



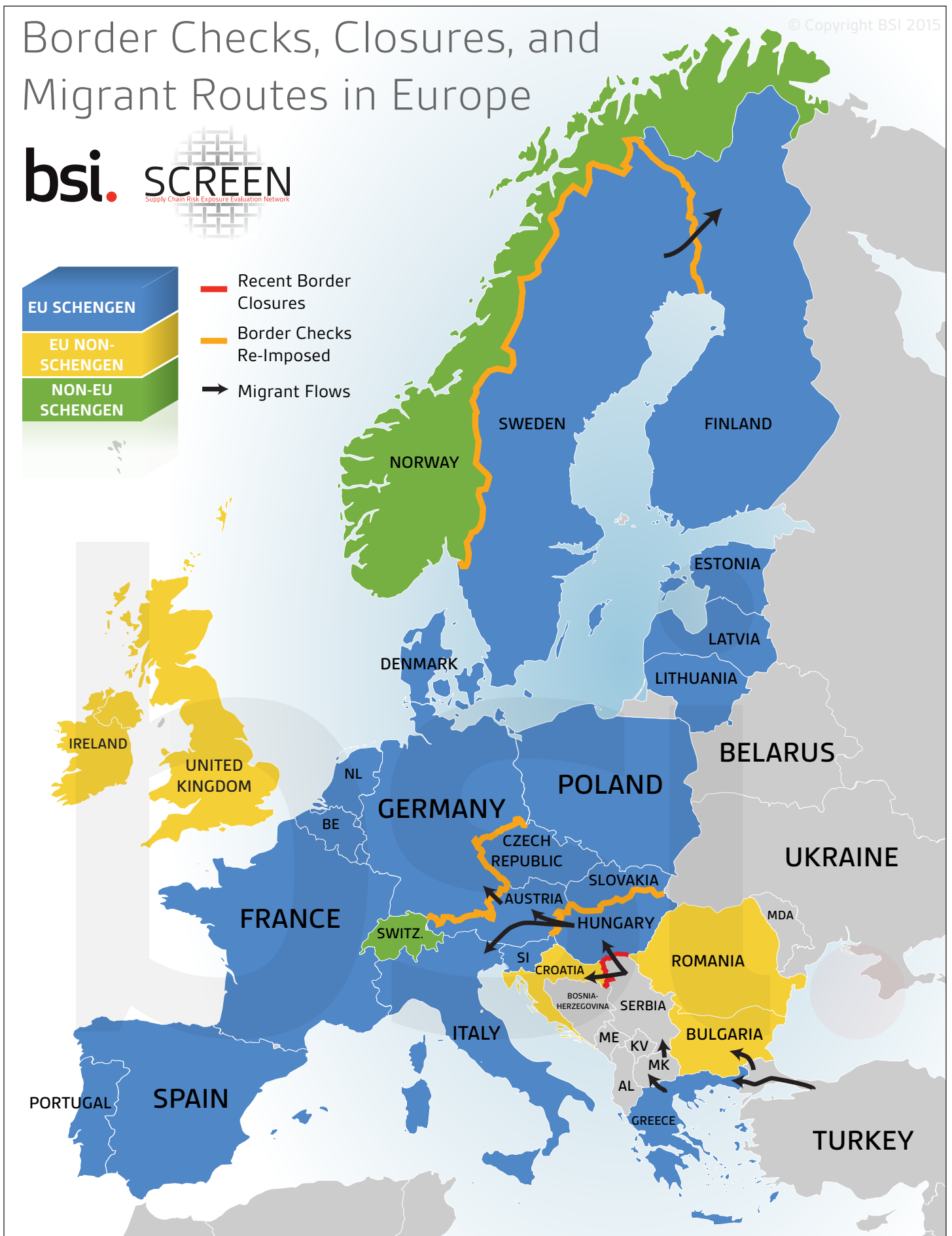
2015 Security Risk Index

Over the last quarter BSI has recorded and analyzed various global security threats and their impact on the supply chain. This Risk Index Report will shed light on some major areas of concern and evolving trends that have developed over the last few months, such as Europe's migrant crisis and China's emerging moving truck thefts.

Border Checks, Closures, and Migrant Routes in Europe



- Recent Border Closures
- Border Checks Re-Imposed
- Migrant Flows



Europe's Migrant Crisis Causing Disruption to Cargo Transportation Across the Continent

The major influx of refugees fleeing conflict-riven countries in the Middle East has caused disruption to cargo transportation across the continent. Large numbers of refugees surging across national borders has forced the re-imposition of checks at previously open borders in the European Union, delayed or stopped transportation at key choke points, or led to the outright closure of some borders to all traffic. BSI reported border closures or transportation stoppages and slowdowns at ten different European Union borders in three weeks in September, an unprecedented disruption since the EU countries began allowing the free movement of people and goods across borders in 1995.

Some of the most serious interruptions were seen in Calais in northern France. A combination of strikes and migrant activity near the port and Channel Tunnel entrance in Calais resulted in losses of approximately \$1 billion for the economy of the United Kingdom, which relies on these facilities for trade with the continent. Losses due to contamination of cargo shipments by stowaways were particularly serious for the pharmaceutical and food industries, with BSI recording one lost shipment of pharmaceuticals valued at \$3.9 million. Delays and stoppages in Calais cost UK shippers an estimated \$1.2 million and Dutch shippers around \$545,000 each day.

The surge of refugees into Europe in September led many countries to re-impose border checks in areas where they had previously allowed free passage of cargo and people. Border checks have resumed at Germany's border with Austria and the Czech Republic, Slovakia's border with Hungary, Austria's border with Hungary, and Norway's border with Sweden. All of these checks have slowed trade in Europe, leading to mounting costs for shippers. In particular, the checks along Germany's southern border have hurt trade with Italy, as Italian exports to Germany have been delayed.

Daring Moving Truck Thefts Seen in Several Provinces in China

Since the beginning of 2015, BSI has recorded "moving truck" thefts in a number of Chinese provinces, including the major production hub of Guangdong. Thieves in these incidents target in-motion trucks, jumping onto them while they are moving at 30 or 40 miles per hour to remove goods and toss them to accomplices driving alongside. Within Guangdong, thieves have targeted trucks travelling along the G4 highway between Huado and Shaoguan and along the G45 highway, both north of the cities of Guangzhou and Shenzhen. BSI has recorded the theft of high-value goods during these incidents, including \$40,000 of leather clothing, \$55,000 of medicines, and electronics.

Locations of Moving Truck Thefts, 2015



Use of Violence Jumps As Number of Cargo Truck Hijackings in South Africa Increases

The number of cargo truck hijackings in South Africa has continued to climb, rising 29.1 percent last year to 1,279. Along with the increase in the number of hijackings, BSI has noted the increasing use of violence in these hijackings. A total of 10 security escorts were wounded in 12 different incidents attempting to defend cargo trucks from hijackers over the past year. Even more worryingly, some of the perpetrators in these incidents are current or former police or security officers using sophisticated assault-style techniques and technologies such as GPS jammers.

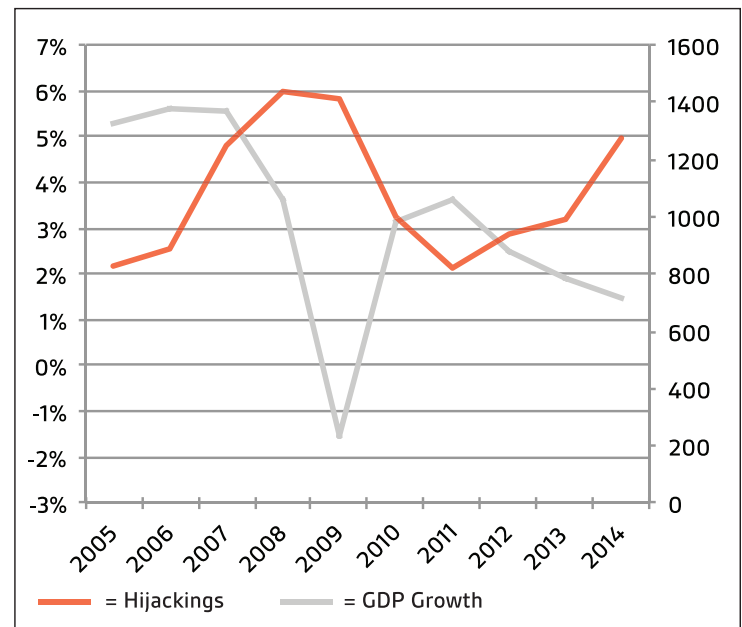
Though it may appear that hijackings are rising inexorably in South Africa, BSI has actually observed a tight correlation between GDP growth and the number of hijackings in the country. Hijackings tend to steadily increase when GDP growth slows in South Africa and decrease when the economy is healthier. From 2010 to 2012, the South African economy maintained GDP growth rates around 3 percent despite the global recession and the number of hijackings dipped as low as 800 in 2011. As GDP growth began to slow to 2 and then 1.5 percent in 2014, hijacking increased to the 1,279 recorded last year. As the South African economic growth is forecast to improve slightly in 2015, there may be a corresponding dip in the number of hijackings.

Arrest or Death of Major Cargo Theft Gang Members in Malaysia Drives Decrease in High-Value Thefts

Malaysia is one area where BSI is seeing an improvement in cargo security, where concerted police action against organized cargo theft gangs has led to a drop in the average and median value of thefts in the country over the past year. The median value of thefts in Malaysia in 2015 dropped to \$53,800 from \$198,600 in 2014, while the average value of thefts fell to \$74,389 from \$234,059 in 2014. Thefts of electronics and other high-value goods used to occur frequently in Malaysia, and BSI recorded several thefts of goods valued at greater than \$1 million recorded in 2014. In 2015, however, lower-value thefts have become the norm.

Much of this decrease may be attributable to the capture or death of a number of members of the Mamak cargo theft gang, a prolific group of thieves specializing in high-value electronics thefts. A series of arrests and shootouts at the end of 2014 left many of the Mamak cargo theft gang members either dead or imprisoned, while remaining members of the gang appear to have moved into other criminal enterprises such as personal vehicle theft and bank robberies. The Mamak cargo theft gang re-formed following arrests in the early 2000s, so it remains to be seen whether the current decrease in high-value thefts can be sustained.

Rate of GDP Growth vs. Hijackings in South Africa



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