

2016

IMPACT REPORT



BSR®



MACN
Maritime Anti-Corruption Network

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Letter from the Chair

Dear friends,

The Maritime Anti-Corruption Network (MACN) was first discussed among a small group of companies in 2011 and formally established with BSR as the secretariat and lead facilitator in 2012, reflecting a growing concern with the effect of corruption on individuals, businesses, economies, and global trade. Corruption has historically been a prominent feature in the maritime industry. To this day, when arriving or leaving port, captains can still face the prospect of harassment, long and expensive delays, and other issues if they do not make small payments of cash, cigarettes, alcohol, or other cheap items.

If companies cede to these demands, we are not meeting our own high standards on ethics and integrity. What's more, we are seeing increasing pressure from governments, international bodies, and society at large to eradicate the payment of bribes and corruption from the industry. Shipping companies whose captains make "facilitation payments" will find themselves on the wrong side of a growing body of international legislation, designed to crack down on bribery and corruption in business. In these days of increasing transparency and accountability, we must consider our current and future focus on these issues to ensure we are an attractive business to our customers, our employees, and our stakeholders at large.

MACN constitutes a proactive response from many like-minded companies to one of the major global challenges of our time. After five years of progress and growth, we are keen to share our outcomes to date.

In a relatively short time, we have delivered a range of activities and programs, becoming one of the

preeminent examples of an industry network for an inclusive economy. In 2014, we committed to a number of outputs over three years, including the establishment of a tool for anonymous reporting of incidents for demands, training, best practices and frameworks for members to implement the MACN seven anti-corruption principles, a growth in total membership, and the delivery of at least three "collective actions"—actions that bring shipping companies together with port authorities, customs officials, and government representatives with a view to developing long-term solutions to corruption in ports.

At this point, as we approach 2017, we are delighted to say that we have delivered on or exceeded all of the goals set out in our 10 Point Plan of 2014. In Nigeria, Indonesia, Egypt, and Argentina, we have pursued collective actions that have resulted in tangible outcomes and long-term impacts, including the passing of new legislation (in Argentina), a decrease in waiting times, and a decrease in demands. Elsewhere, we have helped to strengthen the policies and processes of our members to empower captains to say no to demands. MACN members are using the anonymous incident reporting mechanism to share challenges, with significant uptake.

For MACN, the aim is now to pursue the kind of ambitious, "game changing" goals that will fundamentally alter the direction of the industry. We've come a long way as a network, and we should all be proud of the work we have done together and the changes we have co-created—but our work has just begun. We invite you to join us on our journey.

With warm regards,

SAM MEGWA

Strategy, Risk & Compliance Manager, BP Shipping; Chair, MACN

¹ BSR is a nonprofit business network focused on sustainability.

About MACN



Who We Are

MACN is a global business network that provides a unique platform for business to contribute to the elimination of corrupt practices in the maritime industry. It is composed of vessel-owning companies within the main sectors of the maritime industry and other companies in the industry, including cargo owners and service providers.



Our Vision

A maritime industry free of corruption that enables fair trade to the benefit of society at large.



Our Mission

To promote good corporate practice in the maritime industry for tackling bribes, facilitation payments and other forms of corruption by adopting the MACN Anti-Corruption Principles, communicating progress on implementation, sharing best practices and creating awareness of industry challenges.

MACN also collaborates with key stakeholders, including governments, authorities and international organisations, in markets where corruption is prevalent to its membership, to identify and mitigate the root causes of corruption in the maritime industry.

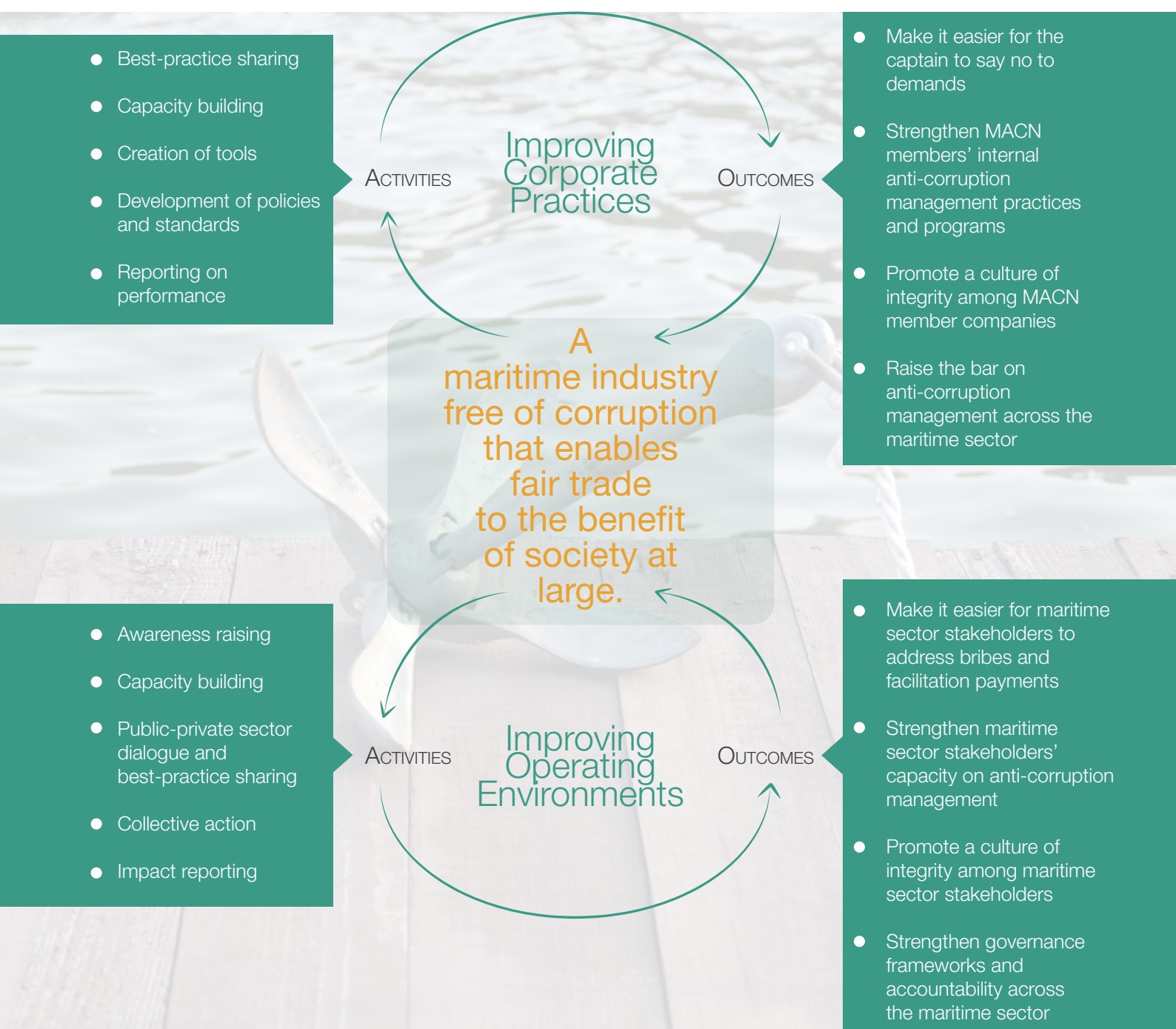
Our Theory of Change

MACN believes that sustainable, transformational change requires multistakeholder collaboration; that collaboration must provide win-win solutions to motivate and incentivize all stakeholders to contribute; and that business itself must adopt strong anti-corruption management practices.

As a consequence, since its inception in early 2012, MACN has pursued a comprehensive, multifaceted strategy that is based on two key levers for change: First, MACN focuses on

strengthening members' internal anti-corruption management practices and programs. Second, MACN focuses on contributing to improvements in the external operating environment, recognizing that, in the absence of changes in the operating environment, internal improvements are unlikely to yield the desired benefits.

To carry out its mission, MACN looks to form relevant partnerships and develop outcome and impact measures.



Corporate Practices

MACN recognizes that members must continuously strengthen their internal anti-corruption management practices to stay in compliance with regulatory requirements and to further MACN's vision of eliminating corruption in the maritime industry. At the core of MACN's action on corporate practice are the seven MACN Anti-Corruption Principles, which should be a part of each member's overall compliance program:

- 1 Compliance Program Requirements
- 2 Risk Assessment
- 3 Proportionate Procedures
- 4 Training & Communication
- 5 Monitoring and Internal Controls
- 6 Due Diligence
- 7 Reporting, Diligence and Incentives

The principles, which align with the requirements of global regulations and standards, provide a solid basis for members' anti-corruption programs and policies and help establish a common direction for action.

The role of the network is to build capacity and guide member companies on successfully implementing the principles. The network has led and implemented best-practice sharing seminars on each of the principles, allowing members to share their success stories and lessons learned from implementation. This has been particularly useful for companies just joining the network or that are about to start their journey to improve their anti-corruption and compliance programs. As such, MACN provides a forum for information-sharing on best practice and innovation in compliance programs. Furthermore, MACN has delivered tools for each

anti-corruption principle and launched the tools to the broad membership. These have included the development of an MACN due diligence system of third parties and integrity training modules.

MACN's corporate practice work stream has directly contributed to achieving MACN's mission of promoting good corporate practice in the maritime industry for tackling bribes, facilitation payments, and other forms of corruption.

The tools and resources developed by MACN as part of the corporate practice work stream have had a number of outcomes:

- MACN has provided tools and resources strengthening MACN members' internal anti-corruption management practices and programs, and integrating the vision of MACN into the compliance practices of members.
- MACN has made it easier for the ship's captain to say no to demands for bribes and facilitation payments during port calls. The captain is the key agent in implementing any internal change. MACN provides tools and resources to be shared with front-line staff, such as training and standard operating procedures on how to resist and say no to corrupt demands.
- MACN has promoted a culture of integrity among MACN member companies and raised the bar on compliance across the maritime sector through development of tools and standards, and through raising awareness.

Below are a number of **examples of key activities and outcomes** delivered by MACN to date under its work to improve corporate practices:

Developing Industry Solutions and Tools to Core Challenges: The MACN Integrity Training Toolkit

In 2014, together with Global Advice Network (GAN), MACN launched a training toolkit on anti-corruption and integrity for the maritime industry. The training is customized to address key internal stakeholders such as captains, onboard staff, compliance officers, and senior management in the industry. The senior management training was designed to ensure that the tone at the top is consistent with the anti-corruption training materials distributed throughout the organization and onboard the ship. The toolkit contains material for running training workshops and e-learning modules, and for evaluating the training. The training is open-sourced to all members.

Development of Policies and Standards: BIMCO Anti-Corruption Clause for Charter Parties

MACN and its membership developed a recommended charter-party clause that was then provided to BIMCO, the world's largest international shipping organization, for the development of its anti-corruption clause for charter parties. The clause gives owners and charterers a contractual platform for cooperative action to resist demands for illegal payments from port officials and others. The clause applies

the anti-corruption laws applicable to each of the parties and the local law of the place where the ship is located. It can therefore be applied in any jurisdiction globally and across the maritime sector.

Best-Practice Sharing: Chatham House Forums and Anonymous Incident Reporting

MACN provides a forum for member companies to share real corruption challenges in private and under Chatham House rule. During MACN's biannual members meetings, Chatham House forums are organized to discuss specific challenges faced by members as well as best practices on how these challenges can be addressed. In addition to the biannual in-person meetings, BSR hosts an anonymous incident reporting mechanism allowing MACN members to anonymously report on incidents where requests for facilitation payments have been made. The mechanism also enables members to share best practices and lessons learned, such as practical advice on how to avoid demands for facilitation payments in a certain port.

Both the Chatham House forums and the incident reporting mechanism enable MACN members to learn from peers' best practices and to agree on common approaches to tackling corruption. The reporting mechanism also helps members to assess the need for collective actions in specific geographic locations, pinpointing corruption hotspots that require a unified and holistic response.

Operating Environments

At the core of MACN's work to improve the operating environments for member companies are collective actions, through which member companies unite with stakeholders including port and customs authorities, NGOs, and local governments to implement a range of programs to tackle corruption in ports. Due to the volume of world trade that passes through ports,

anti-corruption initiatives targeting ports can have an impact on a wide variety of different industries and across supply chains and societies.

The essence of the MACN collective action approach is that successful, lasting changes in the operating environment will take effect only if they are enabled

Nigeria

START DATE 2012

FOCUS Face-to-face integrity training, harmonizing regulations, establishing grievance mechanisms.

CHALLENGE MACN identified Nigeria as one of the most challenging countries to do business, with requests for facilitation payments posing a major risk to member companies, and with cases of extortion, harassment, and threats of violence. Moreover, regulations and procedures in ports were lacking in detail and consistency, giving authorities wide discretionary powers.

IMPACT Surveys of MACN members suggest that the initiative is having a positive effect on the operating environment. The waiting time for vessels has decreased, and terminal operators and agents have been actively assisting MACN members in rejecting facilitation payment demands.

Argentina

START DATE 2014

FOCUS Redrafting regulations for approval of a vessel's holds or tanks for the loading of agricultural products, developing new IT system for processing and registering holds/tanks inspections.

CHALLENGE The shipping industry operating in Argentina is facing challenges in connection with the inspections of holds and tanks, custom declarations, and on-board practices. Data from MACN member companies highlighted a systemic issue with demands for payment for unclean grain holds, including cases of extortion.

IMPACT A new regulation has been submitted and approved. The regulation:

- Limits inspectors' discretion by having more precise definitions and objective criteria for holds or tanks rejection.
- Introduces inspectors' rotation in ports and terminals, to hinder collusion and development of improper arrangements in certain ports and client interactions.
- Increases the timeframe allowed for remedying hold's deficiencies.
- Strengthens control mechanisms by creating a new Technical Appeals Tribunal, developing a risk matrix on the basis of which inspections will be supervised, and establishing a trustworthy whistleblowing hotline.

and supported by and beneficial to key stakeholders. As such, key stakeholders are involved in both assessing the challenges and devising the solutions.

Overall, MACN's collective actions implemented to date have proven to be an impactful, effective, and cost-efficient way to promote trade and transparency

and to drive private sector leadership on combating corruption and bribery in the port and maritime sector.

Below we present case studies from MACN's collective action projects in Nigeria, Argentina, Indonesia, and Egypt, **illustrating the activities implemented and the results achieved to date by the network.**



Egypt

START DATE 2015

FOCUS "Say No" campaign for captains passing through the Suez Canal.

CHALLENGE MACN member companies have been reporting increasing challenges in connection with Suez Canal transits. Demands are not part of any official fees for transiting the canal and refusal to meet these demands often endangers a timely and efficient passage. Challenges like this and, in particular, safety hazards to the crew when pilots do not cooperate, have motivated MACN to launch a collective action in the Suez Canal.

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- Frequency of demands has decreased.
- Captains find it easier to refuse demands.
- Pilots are less aggressive and more forthcoming.
- Some members have used the toolkit across Africa operations beyond Suez in Arabic-speaking countries.

Indonesia

START DATE 2015

FOCUS Improving container tracking IT systems, promoting an e-governance system for cashless export licenses, integrating whistleblowing into existing procedures, establishing stakeholder forum for discussion, raising awareness about laws and regulations in the maritime sector.

CHALLENGE The risk of corruption in Indonesian ports is high, and illicit facilitation payments are common, mainly in the form of in-kind demands such as cigarettes and beverages. Maritime companies that refuse to pay are often penalized with delays or with fines for alleged non-compliance. In addition, laws and procedures are ambiguous and opaque, making it hard for stakeholders to report and seek solutions to alleged noncompliance.

IMPACT Private sector stakeholders report that the project has improved the transparency of regulation for importing and exporting goods through Tanjung Priok, and has also improved the accountability of key government stakeholders towards the private sector.

Next Steps: MACN's 2020 Strategy

The business world is experiencing a diverse and strong array of disruptions, both economic and otherwise. These disruptions raise new challenges concerning ethics and responsibility, where the “right” course of action is not always clear. In these circumstances, successful companies are those that address the issues and proactively engage with stakeholders on the potential approaches available and the principles that underpin these approaches.


As the external environment is changing, MACN's approach must also deepen to ensure that the network remains relevant and faithful to our members, funders, and vision.


MACN has come a long way in the last five years, and the network has achieved all the goals set out in its 10 Point Plan of 2014. As outlined, we are in a period of change in the maritime industry, and MACN needs to react accordingly. The MACN 2020 strategy below sets out the key focus areas for the network to move steadily and coherently towards its vision—“A maritime industry free of corruption that enables fair trade to the benefit of society at large.”


MACN's unique value proposition and most meaningful impacts will stem from actions that improve both internal procedures and the operating environment.

We have the ability to drive business-led and multi-stakeholder collaborations on local, regional, and global anti-corruption challenges. At the same time, we must continue to ensure that companies have access to the tools, training, and best practices needed internally in their organizations, supported by programs and campaigns to build the brand and culture of integrity in our member companies and collective action partners.

To achieve this, MACN will focus on:

 **Capability Building:** An industry leader in providing innovative solutions to our members and civil society.

 **Collective Action:** An industry leader in driving sustainable change in the operating environment.

 **Culture of Integrity:** An industry leader in driving sustainable change in the operating environment.

The above focus areas give MACN a clear direction on how we can focus our time and resources to support not just MACN's vision but also the work of the larger maritime and trade community in the effort to tackle corruption and support efficient and fair trade.

To achieve our vision and be successful with our three focus areas we will initiate key work streams and programs over the coming years. Critical to all will be the ability of MACN to:

- 1.** Build an MACN organisational structure, processes, capacities, funding and governance that is agile and fit-for-purpose.
- 2.** Attract, develop and motivate experienced subject matter experts and partners to meet the critical needs of the network and members.
- 3.** Deepen membership to ensure we are considered the voice of the industry for our key stakeholders.
- 4.** Prioritize opportunities that will enable us to drive the greatest impact in line with our vision and continue to build our reputation as experts and trusted partners.
- 5.** Sharpen our industry understanding, expertise, methodologies, tools, and resources to enhance our ability to deliver transformative change in line with our vision.

56 Regular Members



19 Associate Members



About BSR

BSR is a global nonprofit organization that works with its network of more than 250 member companies and other partners to build a just and sustainable world. From its offices in Asia, Europe, and North America, BSR develops sustainable business strategies and solutions through consulting, research, and cross-sector collaboration.

Contact us

If you would like to join MACN, or if you would like more information on MACN's impacts through collective actions, please get in touch:

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