	35.9%	14.8%
Water management	29.4%	25.6%	44.4%
Sustainability challenges in supply chains	29.4%	28.2%	40.7%
Labour and human rights	26.5%	25.6%	40.7%
Resource scarcity (e.g., clean fuels)	29.4%	35.9%	22.2%
Regulatory compliance	23.5%	35.9%	22.2%
Stakeholder activism	29.4%	25.6%	29.6%

Perceptions based on type of capital

Equity capital institutions showed a particular focus on worker conditions and safety (38.5%) and climate impact (38.5%). Debt capital leaned more towards biodiversity impact (41.2%) while also echoing concerns about worker conditions and safety (32.4%).

“Ports and harbours, by their very nature, sit at the intersection of the global maritime supply chain, bridging sea and land.

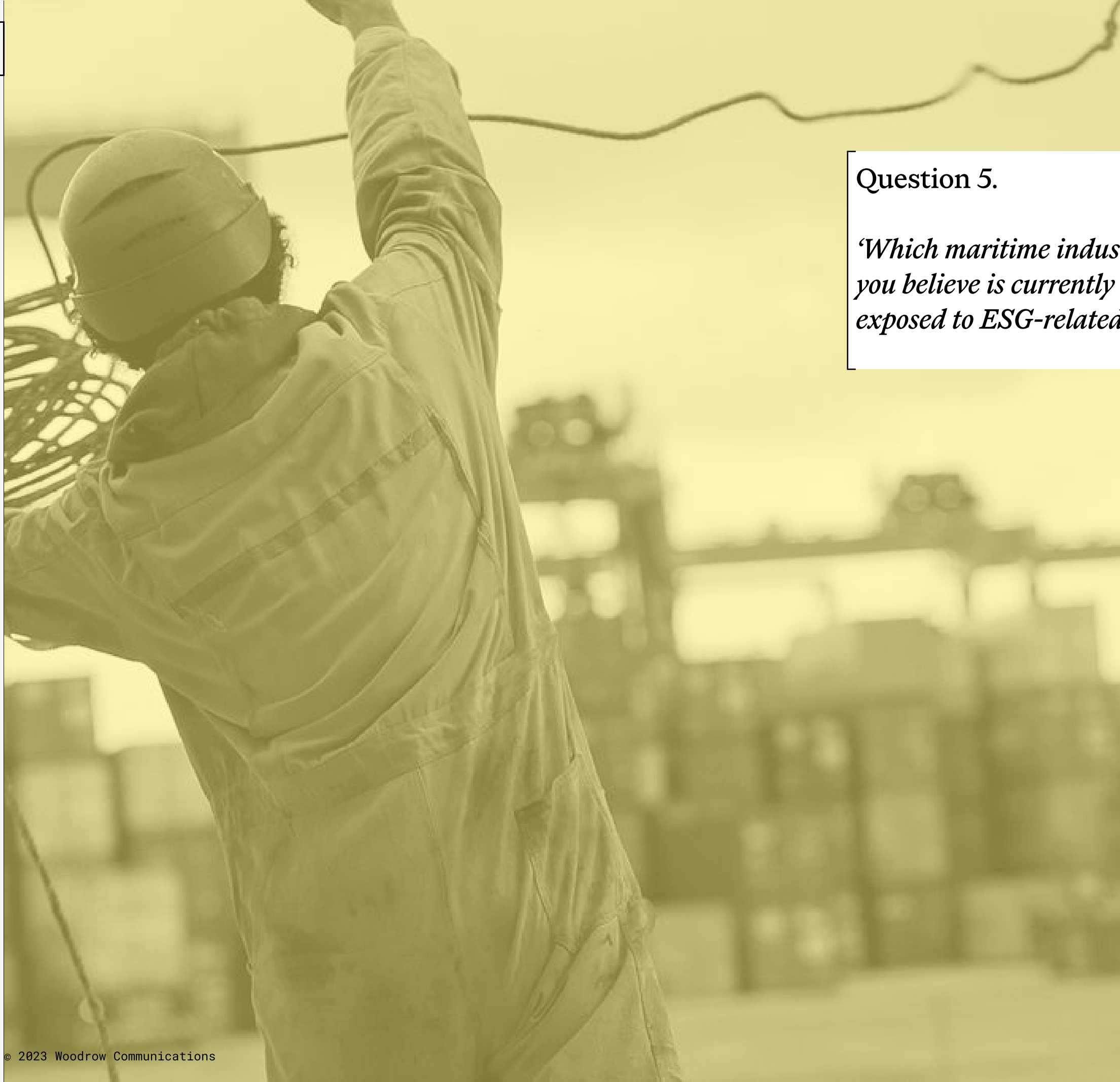
This interconnectivity, typically situated in or near urban conurbations and protected habitats, indicates a need for ports to focus on ESG factors for industry resilience.

This involves integrating the United Nations Sustainable Development Goals (UN SDGs) into their business models.”

Victor Shieh, Communications Director, International Association of Ports and Harbors (IAPH)

Woodrow [

High-Risk Maritime
Industries

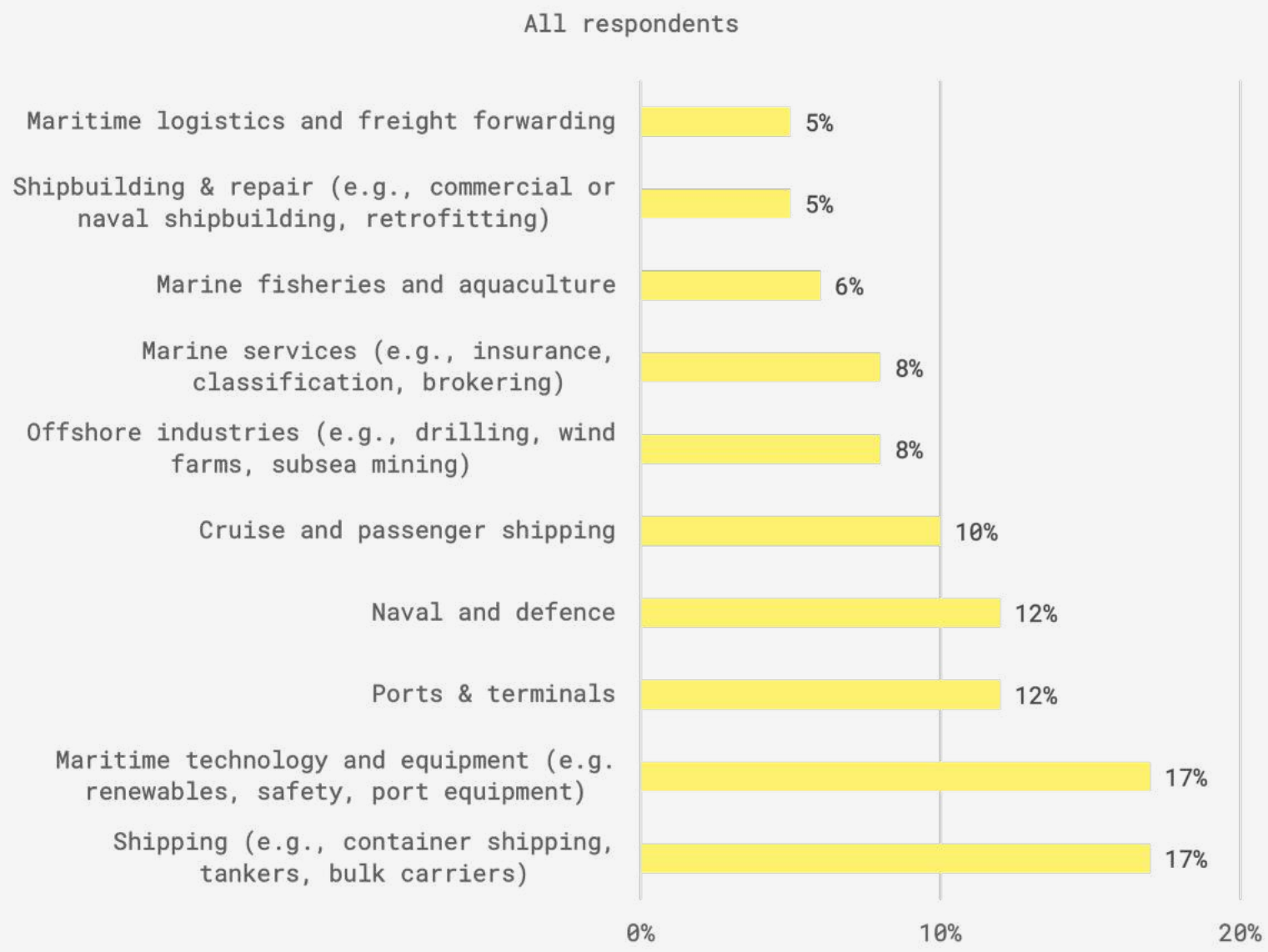


Question 5.

'Which maritime industry do you believe is currently most exposed to ESG-related risk?'

High-Risk Maritime Industries

Q5. Which maritime industry do you believe is currently most-exposed to ESG-related financial risk?



Shipping and maritime technology lead in perceptions of industry-specific ESG risk.

The transition towards sustainability has cast a spotlight on the environmental impact of many industries, with some in the maritime sector facing particular scrutiny. Respondents indicate that shipping, which includes container shipping, tankers, and bulk carriers, as well as maritime technology and equipment, are perceived to be most vulnerable to ESG-related financial risks.

The shipping industry, crucial for global trade, is inherently carbon-intensive and is now facing increasing regulatory scrutiny aimed at reducing its environmental footprint.

This pressure comes amid the broader global thrust for decarbonisation, where shipping's significant greenhouse gas emissions make it a target for environmental regulations, potential carbon taxes, and shifts in investor sentiment.

For maritime technology and equipment, the industry stands at a crossroads, with the pathway to greener technologies still unclear. The industry's risk is compounded by the high investment costs and long economic life of maritime assets, which could lead to stranded assets if chosen technologies become obsolete or non-compliant with future regulations.

The lack of consensus on the "green technologies" of the future creates a precarious situation for investors and operators.

High-Risk Maritime Industries

Q5. Which maritime industry do you believe is currently most-exposed to ESG-related financial risk?

Maritime industry	Private equity	Multilaterals / IFIs	Investment bank	Commercial bank
Shipping	8.3%	10.0%	25.0%	14.6%
Maritime technology and equipment	0.0%	0.0%	22.2%	22.0%
Ports & terminals	16.7%	20.0%	2.8%	14.6%
Naval and defence	16.7%	0.0%	8.3%	17.1%
Cruise and passenger shipping	33.3%	10.0%	5.6%	7.3%
Offshore industries	8.3%	10.0%	8.3%	7.3%
Marine services	8.3%	20.0%	8.3%	4.9%
Marine fisheries and aquaculture	8.3%	0.0%	5.6%	7.3%
Shipbuilding & repair	0.0%	20.0%	2.8%	4.9%
Maritime logistics and freight forwarding	0.0%	10.0%	11.1%	0.0%

Perceptions based on institution type

Investment banks showed a notable concern for shipping’s exposure to ESG risk, with 25% of respondents identifying it as the most at-risk maritime industry.

Private equity respondents appeared to have very different concerns compared with the average, with these institutions citing cruise & passenger shipping (33.3%), ports & terminals (16.7%) and naval & defence (16.7%) as the most exposed industries.

Maritime industry	Debt capital	Equity capital	Hybrid capital
Shipping	11.8%	12.8%	29.6%
Maritime technology and equipment	29.4%	12.8%	7.4%
Ports & terminals	11.8%	15.4%	7.4%
Naval and defence	5.9%	20.5%	7.4%
Cruise and passenger shipping	11.8%	7.7%	11.1%
Offshore industries	17.6%	0.0%	7.4%
Marine services	5.9%	5.1%	14.8%
Marine fisheries and aquaculture	2.9%	12.8%	0.0%
Shipbuilding & repair	0.0%	7.7%	7.4%
Maritime logistics and freight forwarding	2.9%	5.1%	7.4%

Perceptions based on type of capital

Firms predominantly managing debt capital exhibited the greatest concern for maritime technology and equipment’s exposure to ESG risk, with 29.4% marking it as a high-risk industry.



Respondents indicate that shipping, which includes container shipping, tankers, and bulk carriers, as well as maritime technology and equipment, are perceived to be most vulnerable to ESG-related financial risks.

High-Risk Maritime Industries

Q5. Which maritime industry do you believe is currently most-exposed to ESG-related financial risk?

Maritime industry	Small (<£1bn)	Medium (£1bn-£10bn)	Large (£10bn-£100bn)	Mega (>£100bn)
Shipping	10.0%	32.1%	8.3%	15.4%
Maritime technology and equipment	20.0%	14.3%	19.4%	15.4%
Ports & terminals	20.0%	3.6%	8.3%	23.1%
Naval and defence	10.0%	14.3%	13.9%	7.7%
Cruise and passenger shipping	10.0%	3.6%	19.4%	3.8%
Offshore industries	0.0%	3.6%	13.9%	7.7%
Marine services	20.0%	14.3%	0.0%	7.7%
Marine fisheries and aquaculture	0.0%	7.1%	8.3%	3.8%
Shipbuilding & repair	10.0%	3.6%	2.8%	7.7%
Maritime logistics and freight forwarding	0.0%	3.6%	5.6%	7.7%

Perceptions based on institution size

Larger institutions, specifically in the "Mega" category, considered the ports & terminals industry to be the most exposed to ESG risk, at 23.1%, possibly reflecting the substantial impact potential of large-scale built environment operations.

Maritime industry	Exploratory	Low	Moderate	High
Shipping	0.0%	11.8%	16.3%	24.2%
Maritime technology and equipment	28.6%	17.6%	14.0%	18.2%
Ports & terminals	14.3%	5.9%	16.3%	9.1%
Naval and defence	14.3%	0.0%	9.3%	21.2%
Cruise and passenger shipping	14.3%	11.8%	11.6%	6.1%
Offshore industries	14.3%	17.6%	9.3%	0.0%
Marine services	0.0%	11.8%	7.0%	9.1%
Marine fisheries and aquaculture	14.3%	0.0%	7.0%	6.1%
Shipbuilding & repair	0.0%	11.8%	2.3%	6.1%
Maritime logistics and freight forwarding	0.0%	11.8%	7.0%	0.0%

Perceptions based on institution's exposure to maritime assets

The level of perceived risk in shipping grew according to an institution's exposure to the maritime sector, from 11.8% among those with low exposure to 16.3% for moderate exposure and 24.2% for high exposure.

Industry Spotlight: Shipping

When isolating results to respondents who flagged shipping as the most risk-exposed industry in Question 5, the specific ESG risk areas cited by them reflect anxieties surrounding the industry's direct environmental impact and the wellbeing of its workforce.

Topping the list are Resource Scarcity and Worker Conditions and Safety, both at 47%, followed by Biodiversity Impact at 35%. This suggests a balanced concern across both environmental and social dimensions of ESG within this industry.

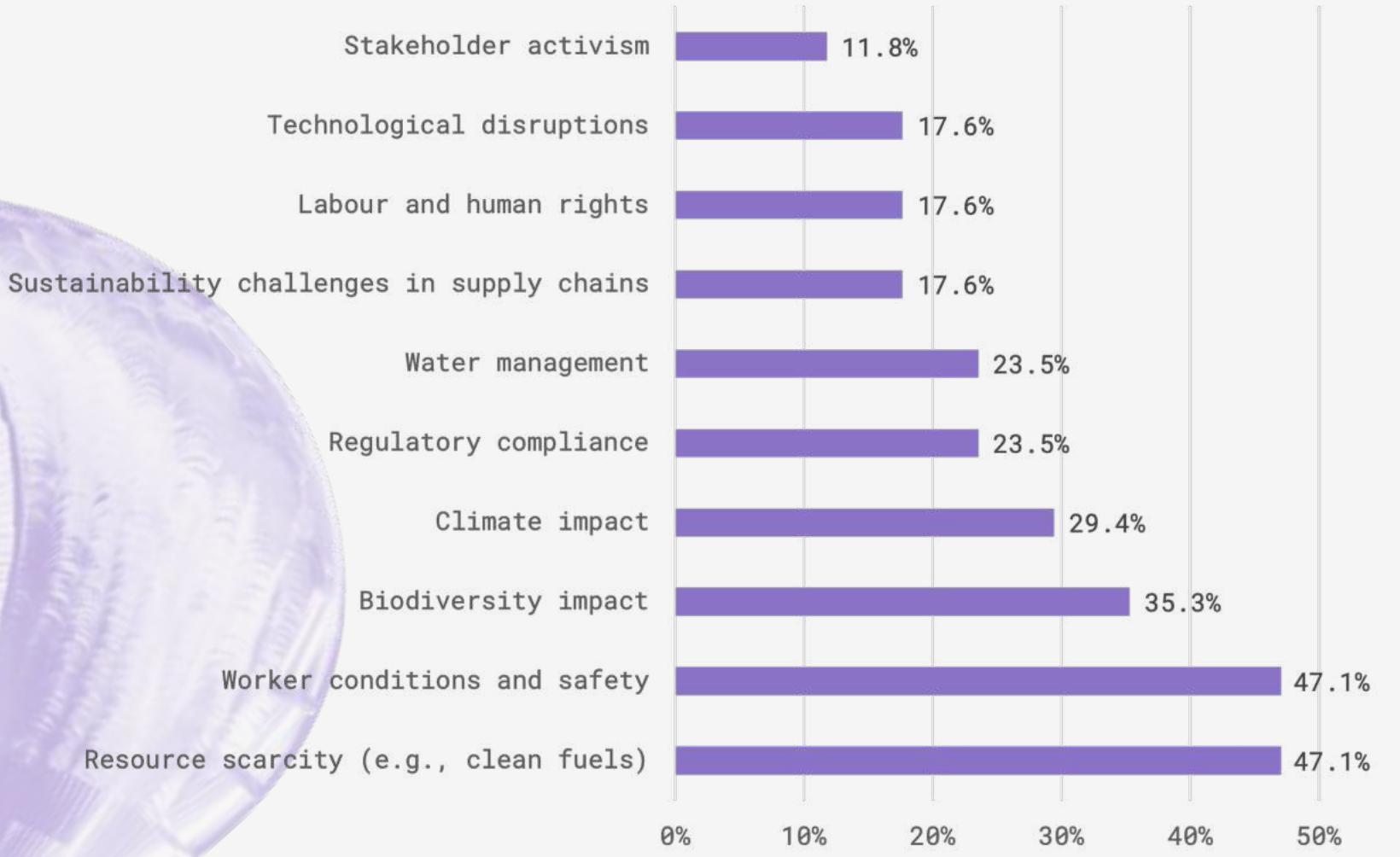
The emphasis on Resource Scarcity, notably clean fuels, reflects a broader global discourse around sustainable energy transitions, pertinent in a sector traditionally reliant on fossil fuels. Similarly, the prominence of Worker Conditions and Safety echoes a long-standing dialogue around maritime labour rights and safe working environments.

The prominence of Biodiversity among investor concerns could well reflect the increasing level of scrutiny that corporate and industrial activity has on natural environments, and the growing understanding of biodiversity's strong link to climate conditions.

'Climate Impact' and the twin challenges of 'Water Management' and 'Regulatory Compliance' are also significant, each with over a 20% response rate. These elements underscore the complexity and depth of environmental stewardship required in contemporary shipping operations.

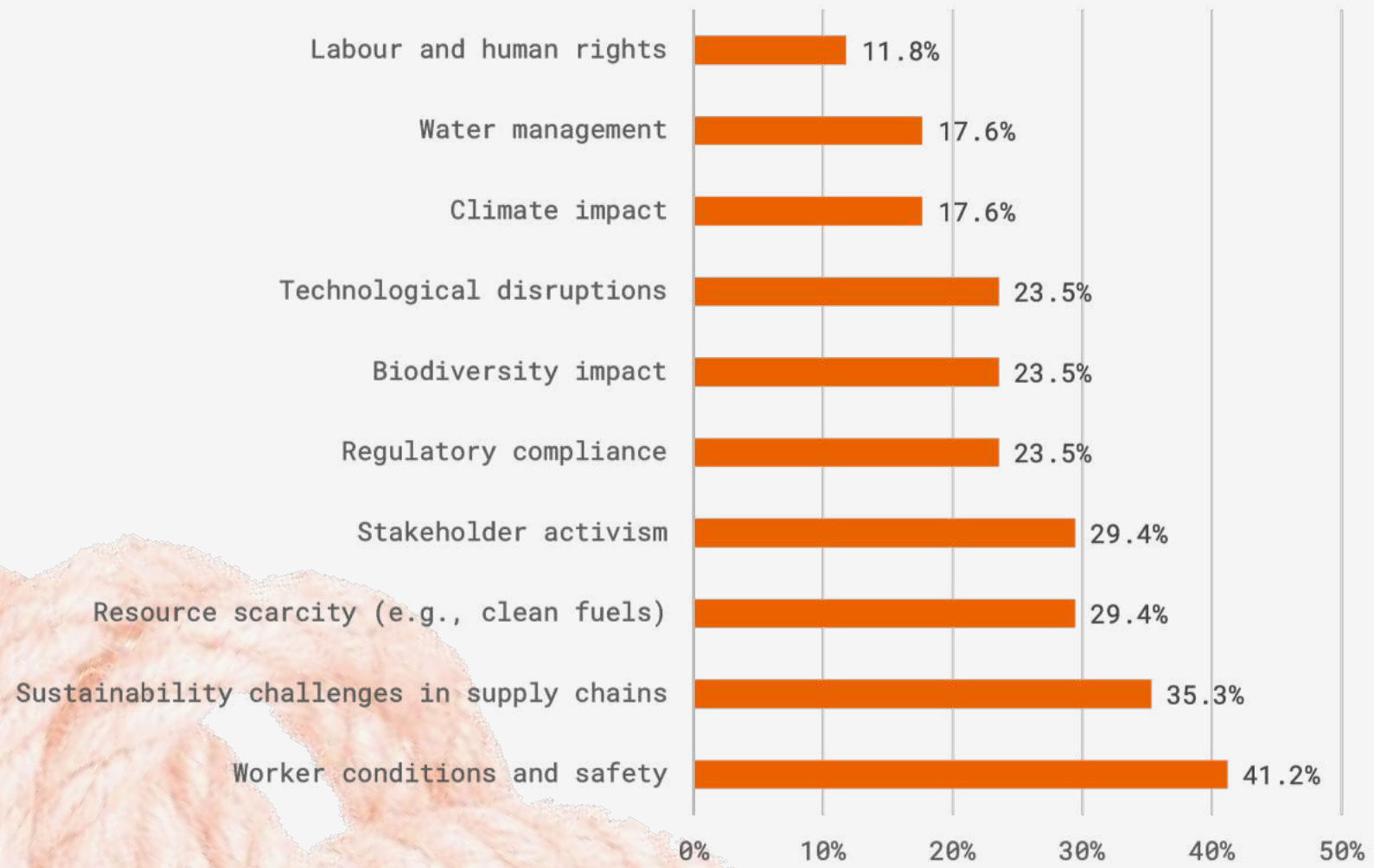
Respondents voiced anxieties surrounding the industry's direct environmental impact and the wellbeing of its workforce.

Shipping industry's biggest areas of ESG risk
(all respondents)



Industry Spotlight:
Maritime Technology

Maritime technology industry's biggest areas of ESG risk
(all respondents)



The lack of consensus on the green technologies of the future creates a precarious situation for maritime technology companies.

The Maritime Technology and Equipment industry, particularly those involved in renewables, safety, or port equipment, is at the coalface of innovation and traditional maritime activities. Cited as the joint highest-risk maritime industry by respondents (Question 5), it is deeply linked to all areas of the wider maritime sector. While this brings significant opportunity for growth and sustainability innovation, it also represents a broad range of risk areas.

Worker Conditions and Safety emerged as a primary concern (41%) and could be reflective of the evolving nature of work in this sector, with the integration of new technologies potentially posing new risks or challenges to worker safety and training.

Concern regarding Sustainability Challenges in Supply Chains (35%) reflects the complex supply chain dynamics within the Maritime Technology and Equipment industry. These companies often rely on global suppliers for critical minerals and commodities, making them susceptible to supply risks. The availability and extraction of these essential materials can pose sustainability challenges, impacting both operational continuity and reputational risk.

The attention on Resource Scarcity, especially clean fuels (29%), and Technological Disruptions (23%) underscore the industry's dual challenge of ensuring resource sustainability while also staying ahead in technological innovations. With no consensus on industry-wide green technologies, Maritime Technology and Equipment companies whose products do not become industry standard could see them become stranded assets.

Industry Spotlight:
Ports & Terminals

The Ports and Terminals sector is unique due to its interface between maritime and land-based operations, its critical role in global trade, and its interactions with diverse stakeholders.

The standout concern of Stakeholder Activism (58%) as a key ESG risk may be rooted in the sector's visibility and essential function, which attract scrutiny and demand for responsible operations from various stakeholders including local communities, governments, and environmental groups.

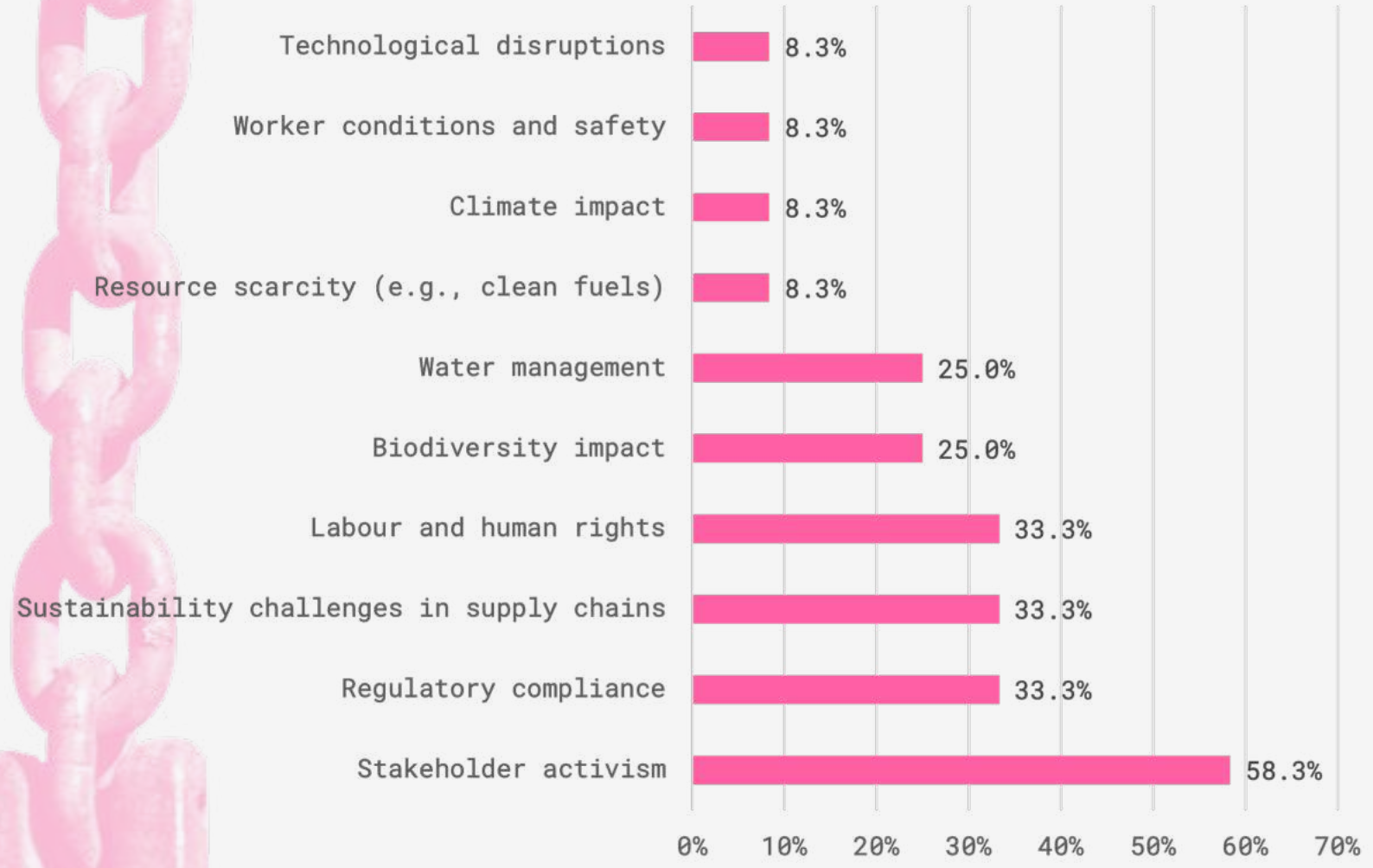
The triple concern around Labour and Human Rights, Regulatory Compliance, and Sustainability Challenges in Supply Chains (each at 33%) reflects the industry's intricate operational framework.

Ports and Terminals often engage with a broad spectrum of labour, from dockworkers to administrative personnel, and are subject to international, national, and local regulations which mandate various labour and sustainability standards.

Additionally, their role as crucial intermediaries in global supply chains exposes them to sustainability challenges that extend beyond their immediate operations.

Water Management and Biodiversity Impact (25% each) likely reflect the sector's direct interaction with aquatic ecosystems. The operations of ports and terminals can significantly impact local water quality and biodiversity, making environmental stewardship crucial.

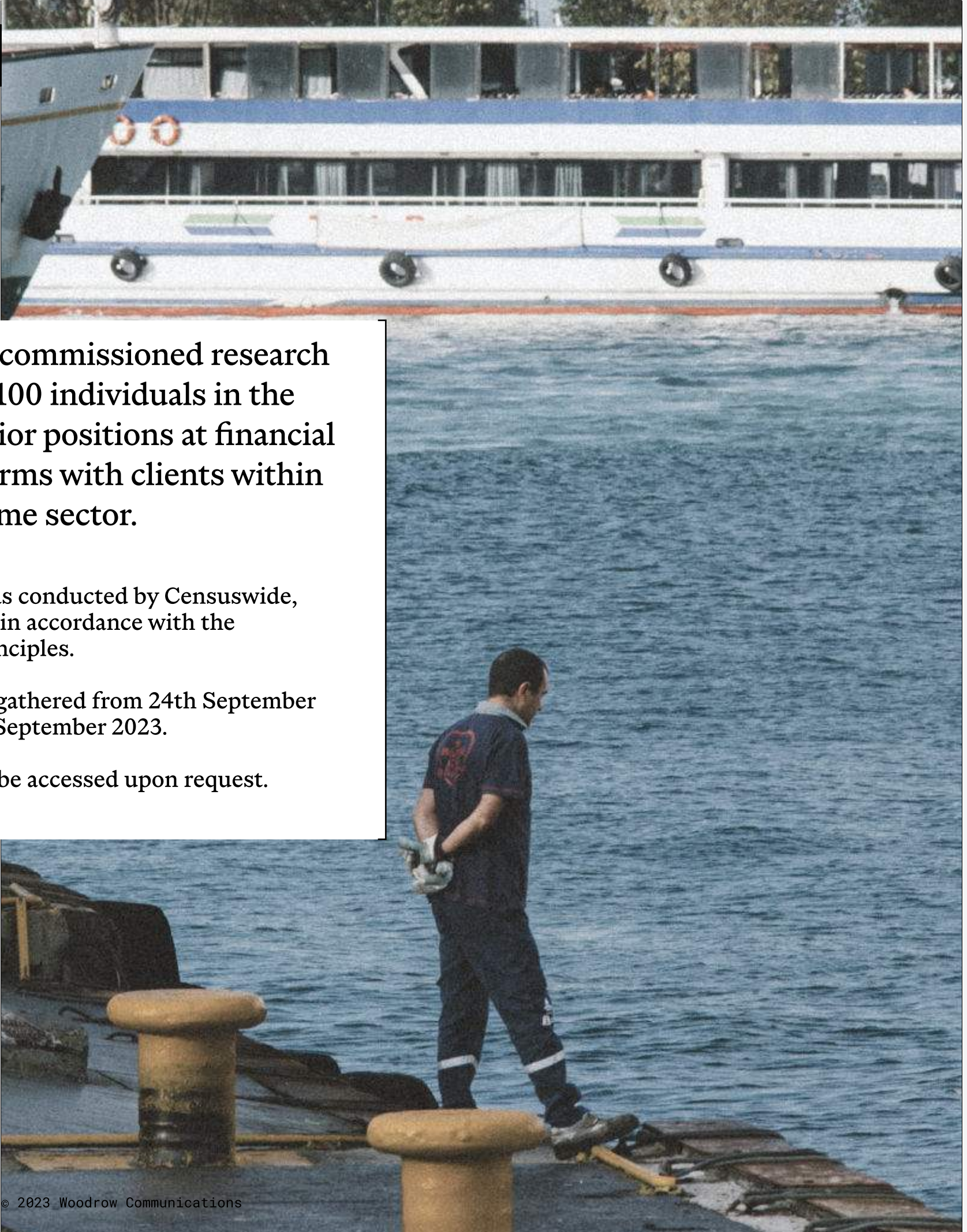
Ports and terminals industry's biggest areas of ESG risk
(all respondents)



The ports and terminal industry's role as crucial intermediaries in global supply chains presents sustainability considerations that extend beyond its immediate operations.

Woodrow

Methodology



Woodrow commissioned research involving 100 individuals in the UK in senior positions at financial services firms with clients within the maritime sector.

Field work was conducted by Censuswide, and executed in accordance with the ESOMAR principles.

Results were gathered from 24th September 2023 to 29th September 2023.

Raw data can be accessed upon request.

Breakdown of respondents

Institution type	Number of respondents
Commercial banks	41
Investment banks	36
Multilateral banks / IFIs	10
Private equity firms	12
Asset management firms*	1

Size of institution by assets under management (AUM)	Number of respondents
Small (< £1bn)	10
Medium (£1bn-£10bn)	28
Large (£10bn-£100bn)	36
Mega (> £100bn)	26

Type of capital managed	Number of respondents
Equity	39
Debt	34
Hybrid	27




Portfolio's exposure to the maritime sector	Number of respondents
Exploratory	10
Low	28
Moderate	36
High	26

*Due to statistically insignificant number of respondents, we have not referenced the responses of Asset Management Firms in any of our detailed analyses.

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Third floor, 5-8 Hardwick Street,
London, EC1R 4RG

info@woodrowcommunications.com
+44 (0) 208 638 8753

NAIROBI

eastafrika@woodrowcommunications.com
+254 (0) 727 853 848
+254 (0) 728 385 161

NEW YORK

nyc@woodrowcommunications.com
+1 (978) 578 4115