Port Security is More than the ISPS Code

November 19, 2018

HudsonTrident
Maritime Security Management

Who We Are

HudsonAnalytix is a US-based international business risk solutions company providing expertise and support to the world's leading commercial shipping, ports and terminals, insurance, and government sectors. Our clients include:

- Port Authorities and Terminal Operators
- National and Regional Port Systems
- Integrated Oil and Gas Companies
- National Oil Companies
- Global Maritime Transportation Companies
- Insurance Companies
- Governments

Key Facts:

- Established in 1986
- Worldwide Presence:
  - Philadelphia (Global HQ)
  - Washington, DC
  - Seattle, WA
  - San Diego, CA
  - Rome, Italy
  - Piraeus, Greece
  - Jakarta, Indonesia (JV)
  - Manila, Philippines

Operating Subsidiaries

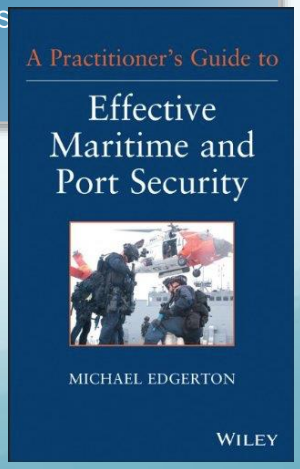
HudsonMarine – Risk and Crisis Management

HudsonTrident – Physical and Cyber Security

HudsonTactix - Consequence Management

HudsonDynamix – Integrated Training Solutions

HudsonSystems – Management Systems Development and Improvement



Key Points

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- Security is a key component of port resilience. Effective and business friendly port security is critical to the prevention of potentially damaging events that can adversely affect ports.

- Understanding that port security is more than the ISPS Code. The ISPS Code is a baseline compliance standard, it is does not provide a competitive advantage.

- The addition of supply chain security practices are of particular utility in the digital age as much of their focus is on data integrity.

ISPS Code

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- The ISPS Code is now over 10 years old and born of necessity after 9/11;
- The international shipping community has had time to implement the code and embed the code in ports and shipping companies;
- Lack of a converged approach;
- The ISPS Code focuses primarily on ports and ships as targets, not as focused on them as conduits of nefarious activity.
- Over the last 10 years, there has been a growing focus on port risk management and supply chain security and the development of associated guidelines and standards; and
- Incorporation of risk management and supply chain security measures into the security programs can create efficiencies in compliance as well as enhance security, resulting in commercial benefits

Current Supply Chain Security Initiatives

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- Over the last decade, there have been several important supply chain security initiatives. These include:
  - ISO 28000 (International Standard 28000:2007 - Specification for Security Management Systems for the Supply Chain);
  - Customs-Trade Partnership Against Terrorism;
  - World Customs Organization SAFE Framework; and
  - European Union's Authorized Economic Operator program.
- Key components of these programs include the Authorized Economic Operator (AEO) concept:
  - Certification of the commercial elements involved in manufacturing and shipping goods;
  - Integrity-based (with validation); and
  - Economic advantages to compliance and certification.

Supply Chain Security Fundamentals

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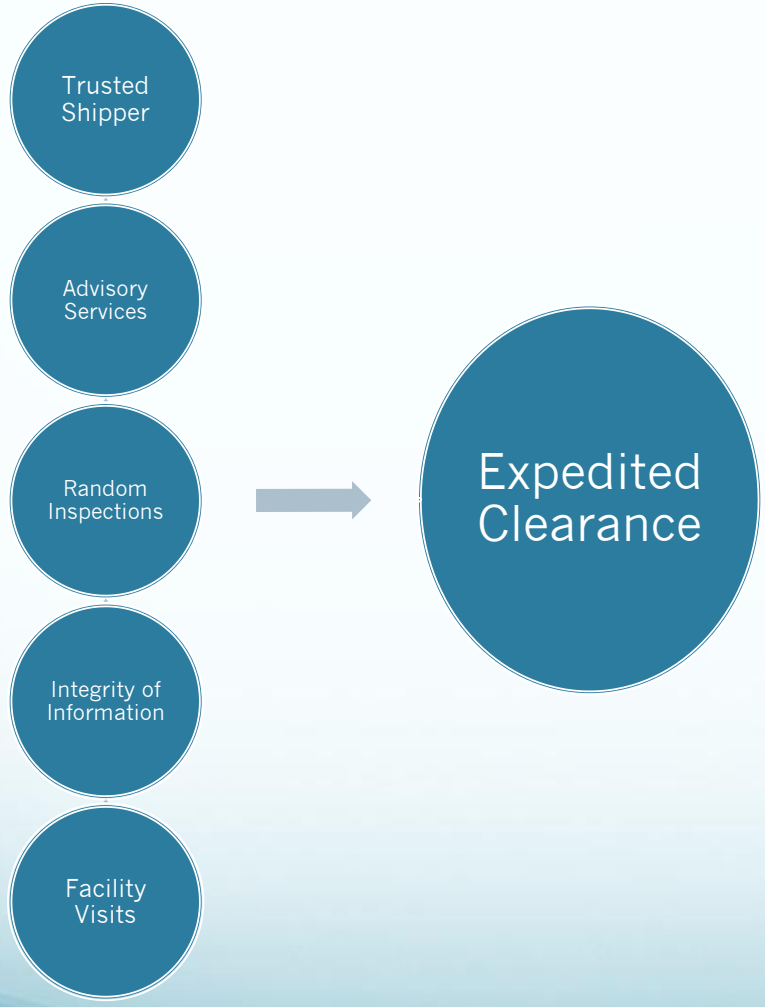

Supply Chain Security Management
ISO
28000:2007

WORLD CUSTOMS ORGANIZATION
ORGANISATION MONDIALE DES DOUANES

Supply Chain Security and Port Security – Compare and Contrast

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ISPS Code	Supply Chain Security
Mandated	Incentivized
Focused on System as Targets	Focused on System as Conduits
Single Code with National Implementing Legislation	Multiple Codes and Standards with Equivalency Agreements
Private Sector Implementation	Private Sector Implementation
Public Sector Oversight	Public Sector Oversight
No Competitive Advantage	Competitive Advantage

The Case for Supply Chain Security

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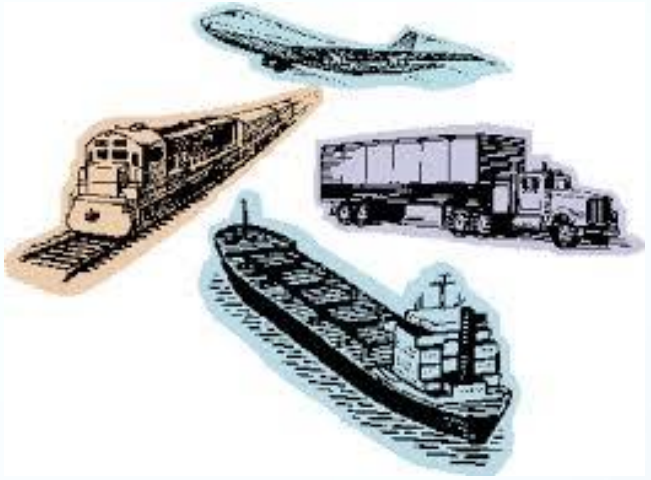
- Fills the gap in the ISPS Code by focusing on cargo as well as ports and ships, thereby making the Code more comprehensive; and
- A code that includes supply chain requirements is likely to enhance system resilience. This is especially important with globalization and the tendency towards “just in time delivery” with the associated reduction in warehousing.



What is Resilience?

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Complexity made simple.

Resilience is the capability to absorb undesirable or unexpected events with minimal impact and to quickly recover operations.

“The capacity of a system, community or society potentially exposed to hazards to adapt, by resisting or changing in order to reach and maintain an acceptable level of functioning and structure. This is determined by the degree to which the social system is capable of organizing itself to increase its capacity for learning from past disasters for better future protection and to improve risk reduction measures. “

MIT Survey on Port Resilience

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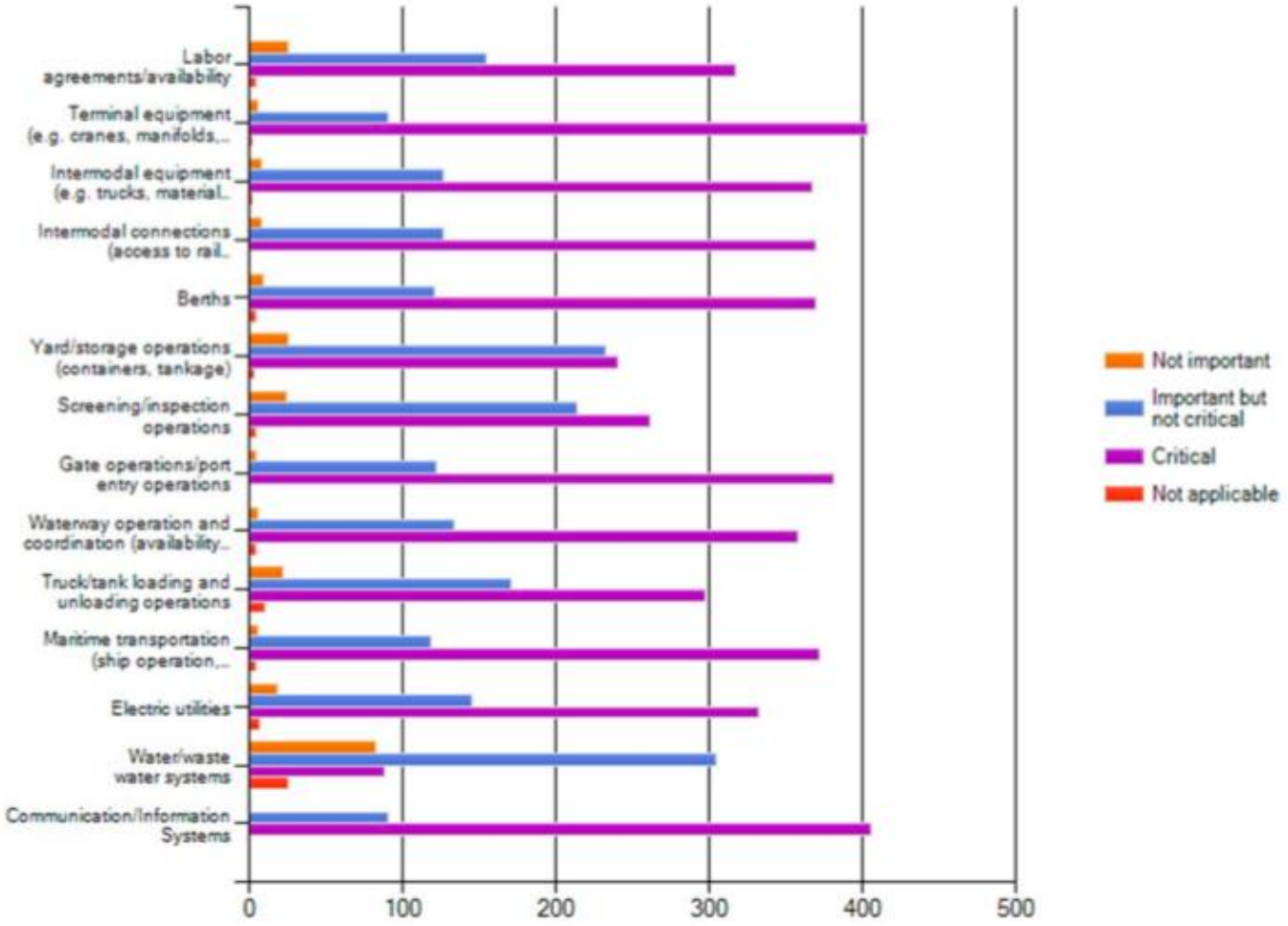

MIT Survey on Port Resilience

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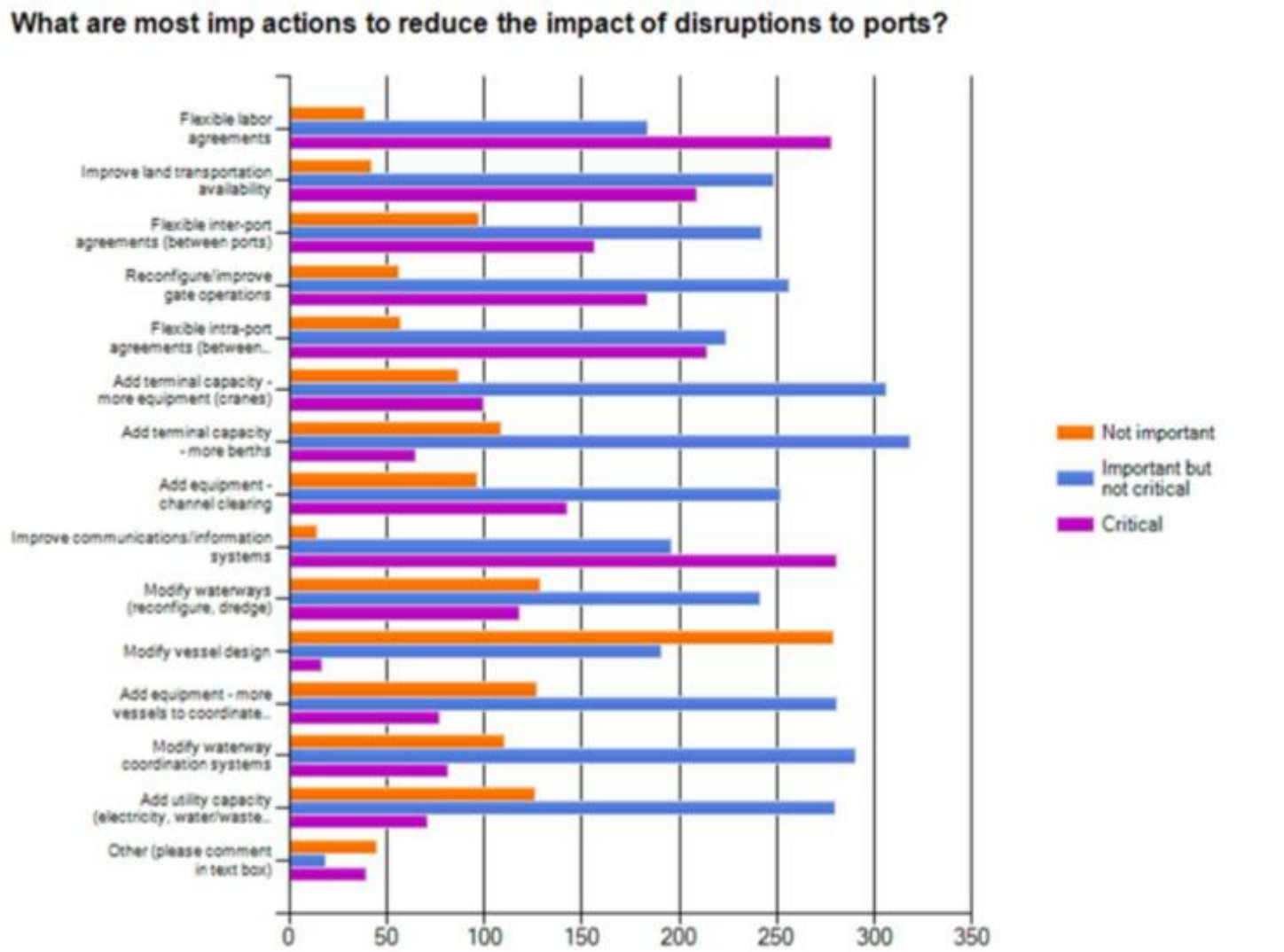

Why does Resilience Matter?

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Complexity made simple.

FEMA Study:

- **40%** of businesses do not reopen following a disaster;
- Another **25%** fail within one year; and
- **90%** of businesses fail within 2 years after a disaster.
- FEMA assessment: for every $1 spent in preparedness, including security, $5 dollars are saved in future losses.

The Business Case for Security

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- Since 9/11, security requirements have been instituted for port facilities and ships;
- More recently, there has been an increased focus on the security of the cargo being moved to and through ports by ships;
- The business case for security is focused on:
  - Competitiveness;
  - Reliability (Reputation); and
  - Insurance.

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Thank You & Questions?