



BSI & TT Club Cargo Theft Report H1 2018

bsi.

SCREEN
Supply Chain Risk Exposure Evaluation Network

TT CLUB
50 years of established expertise

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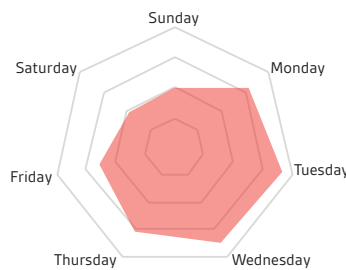
Introduction

BSI published this report in coordination with TT Club.

BSI Supply Chain Services and Solutions organization is the leading global provider of supply chain intelligence, auditing services, audit & risk management compliance solutions and advisory services. BSI's charter is to help corporations, governments and associations identify, manage and mitigate global supply chain risks and maintain world class governance risk and compliance programs. BSI's holistic supply chain risk management suite is designed to predict and visualize risk, and develop robust risk mitigation and compliance management programs to protect global supply chains, brand and reputation. BSI's intelligence-infused supply chain solutions and global network empower the clients to understand global supply chain risk with unequalled precision.

The TT Club is the international transport and logistics industry's leading provider of insurance and related risk management services. Established in 1968, the Club's membership comprises container owners and operators (shipping lines and lessors), ports and terminals, and logistics companies, including road, rail and airfreight operators.

Cargo Theft by Day



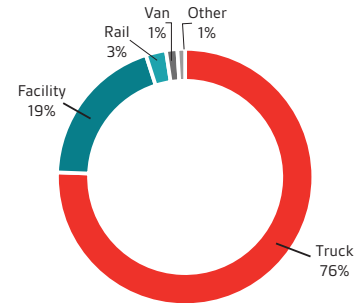
As a mutual insurer, the TT Club exists to provide its policyholders with benefits, which include specialist underwriting expertise, a world-wide office network providing claims management services, and first-class risk management and loss prevention advice.

The Club works with some of the world's largest operators, through to companies whose activities are on a smaller scale but face similar risks. Remarkably, in view of industry changes and consolidation, one third of the membership has chosen to insure with the Club for more than 20 years.

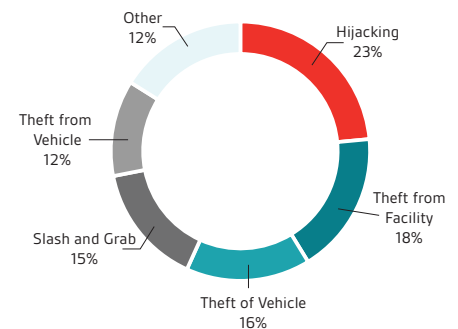
TT Club is managed by Thomas Miller, an independent and international provider of insurance, professional and investment services.

This report seeks to highlight major areas of concern, targeted modalities and commodities, and theft tactics utilized throughout the world. Each organization has the goal of helping companies stay informed on global cargo theft risks, ultimately helping to prevent freight crimes.

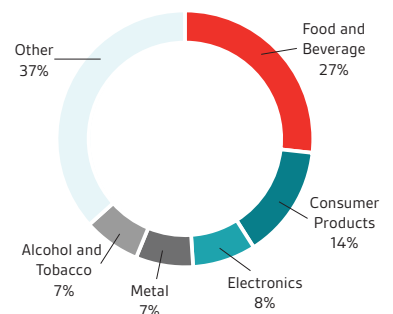
Modalities In Thefts



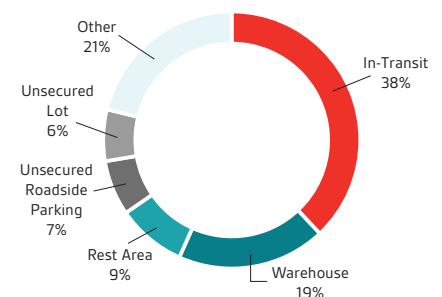
Types of Cargo Theft



Top Commodities Stolen

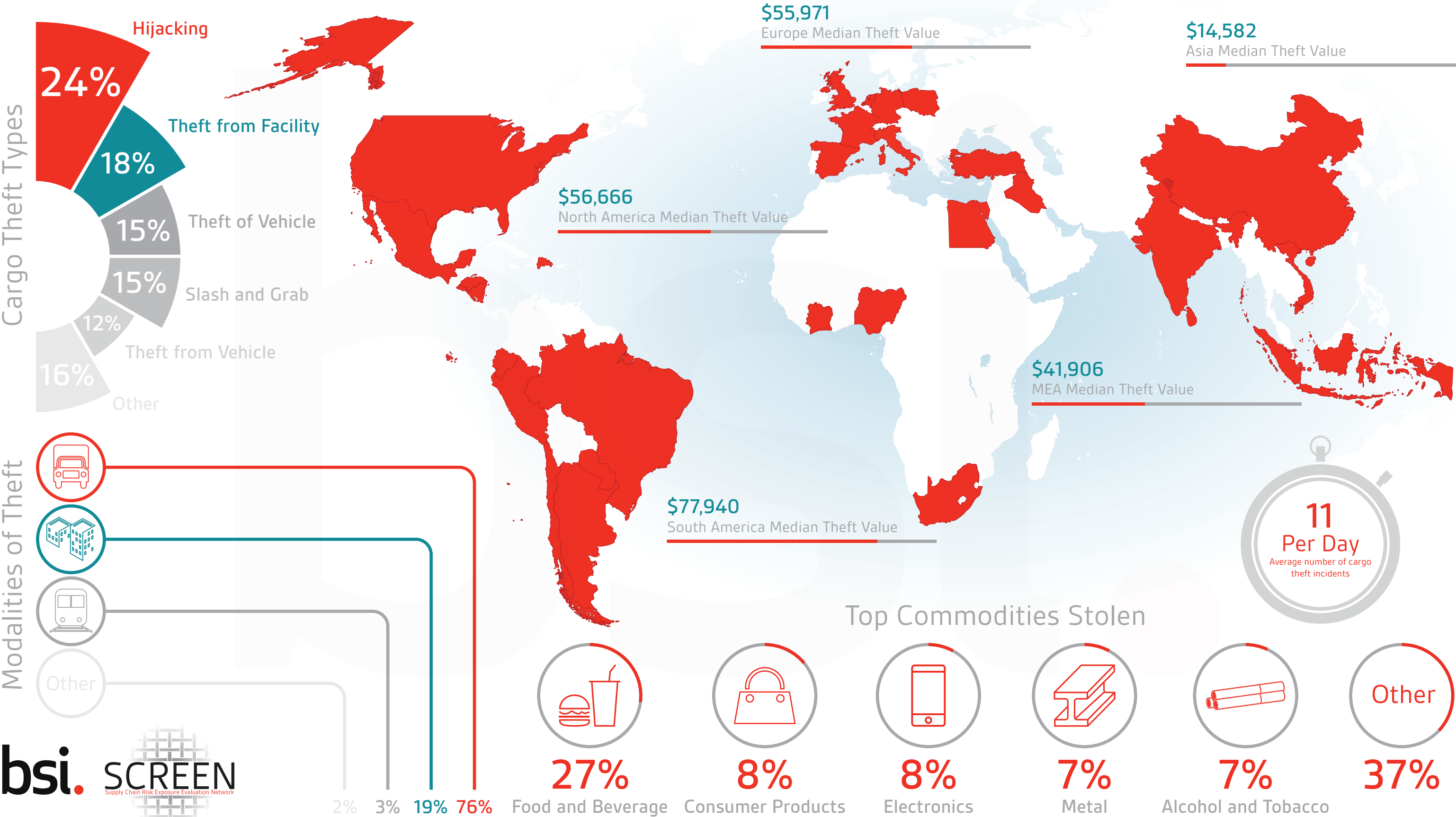


Location of Cargo Theft



Global Cargo Theft Trends - H1 2018

Countries with hijackings in H1 2018



Regional Overview

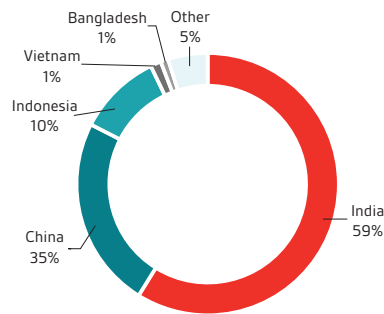
In Asia, BSI most frequently records cargo thefts in India and China. Cargo thieves in these two countries are similar in profile and employ a wide-range of theft tactics. These methods range from very opportunistic means, such as pilferage and thefts by drivers, to more organized tactics including in-transit truck thefts, where thieves drive a vehicle behind a moving cargo truck, board the vehicle, and then throw goods down to trailing accomplices. Other tactics include hijackings, slash-and-grab thefts, and counterweighting, where thieves remove goods and then use other items like rocks, sand, and water, to replace the weight of the stolen goods.

BSI most frequently recorded cargo theft incidents in Asia during the first half of 2018 at warehouse locations. This trend differs from other regions of the world, which generally see a higher rate of thefts involving the trucking modality.

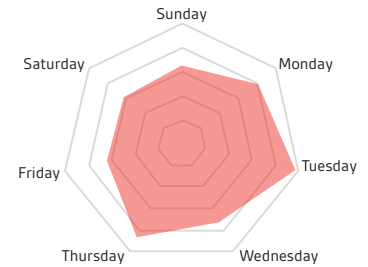
Supply chain corruption is also a major element of thefts in both India and China, with corrupt employees removing goods that they are transporting or accessing shipments stored in warehouses or logistics facilities. These thieves generally pilfer small amounts of items but occasionally manage to steal large quantities of goods.

Although Indonesia ranked third for total number of incidents recorded in the first half of 2018, BSI recently reduced the country threat rating for cargo theft in the country due to a decrease in the overall frequency of incidents in the country. Despite this observed decrease in cargo theft risk, BSI continues to note that hijackings and the extortion of cargo truck drivers remain risks in Indonesia.

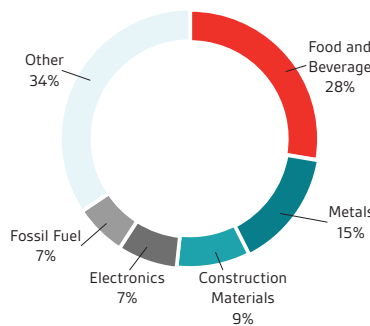
Top Countries for Cargo Theft Incidents



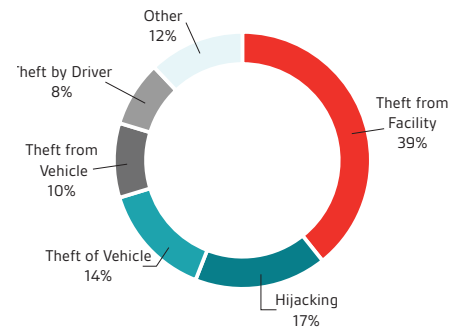
Cargo Theft by Day



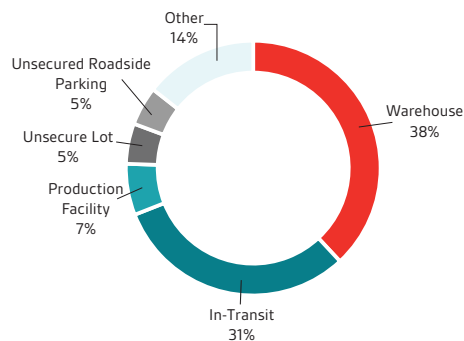
Top Commodities Stolen



Types of Cargo Theft



Location of Cargo Theft

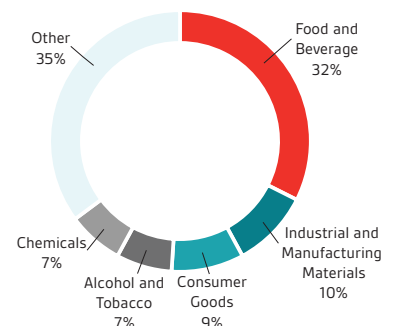


BSI Analysis: Food and Beverage Products Remain the Most Frequently Stolen Types of Goods in Indonesia

May 16, 2018

According to BSI incident data, cargo thieves in Indonesia most commonly steal shipments food and beverage items, followed by industrial and manufacturing materials and consumer goods. These commodities have remained the most frequently stolen products in Indonesia in recent years, with only minor variations among the top three categories.

Top Commodities Stolen Indonesia



Europe

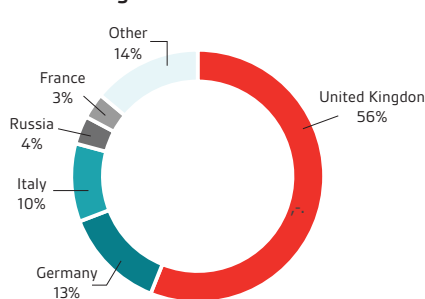
Regional Overview

The lack of secure parking for cargo trucks is a major driver of cargo theft trends in Europe. All major countries of concern for cargo theft in the region, such as the United Kingdom and Germany, lack a sufficient number of secure parking locations. Regulations that limit the length that cargo truck drivers can operate before taking a mandatory break also exacerbates the lack of secure parking and often force drivers to stop in vulnerable locations.

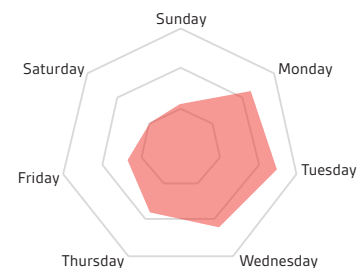
This issue can also be seen in both the modality and types of cargo theft that BSI recorded in Europe during the first half of 2018, with thieves targeting cargo trucks in an overwhelming 86 percent of incidents and using the slash and grab tactic in 48 percent of incidents. The high number of unsecured vehicles available for targeting helps explain the low number of facility thefts that BSI records in Europe. It is much easier for thieves to target an unsecured cargo truck than it is to infiltrate and steal goods from often more-secured warehouses and other types of supply chain facility locations. The prevalence of soft-sided trailers in Europe also promulgates this trend and primarily explains the high frequency of the slash and grab tactic, in which thieves cut into the tarpaulin covering trailers in order to quickly remove goods.

BSI frequently records slash and grab thefts throughout Europe. Although not as common of an occurrence in Europe as other regions in the world, namely South America, companies operating in certain countries in Europe should be aware of the potential for hijackings to occur. BSI most commonly records cargo truck hijackings in Italy and France.

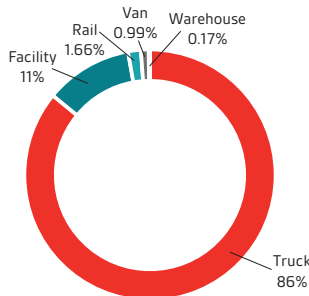
Top Countries for Cargo Theft Incidents



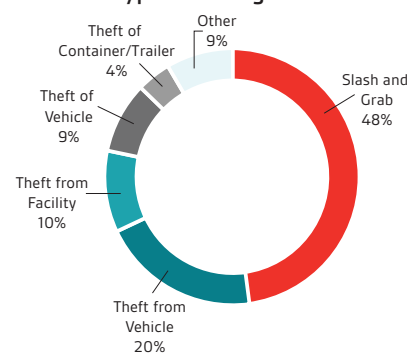
Cargo Theft by Day



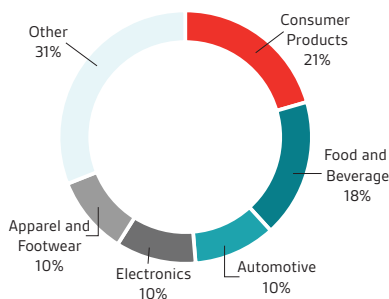
Modalities in Thefts



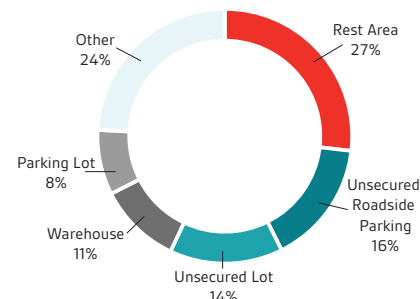
Types of Cargo Thefts



Top Commodities Stolen



Location of Cargo Thefts

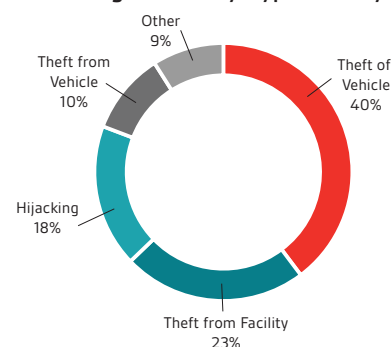


BSI Analysis: Theft of Trucks Remains Top Cargo Theft Type in Italy Last Year

June 13, 2018

BSI incident data reveals that thefts of cargo trucks remained the top cargo theft type. Thefts from facilities and hijackings followed as the most common types of cargo theft last year. Thieves in Italy most frequently hijack and steal vehicles while they are parked at company or delivery sites and while the vehicles are in-transit. Criminals occasionally utilize road blocks and personal vehicles to bring in-transit cargo trucks to a halt. BSI recommends that transport companies always park unattended vehicles in secure locations and implement live-loading techniques to prevent cargo losses overnight. Additionally, transporters should rely on major transport routes to mitigate the risk of potential hijackings on smaller roads, where criminals could more easily use road blocks. The BSI threat ratings for cargo theft and hijackings are both Severe.

Cargo Theft by Type in Italy



Middle East and Africa

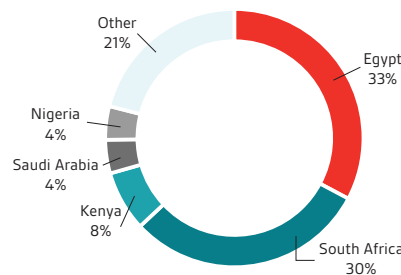
Regional Overview

Unlike other regions in the world, BSI most commonly recorded cargo truck hijackings as the primary type of theft in the Middle East and Africa. Poor security enforcement in most countries, combined with the widespread presence of weapons, enables thieves to conduct these frequently violent cargo truck hijackings with relative impunity. BSI most frequently recorded cargo truck hijackings in South Africa and Egypt during the first half of 2018.

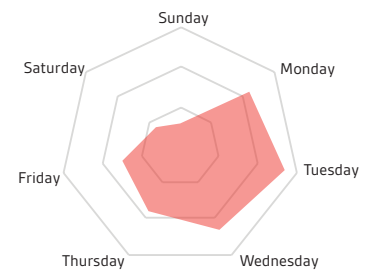
Much like other regions in the world, supply chain corruption often plays a key role in cargo theft in the Middle East and Africa. BSI has noted corrupt law enforcement officers facilitating thieves' use of police disguises in order to carry out cargo truck hijackings in the regions. While thieves are known to produce their own fake versions of uniforms or vehicles, some incidents involve thieves that have donned authentic police uniforms. Besides stealing the apparel, it is highly likely that in at least some of these instances corrupt law enforcement employees provided the uniforms to thieves.

BSI noted a spike in these types of thefts in South Africa during the first half of 2018. Known colloquially as "blue light" thefts, gangs in the country will use fake police cars outfitted with police lights, emblems, and loudspeakers as well as wear uniforms that are potentially supplied by corrupt police officers. Some recommended security practices to mitigate this type of theft risk include training drivers to identify authentic police attire and vehicles and maintaining routine truck maintenance to ensure that drivers are not stopped for a supposedly broken taillight or other issue that a driver would know is non-existent.

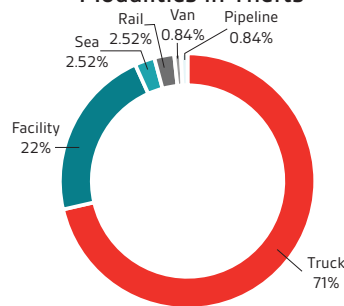
Top Countries for Cargo Theft Incidents



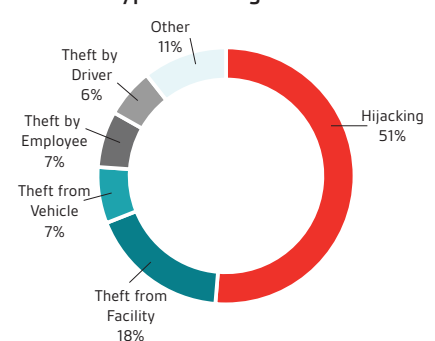
Cargo Theft by Day



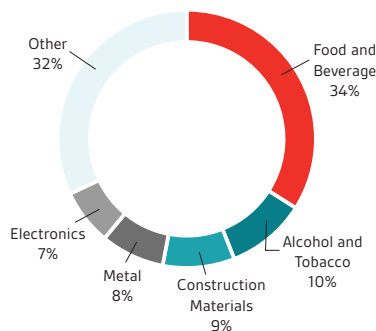
Modalities in Thefts



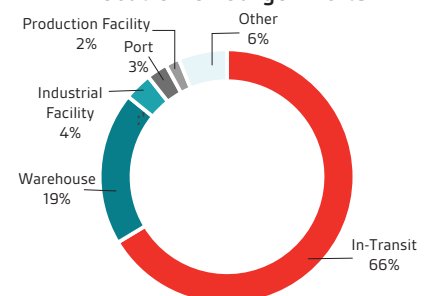
Types of Cargo Thefts



Top Commodities Stolen



Location of Cargo Thefts

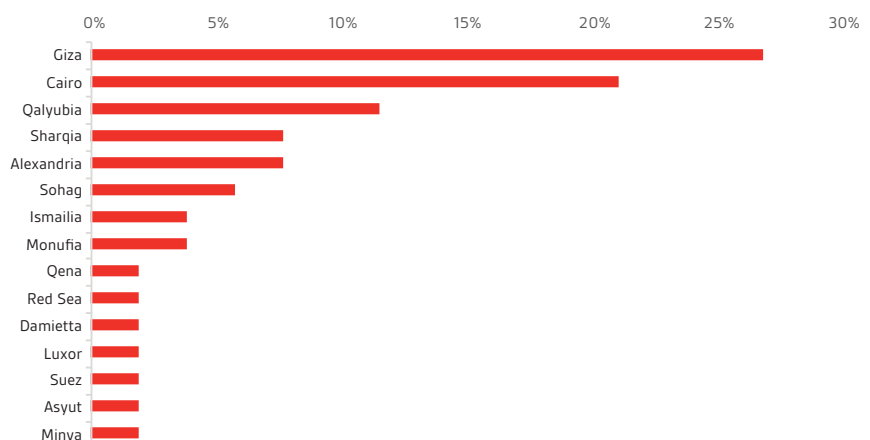


BSI Analysis: Cargo Thefts in Egypt Remain Concentrated in Giza and Cairo Governorates

June 12, 2018

BSI most frequently recorded cargo theft incidents in Egypt in the Giza and Cairo governorates. In particular, BSI recorded multiple incidents of cargo theft in the cities of Cairo and Alexandria, located in the Cairo governorate, and 6th of October in Giza. Other cities of concern for cargo theft include Kerdasa and Sheikh Zayed, both also located in Giza governorate. The threat of cargo theft in Egypt is High.

Cargo Theft by State



North America

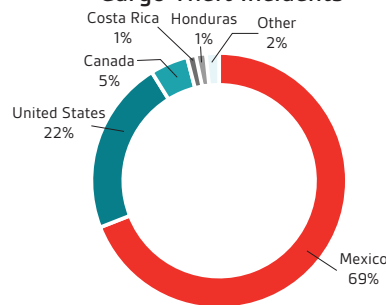
Regional Overview

North America balances between two types of cargo theft, split between the more reserved thefts of unattended cargo trucks that BSI records in the United States and Canada and the aggressive and often violent, hijackings characteristic of Mexico and the majority of Central America. Thieves in the United States and Canada most frequently steal unattended cargo trucks parked at unsecure locations, including truck stops and gas stations. Hijackings in these two countries are extremely rare.

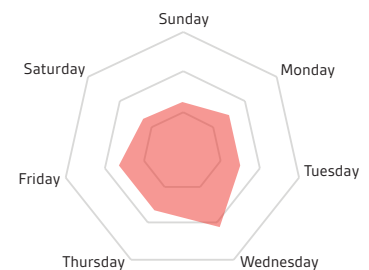
In contrast, thieves in Mexico and Central America utilize cargo truck hijackings as a primary tactic. In most incidents that BSI records in this region, thieves often brandish, and occasionally use, firearms in order to force cargo truck drivers to the side of the road. Thieves commonly take drivers hostage during cargo truck hijackings, holding these personnel generally for a short period of time in an attempt to delay police response.

Despite the difference in tactics used by thieves within North America, BSI continues to note similarities among all countries in the region when analyzing the types of commodities stolen most frequently. In the first half of 2018, BSI recorded more thefts of food and beverage shipments in North America over any other type of good. Other types of goods that thieves frequently stole over the time period include consumer products, construction materials, and electronics.

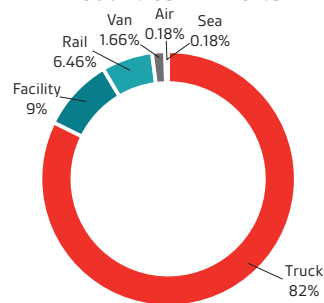
Top Countries for Cargo Theft Incidents



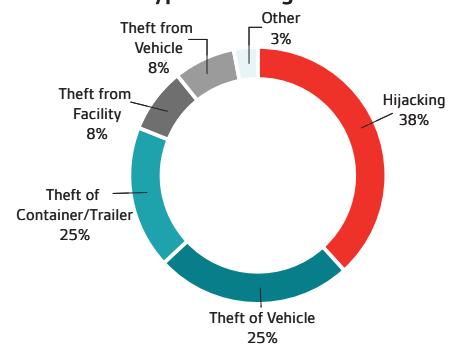
Cargo Theft by Day



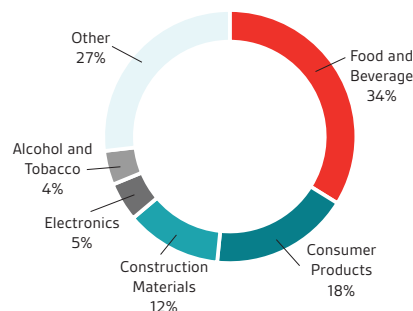
Modalities in Thefts



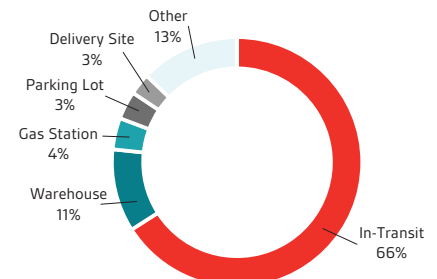
Types of Cargo Thefts



Top Commodities Stolen



Location of Cargo Thefts

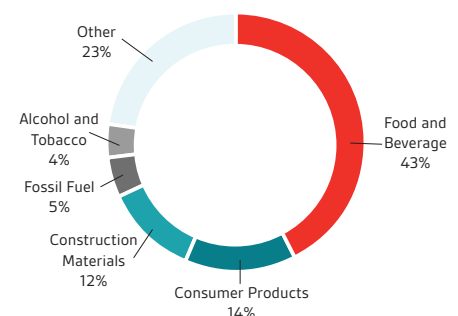


BSI Analysis: Thieves and Organized Criminal Groups in Mexico Continue to Most Frequently Steal Food and Beverage Goods

June 8, 2018

BSI assesses that cargo thieves and organized criminal groups in Mexico continue to most frequently steal food and beverage commodities, accounting for 43 percent of thefts. BSI incident data indicates that thieves throughout Mexico most frequently stole staple food and beverage products, followed by other commodities including consumer products, fossil fuels, construction materials, and alcohol and tobacco. Thieves also stole shipments of electronics, apparel and footwear, automotive, pharmaceuticals, and appliances, albeit at a lower rate. BSI assesses that criminal groups engaging in cargo thefts in Mexico do so without targeting specific commodities, with thieves increasingly targeting all forms of transportation, including trucking and rail modalities, for food and grain products. The threat of cargo theft in Mexico is Severe.

Targeted Commodities in Mexico



South America

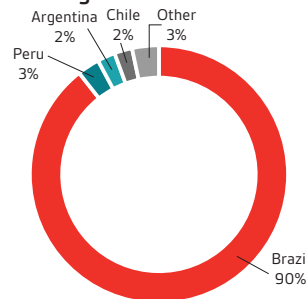
Regional Overview

No other region in the world suffers from a higher rate of cargo truck hijackings than South America. BSI recorded cargo truck hijackings in almost every country in the region during the first half of 2018, with thefts in Brazil accounting for the vast majority of collected incidents. The country continues to suffer from the highest rate of cargo truck hijackings in the world, with annual incident numbers totalling in the tens of thousands.

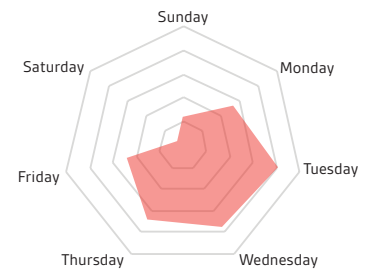
One likely factor that explains why cargo theft has risen so steeply in Brazil is the entrance of major gangs into the country's illegal drug trade and their need to finance such ventures. Local officials indicated that these gangs increasingly began to conduct cargo thefts as a way to finance their illegal drug trafficking operations. The First Capital Gang (Primeiro Comando da Capital – PCC) is one such organized criminal group that BSI has identified as being tied to both cargo theft and illegal drug trafficking via cargo shipments. A lack of sufficient police resources and response almost certainly enabled the rate of cargo theft to expand in Brazil over the last several years.

Other countries of concern for cargo theft in South America include Argentina, Chile, and Peru, all of which similarly suffer from high rates of cargo truck hijackings.

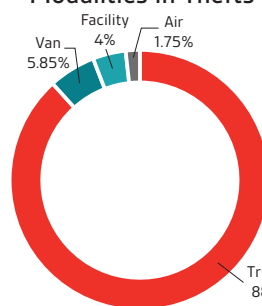
Top Countries for Cargo Theft Incidents



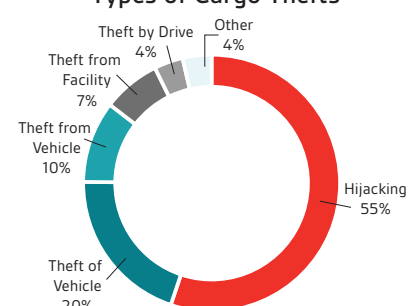
Cargo Theft by Day



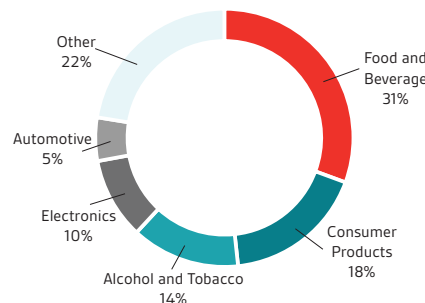
Modalities in Thefts



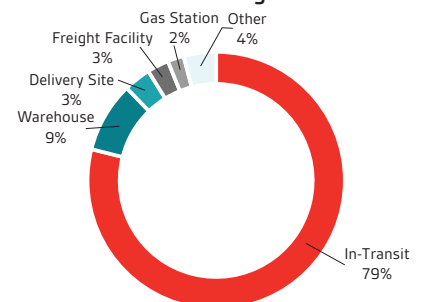
Types of Cargo Thefts



Top Commodities Stolen



Location of Cargo Thefts

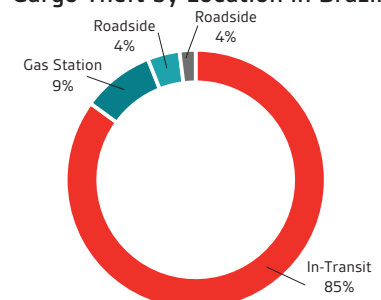


BSI Analysis: Cargo Thefts in Brazil Most Likely To Occur In-Transit

June 8, 201

BSI incident data reveals that cargo thefts in Brazil continue to occur most commonly while cargo trucks are in-transit. Thieves often threaten truck drivers at gun point and take the individuals hostage during hijackings of in-transit cargo trucks. Other frequent locations for cargo theft in Brazil include gas stations, on roadsides, and at warehouses. The threat of cargo theft in Brazil is Severe.

Cargo Theft by Location in Brazil



Supply Chain Security Holistic Risk Mitigation Strategies

As the data in this report illustrates, the most vulnerable point in the supply chain for cargo theft is when the cargo is in transit. If it's on the move it's at risk!

Whilst the trends in the regional reports demonstrate that there is no one size fits all solution to the threat of cargo theft, there are several recommended best practices and processes which when adhered to can serve to mitigate the overarching risks.

The section below outlines a series of holistic strategies which can be adopted by all stakeholders to mitigate the threat of cargo theft through the global supply chain. The various strategies are broadly set out in the chronology that stakeholders would ordinarily address in terms of approaching this supply chain risk.

Due diligence

Due diligence is of utmost importance in all business undertakings. A primary objective being to protect your business from non-payment for services or to ensure that the customer you are acting on behalf of is legitimate and not themselves partaking in fraudulent business activities. In this context it can also assist in developing a sound understanding of the type and value of cargo your customer is shipping which will afford you the opportunity to fully assess the risk of theft. Ensure that freight contracts are interrogated and overly onerous clauses in relation to security provisions are identified, considered and where appropriate challenged. Can your business actually achieve the desired provisions? Where due diligence in this regard is undertaken the freight operator should never be placed in a position where they have contracted to ship a high value theft attractive cargo without sufficient time to plan.

A perhaps less obvious objective of performing due diligence is to protect your business from falling victim to the fraudulent activity of service providers and sub-contractors, which can give rise to cargo theft. It is vital to fully understand who you are subcontracting with and that they are a viable and reputable company. In the event of a theft incident involving your subcontractor in most instances it will be they that recovery is sought from. If a robust selection and management process is not in place, then there is an increased risk of exposures.

It is recommended that freight operators develop and implement a robust approved contractor process which should be adhered to always, regardless of time pressures and temptations borne

out of convenience to short cut around it. Freight operators should endeavour to source a sufficient number of approved sub-contractors to cope with peak volumes.

It is recommended that all Members implement procedures identifying the initial evaluation process, how the supplier will be approved and a monitoring procedure to ensure that the expected performance is maintained.

Due diligence should be performed prior to any appointment, no matter how time sensitive the delivery may be. The exposure, both financially and commercially, for a late delivery will almost certainly be outweighed in the event of a cargo theft.

It is recommended that a series of checks are undertaken including:

Identity

- Identify the service provider, including full registered address, details of the Directors, contact details (question service providers who don't have a website or appear to trade only from free mail accounts and mobile phone numbers).
- Establish the nature of the ownership of their business – are they part of a larger group?
 - In which country they are domiciled.
 - It may also be possible to check and verify items such as their VAT number which may provide an indication as to the legitimacy of their business.

Commercial

- Have annual accounts been filed, are they accessible and what do they say?
 - Consider the use of a credit rating agency to undertake independent verification of the businesses financial standing.
 - Obtain trade references.
 - Obtain evidence to support any associations with trade bodies and accreditations.
 - Obtain details of their relevant insurer and insurance cover.
 - What jurisdiction does the service provider nominate within their terms and conditions?

Capability

- Is the proposed service provider able to meet your expectations?
- Do they operate a sufficient number of trucks?
- Do they have sufficiently trained staff for example to handle dangerous goods?
- Do they have expertise in the packing of CTU's?

Contracting with service providers

Once due diligence has been completed and a suitable service provider identified, the contract with and the management of the service provider then takes precedent. It is recommended that freight operators ensure that: -

- Your standard terms and conditions are adequately incorporated into the contract of carriage.
- You understand the terms and conditions of your subcontractor.

In terms of the operational management of service providers, consideration should also be given to incorporating clear expectations through the provision of Service Level Agreements which could include but not limited to items such as: -

1. Delivery instructions and expectations ((Protection from diversion/around the corner theft)
2. Expectations in relation to documentation, POD retrieval etc.
3. Freight and other payment requirements.
4. Expectations in relation to security provisions. (Locking devices/GPS devices)
5. Expectations in relation to parking provisions. (Secure parking)
6. Expectations in relation to further sub-contracting work.

Security Risk Management and Operational Protocols

Natural fluctuations in market conditions can serve to affect the theft attractiveness of certain commodities. It is recommended that due diligence is undertaken to understand the latest trends in terms of commodities stolen, to enable the freight operators to prepare and consider the most appropriate steps to mitigate the risk through the development and application of effective security risk management and operational protocols. Whilst not exhaustive, the following items should be considered.

Security Management

- Develop security management structure with responsibilities for;
 - Documenting policy and procedures.
 - Development of supplier security compliance controls.
 - Development of security risk management controls, including audit and review.
 - Developing risk analysis procedures for routes, transportation, storage and secure parking.
 - Conducting loss investigations.
 - Maintaining collection and delivery records.

Training

- Develop training and education programmes for workforce to include as a minimum;
 - Threat awareness, robbery response, vehicle checking, recognition of developing threats, use of secure parking, appropriate responses to threatening events, and communication with police and management

Risk Management

- Identify the cargo type and value.
 - Is a cargo insurance policy in place?
- Select the most appropriate vehicle and team configuration.
 - Is it appropriate to select a hard-sided vehicle/ trailer?
 - Is the cargo of sufficient volume to consider travelling in convoy?
 - Is it appropriate to double man the vehicle?
- Plan the intended route and build contingencies.
 - What is the length of the drive?
 - Will the vehicle need to park overnight?
 - Will the vehicle need to be left unattended?
 - Are high-risk zones a part of the route?
 - Are there alternative routes?
 - Where appropriate can the use of minor roads be avoided?
 - What communications are available for the driver?
 - What are the expectations of the driver to check in at various times?
 - Does the driver use social media sites to update friends and family of their location?

Workforce Integrity

- Implement a screening/vetting procedure to ensure workforce integrity, to include;
 - Employee and contractor past employment and criminal history checks.
 - Consider employee or contractor signing a declaration that they have no current criminal convictions and will comply with security procedures.
 - Develop a procedure for dealing with workforce's false declaration pre- & post hiring.
 - Develop a procedure to recover physical assets from terminated workforce to include company IDs, access badges, keys, equipment, or sensitive information.

Operational Protocols

- Physical security locks and devices
 - Consider using available locking devices.
 - Consider the use of GPS tracking devices in the vehicle/ trailer.
 - Consider the use of covert GPS tracking devices within the cargo.
 - Consider using kingpin locks where trailers are parked in depots.
 - Consider utilising vehicle mounted camera equipment.
 - Consider the use of forensic coding technology to deter perpetrators.
 - Consider the preservation of security seals post-delivery – in the event that a theft is reported – to assist with investigations.

- Security procedures.

- Implement key control procedures to ensure vehicles are locked and keys not readily available when the vehicle is not in use.
- Ensure procedures are in place to ensure whenever possible that vehicles are not left unattended.
- Develop procedures to continuously train driving staff and service providers to ensure they are fully aware of the associated risks.
- Develop procedures to ensure drivers are trained to recognise suspicious behaviour, including the recognition of perpetrators impersonating law enforcement officials.
- Develop procedures in the risk management process to vary routes – where possible don't be predictable - route plan where possible to only use major roads to lessen the risk of road blocks
- Develop procedures to share experiences with other freight operators – learn from others' experiences (good and bad)

- Communications

- Develop communication processes to raise alert to the relevant authorities when alarms are triggered.
- Test escalation processes and associated responses.
- Consider installing a panic button to alert stakeholders to an attack.
- Consider using security signage on the vehicle/ trailer to deter attack.

- Track and Trace

- If fitted, ensure track and trace procedures are in place to ensure vehicles are monitored effectively during transit, with alert response, communications and escalation protocols developed and tested.

For more information, please contact us at **supplychain@bsigroup.com** or visit us at **bsi-supplychain.com**.

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BSI Supply Chain Services and Solutions

BSI Supply Chain Services and Solutions is the leading global provider of supply chain intelligence, auditing services, audit compliance and risk management software solutions, and advisory services. Our mission is to help corporations, governments and associations identify, manage and mitigate global supply chain risks and maintain world class governance risk and compliance programs. Our holistic supply chain risk management suite is designed to predict and visualize risk, and develop robust risk mitigation and compliance management programs to protect your supply chain, brand and reputation. Our intelligence-infused supply chain solutions and global network empower our clients to understand global supply chain risk with unequaled precision.



Supply Chain Risk Exposure Evaluation Network (SCREEN), allows organizations to actively identify and monitor supply chain security, social responsibility, and business continuity threats and trends at a country level. SCREEN's robust modules provide insight into geographic risk for over 20 proprietary risk indicators in more than 200 countries.



Supplier Compliance Manager (SCM), is an automated self-assessment and audit analysis solution that quantifies and tracks supplier risk and compliance through various assessment methods to ensure your supply chain, brand and reputation are protected. SCM provides corporations with complete insight into their global operations, and streamlines their risk and compliance management efforts by utilizing a single, comprehensive solution.



BSI Supply Chain Verification Auditing Services, VerifEye, enables organizations to gain complete visibility into their suppliers' practices and procedures worldwide. Our audits are customizable, allowing each client to structure the audit and audit report as they like. Our audits provide your organization cost-effective assurance that your suppliers are not exposing your brand to potential security, social responsibility or business continuity risks.

Advisory Services

BSI's Advisory Services are driven by experienced supply chain professionals that leverage proven risk-based methods to provide timely insights into potential problems within a supply chain to ensure an organization can effectively identify, manage and mitigate risk. BSI's advisors will assist you in developing or enhancing a risk management program, preparing and applying for a government program certification and analyzing your supply chain on a country or lane-to-lane basis to gain a better understanding of potential global risks.

Training

BSI's Training Programs help build awareness and develop a deeper understanding of supply chain security, corporate social responsibility and business continuity risks and how to manage them. Our customizable training programs will provide your operations with the information they need to proactively identify, and mitigate global threats. Training can be provided through an e-learning course or presented on-site by one of BSI's experts.



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