





The Origin of Social Responsibility & SRI in Japan and Current Status

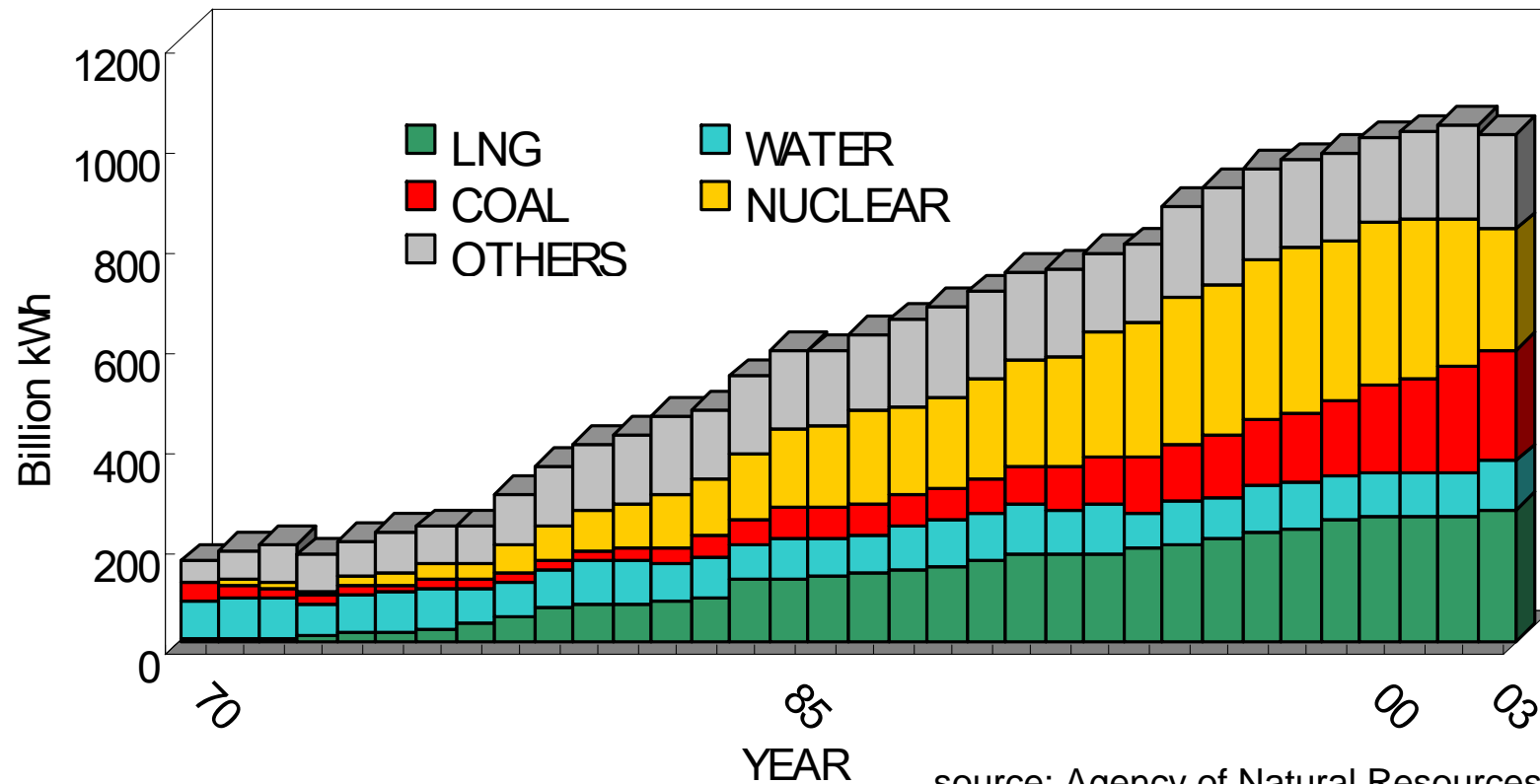
HIDETAKA MORIYA

Attorney at Law and Partner

BRAUN MORIYA KUBOTA & FUKUDA

I. The Origin of Social Responsibility

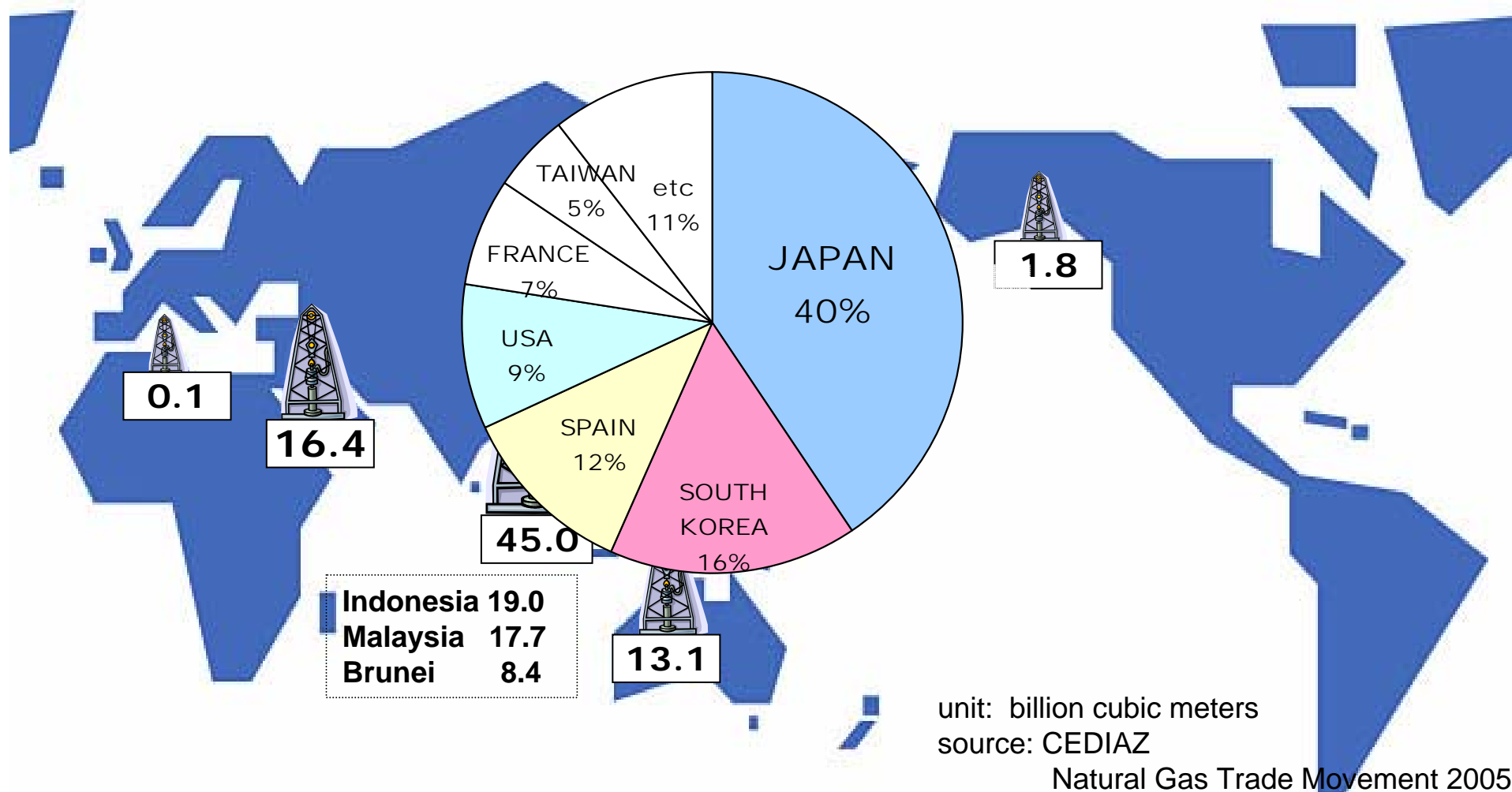
Modern Life in Japan by LNG --change of resources



source: Agency of Natural Resources and Energy
"Outline of Energy Development"

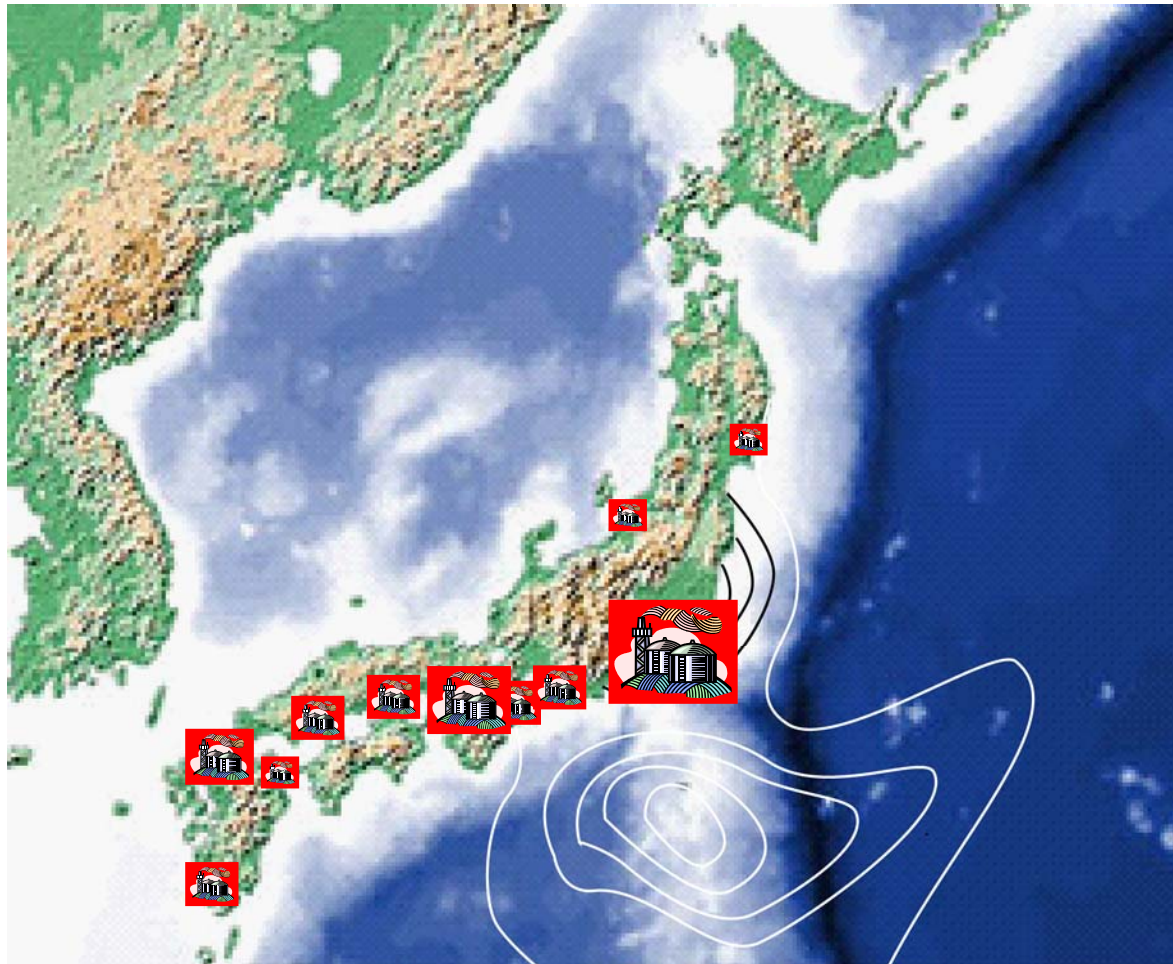
I. The Origin of Social Responsibility

Modern Life in Japan by LNG--LNG import



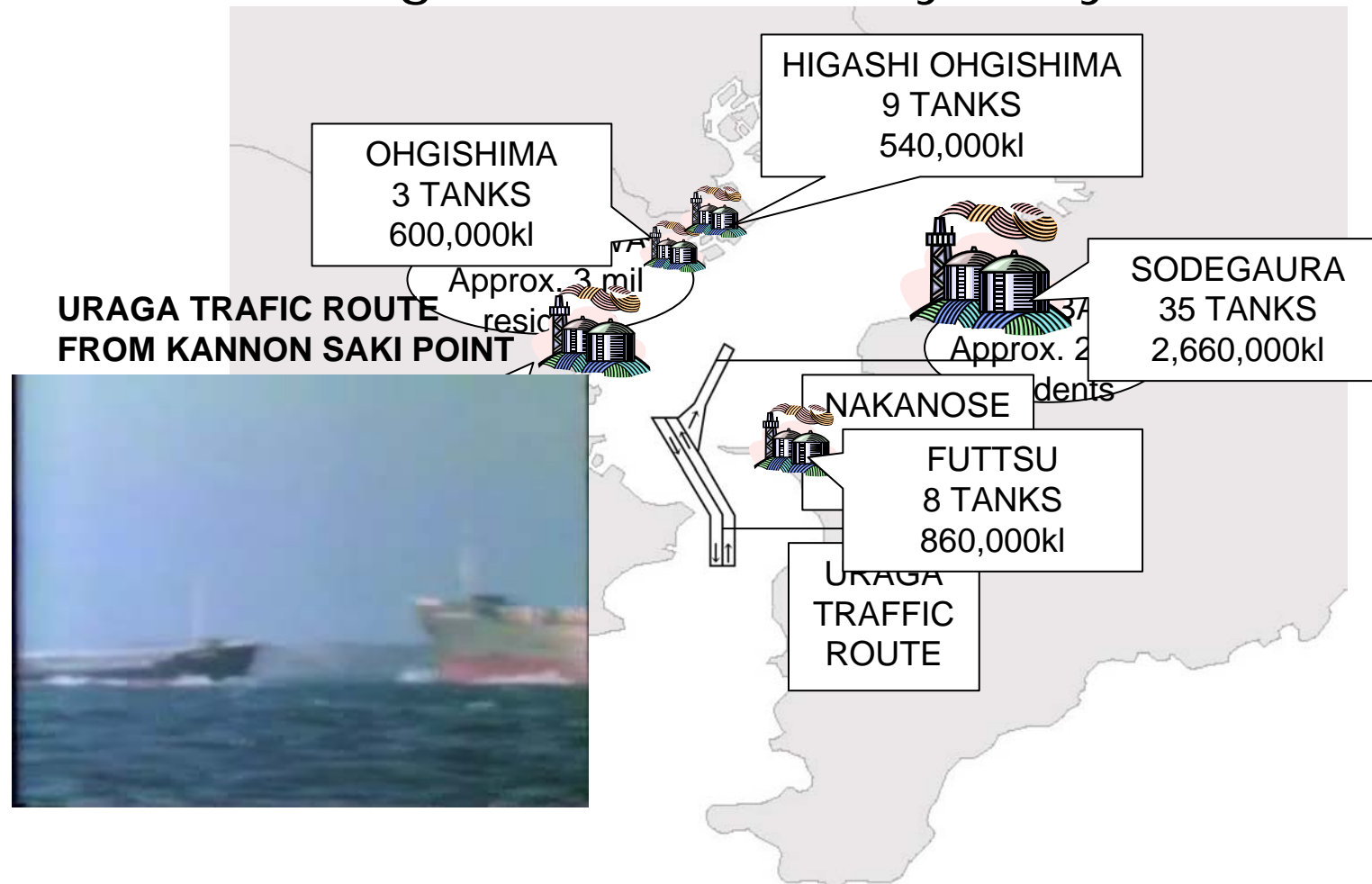
I. The Origin of Social Responsibility

LNG Receiving Terminals --Pacific Ocean side



I. The Origin of Social Responsibility

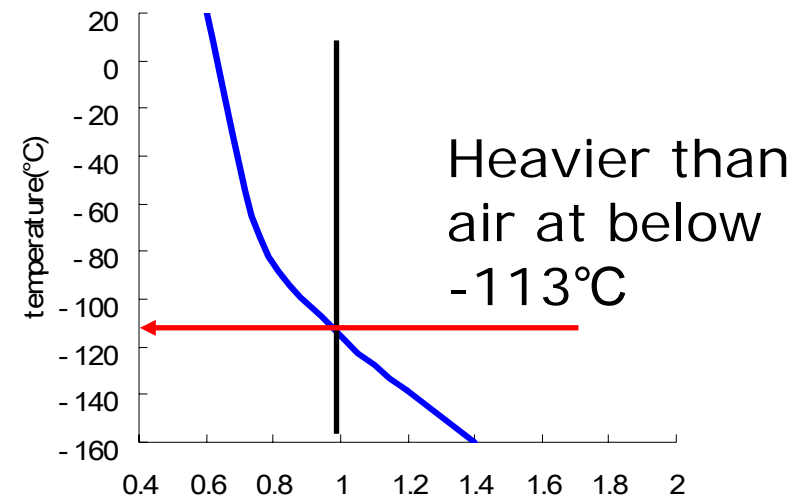
LNG Receiving Terminals --Tokyo Bay



I. The Origin of Social Responsibility

Nature of LNG

	LNG	LPG
Elements	Methane	Propane
Liquified temp.	-162°C	-42°C
Volume in gas	600 times	260 times



Source: NHK "Reportage Nippon"

I. The Origin of Social Responsibility

Nature of LNG

Collision – 5m² puncture in side shell

size

speed

5,000 GRT

8.5 knot

10,000 GRT

6.3 knot

*speed limit in URAGA traffic route 12 knot

Cold brittle fracture

comparison of steel strength

-140°C

154 tons

30 °C

308 tons



Source: NHK "Reportage Nippon"

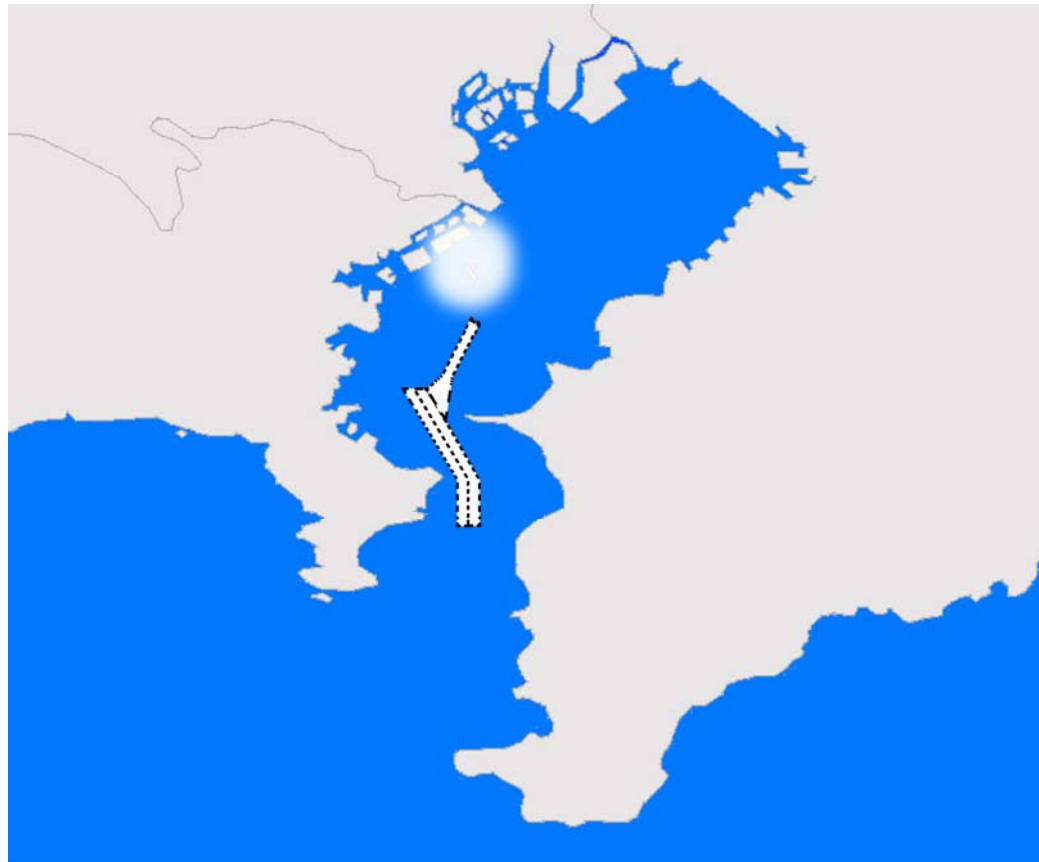
I. The Origin of Social Responsibility

Collision Case --Disastrous Scenario



I. The Origin of Social Responsibility

Collision Case --Disastrous Scenario



I. The Origin of Social Responsibility

Background of Social Responsibility History in Japan

4 Notorious public nuisance cases

- ① MINAMATA disease 2954 sufferers
(KUMAMOTO & NIIGATA)
- ② ITAI ITAI disease 188 sufferers
- ③ YOKKAICHI ASTHMA 1655 sufferers

Yokkaichi Asthma

- 1961 to 1965, District of Yokkaichi, Mie prefecture.
- suffered Asthma in group from smoke/air pollution materials discharged from chimneys of Petroleum Kombinate (industrial complex) even by a slight shock and complaining of pains days and nights.
- In 1968, the minister of Health and Welfare recognized the disease in question was due to cadmium contained in the disposed water discharged from the mining near river.
- seeking remedy from Japanese Government and the plant.

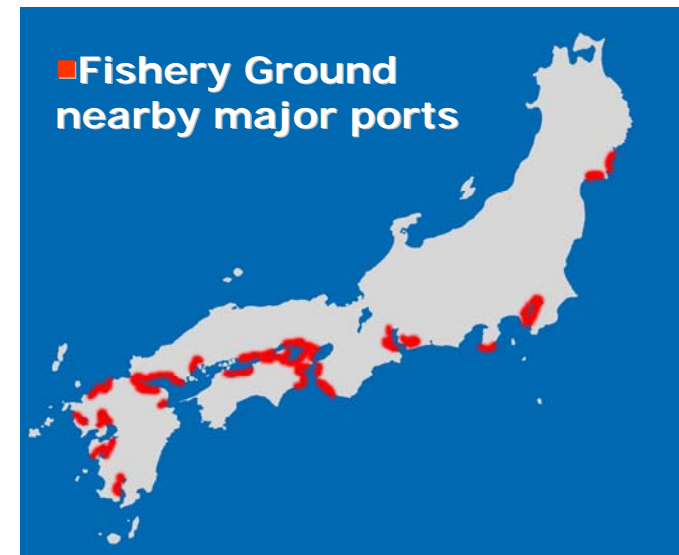
I. The Origin of Social Responsibility

Background of Social Responsibility History in Japan

Fishermen's unions and inhabitants against vessels and refineries onshore in oil pollution cases.

When their fishery grounds suffered by pollution, they claimed ship owners and masters of removal as well as cleaning, and also apology and compensation.

When the accident occurred nearby a refinery, they also claimed against refinery.



I. The Origin of Social Responsibility

Background of Social Responsibility History in Japan

"YUYO MARU NO.10" (LPG Carrier 43,723 GRT)
Collision with "Pacific Ares"

1974/Nov. at crossing point between exit of Nakanose route and Kisarazu port.

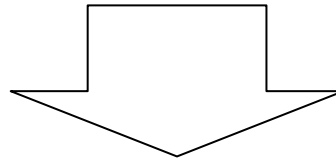


Source: NHK "Reportage Nippon"

I. The Origin of Social Responsibility

Self-Defence of a petroleum company in Japan

- 4 notorious public nuisance cases
- Result a dissolve of leading chemical company
- Fishermen's unions against the vessels and inhabitants in oil pollution cases
- Serious affect of "YUYO MARU No.10" case



**Much delay, may not pacify the sufferers, and
LNG service and trade might be shut out**

II. Social Responsibility and SRI

Corporate Social Responsibility

An enterprise should owe social responsibility towards general public, consumer, customers, residents neighbouring its plants and other facilities subsidiary companies and employee inlaw or otherwise

Social responsibility is;
a Standard of behaviour is
expected by Japanese society
to be
displayed.....
and
over and above, or **outside the
legal liability**

by those who are members of the
Japanese Community as a whole or
a particular community within it
or
by **those whose dealing(*)** affect
the Japanese community as a whole
or particular community within it



II. Social Responsibility and SRI

APPENDIX 2nd paragraph

Where a breach of Social Responsibility occurs the community affected by the breach (or sections of it) may seek to impose sanctions on the person whom they perceive to be the (or a) perpetrator which person may or may not be legally, solely or even primarily responsible. Indeed, sanctions may be visited on a person who does not in fact bear any technical responsibility for the breach (but who offers a softer "target") simply because that person is involved in the same kind of business as the true perpetrator and is thus thought, in Japanese eyes, to be co-responsible with the perpetrator for creating the risk to the community that the breach exemplifies.



II. Social Responsibility and SRI

APPENDIX 3RD paragraph

These sanctions may vary in kind, typically, they include public apology, payment of money by way of compensation to individuals and public authorities affected and entering into undertakings regarding what is to happen if breaches recur. These sanctions, if not accepted by the person against whom they are targeted, are usually enforced by major disruptive action against that person's business or related business interests of those directly or indirectly concerned in that person's business. To the extent that the financial consequences of these sanctions are not covered by other specific insurances held by the Assured or would not have been suffered at law, the Assured expects "Social Responsibility Insurance" to provide cover. the Assured expects "Social Responsibility Insurance" to provide cover.



II. Social Responsibility and SRI

APPENDIX 4TH paragraph

(a) Compensation that would be ordered by the Japanese Courts, as legally.

(b) Compensation which exceeds the applicable statutory limitation of the ship owner's liability.

-> Assured and insurers cooperation

-> Arbitrators prompt activity

(c) Compensation which would exceeds any legal liability that would be imposed by the Japanese Courts where the person from whom the compensation is sought is a defendant, but which compensation the Japanese community should be paid to atone for te breach of the duty of Social Responsibility which they perceive has occurred.



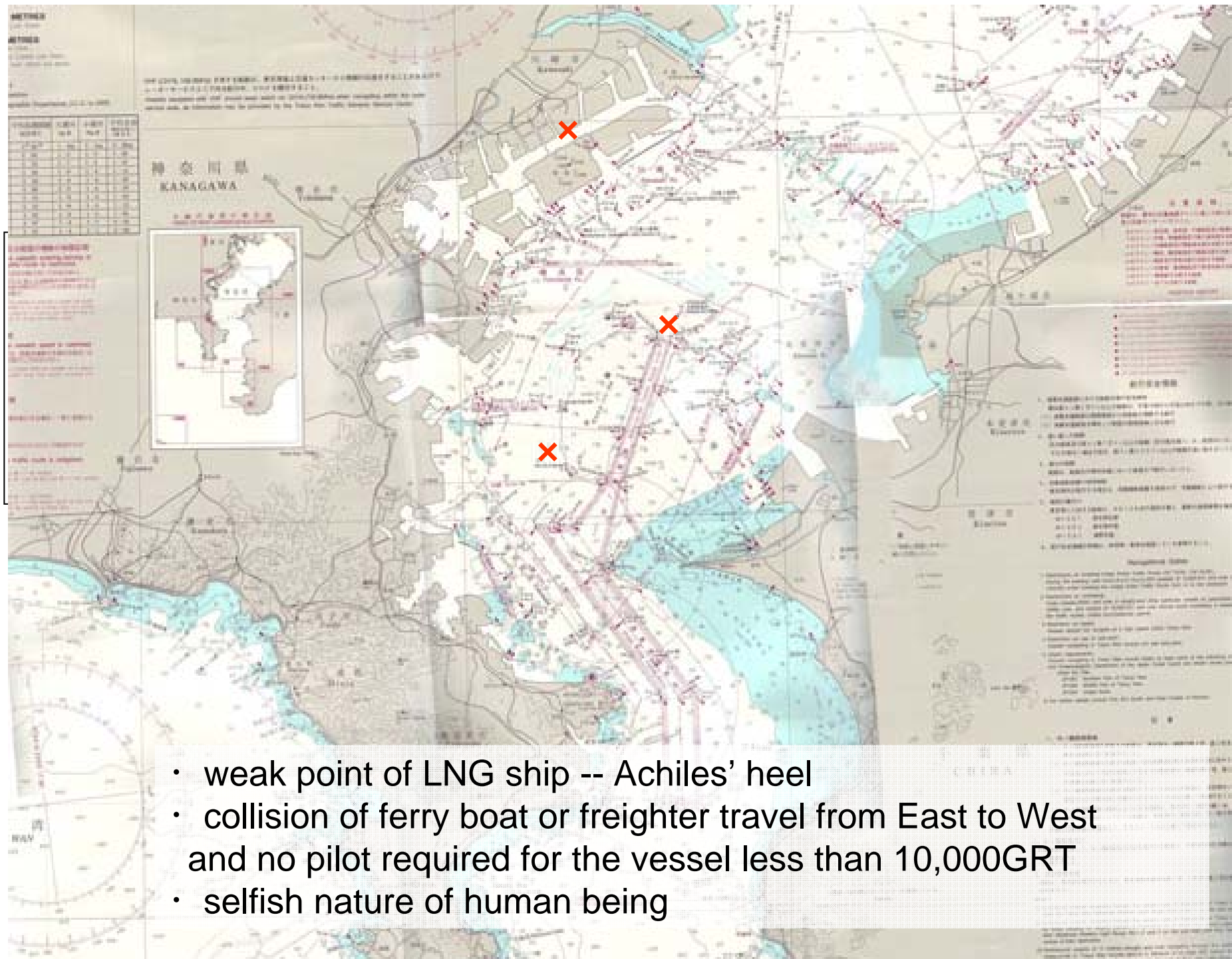
II. Social Responsibility and SRI

APPENDIX 4TH paragraph

(d) Compensation demanded with Japanese community approval where awarded by a Japanese Court

(e) Compensation demanded by a section of the community but seen by the community as a whole as beyond what is required to meet the just consequence of a particular breach.

(f) Contributions demanded by third parties involved in the Assured's business to payments made by that third party under the Categories (b), (c) and (d) above which the Assured accepts for commercial reasons.



III. Current Status

Conclusion

SRI is for ;

Mitigate an impact between legal compensation
and the amount required by Japanese community...

current SRI amount
may be too small !

Larger extra amount should be added to current SRI
amount to show a reasonable sound payment with SR
mind of the ship and trading interests,.....
by way of pooling or mutual system?