

BSI and TT Club Cargo Theft Report 2021

2020 Data
February 2021



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INTRODUCTION

BSI publishes this report in coordination with TT Club. BSI Supply Chain Services and Solutions is the leading global supply chain intelligence provider, 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, brands, and reputation. BSI's intelligence-infused supply chain solutions and global network empower the clients to understand global supply chain risk with unequaled precision.

TT Club is the established market-leading independent provider of mutual insurance and related risk management services to the international transport and logistics industry. The Club's services include specialist underwriting, claims management, and risk and loss management advice, supported by a global office network. TT Club's primary objective is to help make the industry safer and more secure. Established in 1968, TT Club has more than 1100 Members, spanning owners and operators, ports and terminals, and logistics companies, working across maritime, road, rail, and air. Members range from some of the world's largest logistics operators to smaller, bespoke companies managing similar risks. The Club is renowned for its high-quality service, in-depth industry knowledge, and enduring Member loyalty. It retains more than 93% of its Members with a third of its entire membership having chosen to insure with the Club for 20 years or more. TT Club is managed by Thomas Miller - an independent and international provider of insurance, professional, and investment services.

Global Cargo Theft Trends

Throughout 2020, global supply chains faced one of the largest threats to security, continuity, and resiliency with the COVID-19 pandemic, which continues to cause disruptions, threaten supply chains, and have massive residual impacts globally. Many of the concerns BSI and TT Club monitored throughout 2020 set the tone for continued risk to supply chain security in 2021. Several emerging challenges and persistent risks are likely to play a large role in the upcoming year. This report seeks to highlight the cargo security threats that plagued supply chains in 2020 and provide organizations with mitigation techniques to combat these threats and some of the emerging risks we anticipate for 2021.

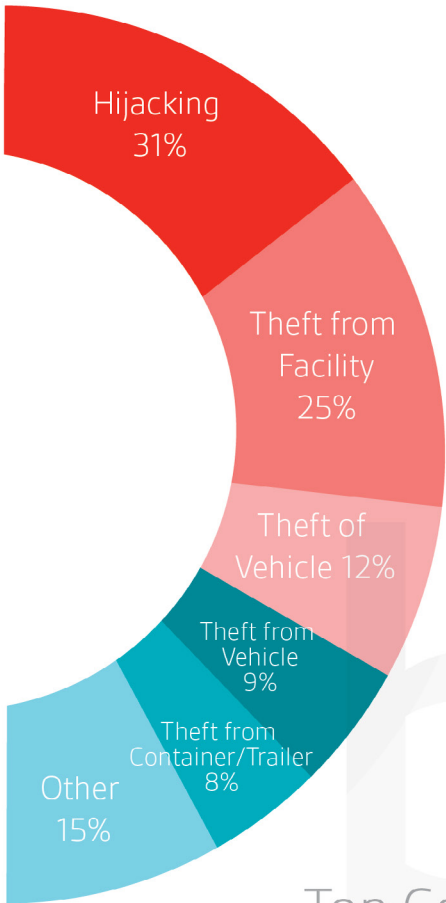
The COVID-19 pandemic created atypical challenges in 2020 adding new complicated threats to pre-existing supply chain risks; with lockdowns, diminished supplies, and transportation restrictions, cargo theft trends changed to focus on new highly-valued targets and locations. Beyond these trends in cargo theft seen globally, several other problems present a cross-over risk for cargo losses such as corruption within the supply chain, smuggling of drugs and persons, and disruptions to business continuity that created opportunities for cargo crime to thrive, which can, at a minimum, delay the progress of shipments through the supply chain and, at a maximum result, in a total loss of goods due to the breach of shipment integrity.

In 2020, BSI and TT Club analyzed and identified several critical trends among recorded cargo theft incidents. These trends included both the overwhelming targeting of cargo trucks for theft compared to all other modalities, despite an uptick in facility thefts in several regions, as well as the food and beverage industry suffering from the most theft incidents. As we look to 2021, organizations should remain vigilant of the security risks that created a landscape for cargo crime last year. As well as new threats surrounding the distribution of the COVID-19 vaccine, bottlenecks at ports and warehouses due to the continual rise in e-commerce and storage constraints, and the emerging after-effects of the COVID-19 outbreak will increase the opportunities for cargo crime to occur.

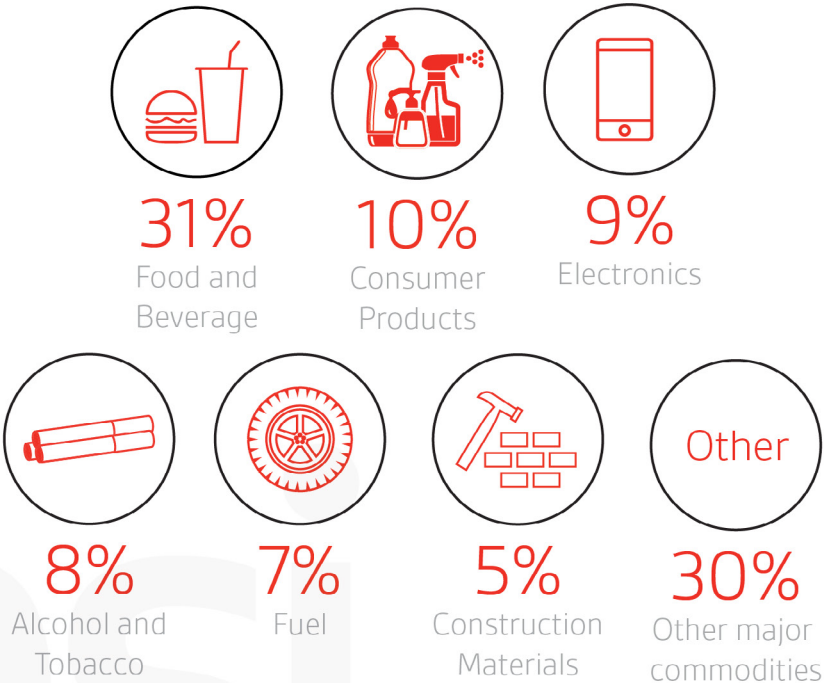
Cargo Theft Trends Global 2020

Based on recent incident data via collaboration and partnerships with law enforcement, government, non-government, commercial partners, trade associations, open-source media reports, and input from BSI advisors and expert consultants

Cargo Theft Types



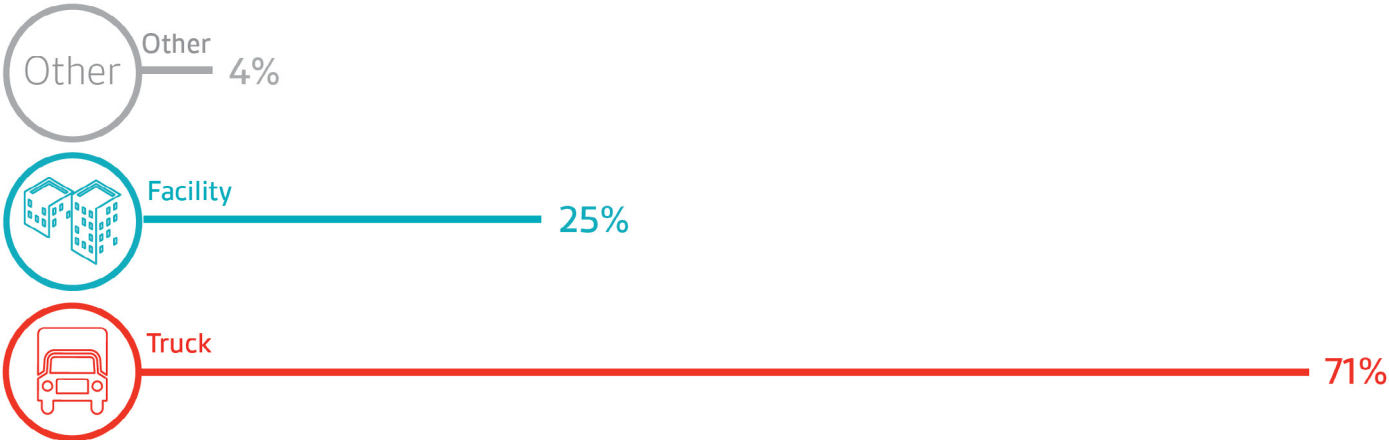
Top Commodities Stolen



Top Countries for Cargo Theft



Modalities of Theft



Cargo Theft Trends Global 2019 v. 2020

Based on recent incident data via collaboration and partnerships with law enforcement, government, non-government, commercial partners, trade associations, open-source media reports, and input from BSI advisors and expert consultants

Cargo Theft Types

Hijacking

Theft from Container/Trailer

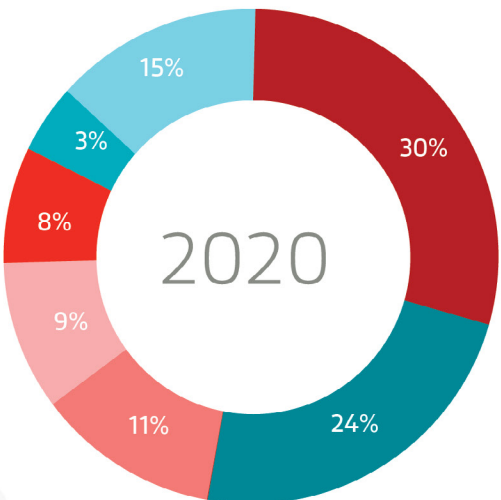
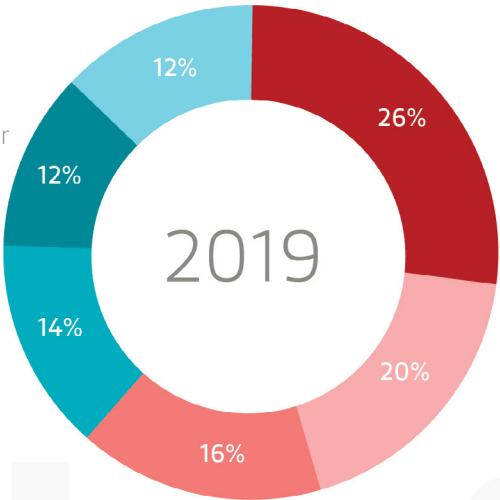
Theft of Vehicle

Theft from Vehicle

Theft from Facility

Slash and Grab

Other



Modalities of Theft



Other

2019
2020

87%
71%

10%
25%

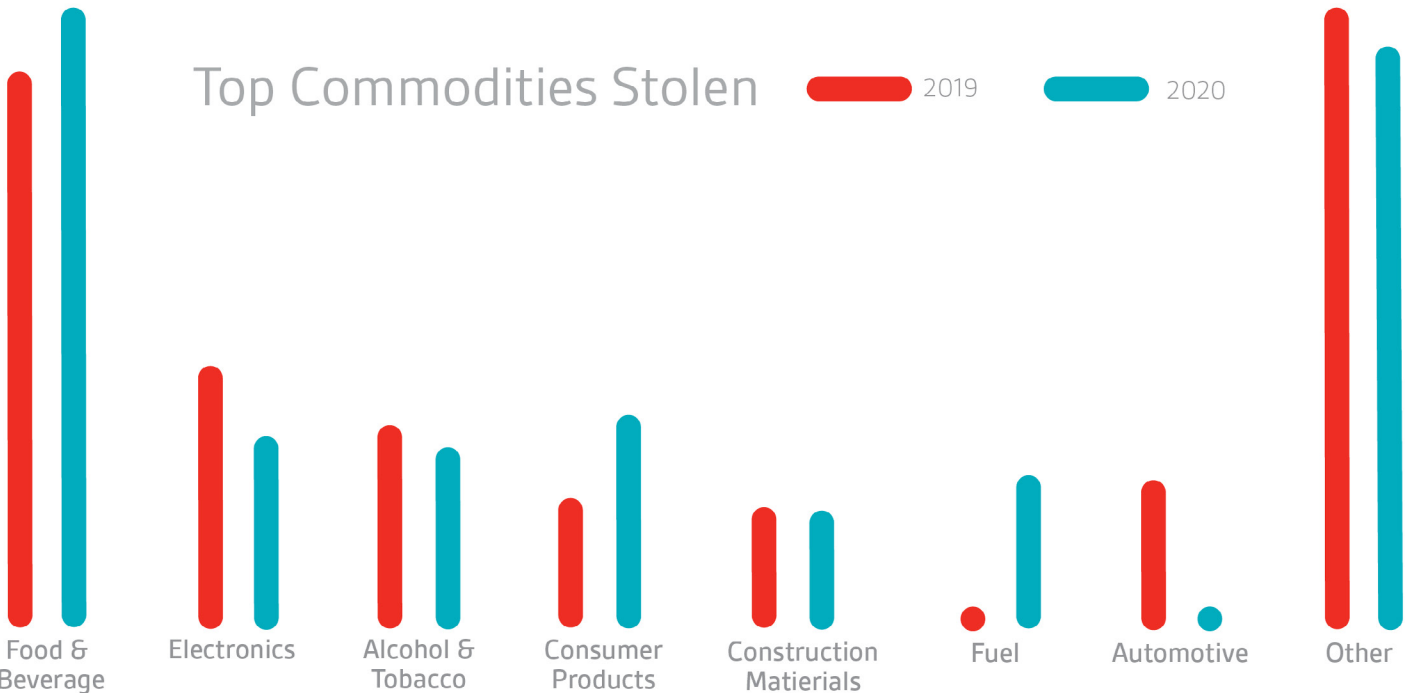
1%
<1%

2%
4%

Top Commodities Stolen

2019

2020





ASIA

In Asia, India, Indonesia, China, and Bangladesh were the top countries for cargo theft incidents. Cargo thieves in Asian countries operate relatively similarly, capitalizing on poor access controls at facilities.

A significant portion of incidents in China involved thieves stealing goods directly from facilities, a trend demonstrative of a historically low level of access controls exacerbated by an added vulnerability caused by the backlog of goods in warehouses and facilities as a result of limited movement allowed by COVID-19. Thefts from warehouses and facilities accounted for the majority of thefts in Indonesia, India, and Bangladesh; although thefts from trucks occurred regularly. BSI and TT Club continued to record the highest number of thefts in food and beverage products in Asia. Electronics and construction materials ranked second and third, respectively.

Despite the pandemic and related lockdowns and restrictions, drug smuggling continued to occur throughout Asia, as well as into other regions globally. COVID-19 conditions and repressed exports caused drug traffickers to shift and adapt, utilizing new methods and routes to move drugs. Despite a primary emphasis on precursor chemicals smuggled via air and sea shipments, United States customs agencies noted that precursor chemicals for narcotics in China are now likely traveling via land routes to regional laboratories or stockpiling. In 2020, India was a significant center for smuggling ephedrine to other countries, primarily Malaysia and countries in Africa; with drug traffickers utilizing cargo trucks and trains to move ephedrine.

Supply Chain Corruption Plays a Significant Role in Cargo Crime in South East Asia

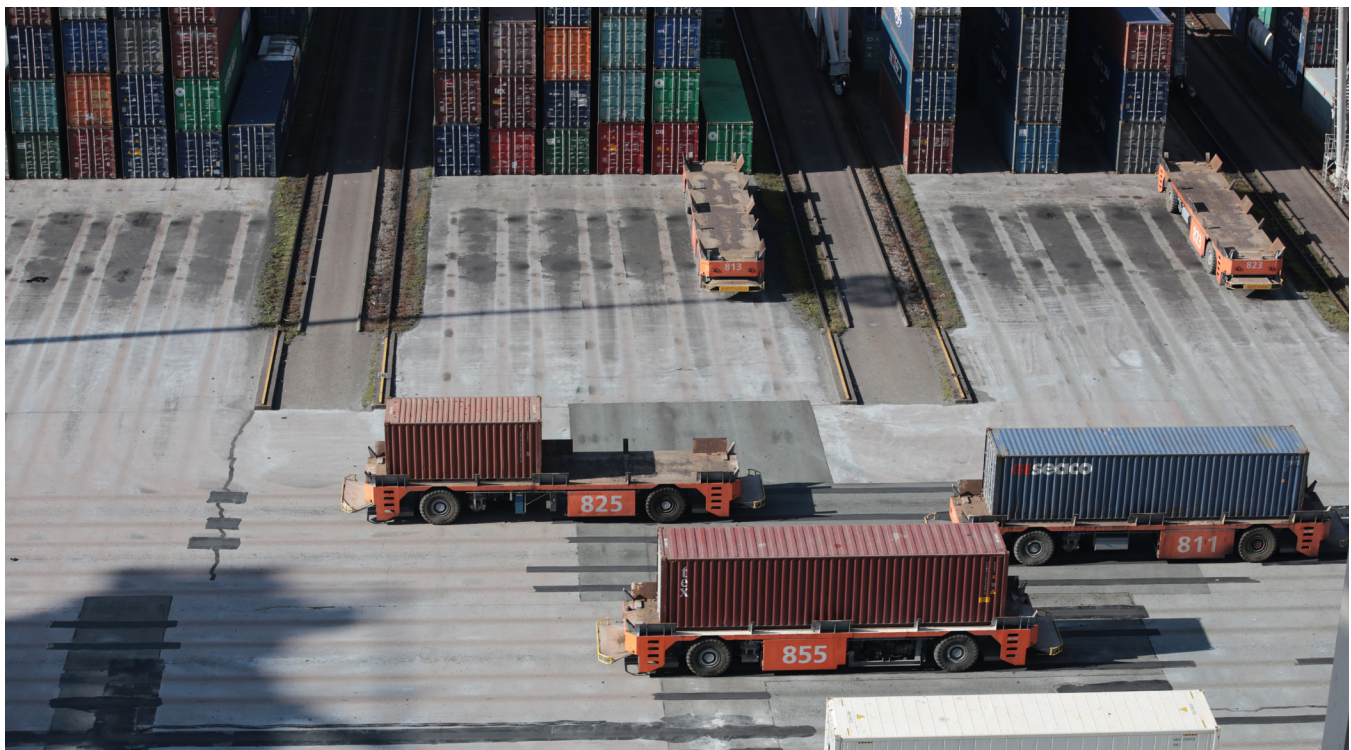
Analysis of cargo crime incidents in South East Asia reveals that supply chain corruption plays a significant role in crime trends, representing an underlying issue that exacerbates multiple risks to supply chains.

Supply chain corruption is a major element of theft in Asia, with corrupt employees removing goods they are transporting or accessing shipments stored in warehouses or logistics facilities. Thieves in these instances generally pilfer small numbers of items but occasionally manage to steal larger quantities of goods. These trends play out in the median value of thefts recorded by BSI and TT Club in the region, which tends to remain much lower than other regions where thieves often steal entire truckloads of high-value goods.

The most commonly targeted locations in China are warehouses and production facilities; however, organized gangs rarely systematically target warehouses for theft. On most occasions, employees or outside groups collude with corrupt employees, such as warehouse inspectors and other employees seeking financial gains, in order to steal goods from warehouses. Because many theft incidents involve corrupt employees, BSI recommends regularly auditing cargo storage companies in China for stringent employee controls and necessary protective physical security measures.

Organized criminal groups may also collude with corrupt customs and border officials to smuggle illegal drugs into and out of countries, using legitimate cargo. This trend is especially prevalent in the southern region bordering Myanmar, Vietnam, and Laos, where organized criminal groups often collude with corrupt customs and border officials to smuggle illegal drugs in and out of countries. Similarly in the Philippines, scandals have emerged in which the government replaced a significant number of corrupt customs officers who were allegedly facilitating the importation of illegal drugs.

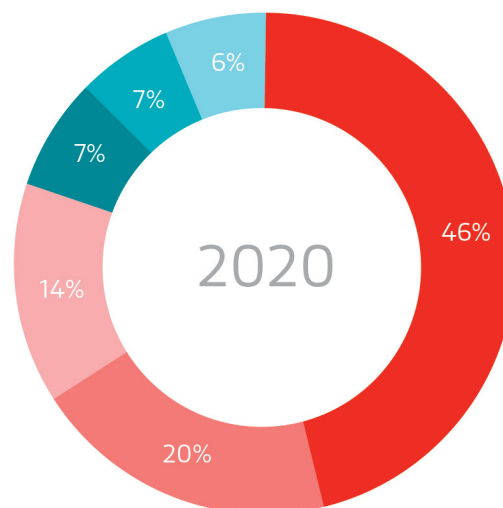
Supply chain corruption in the region also plays a much larger role than just the facilitation of illegal drug smuggling, with the practice also leading to just-as-relevant supply chain issues like the exploitation of migrants for forced labor and even the fraudulent sale of food. Both of these issues are noted in Malaysia, where a system of labor recruitment is often rife with corruption, leading to the exploitation of migrant workers in ways that can impact organizational brand integrity in the even that it is linked to situations that can generally be described as forced labor. Also in Malaysia last year, a scandal came to light in which organized criminal groups, for the past 40 years, bribed a coalition of corrupt officials to import and falsely sell meat products as halal. This scandal, particularly the length in which the scheme was functional, highlights not only the extent to which supply chain corruption can have on organizational resilience, but also that this issue is entrenched and requires companies to remain vigilant in both maintaining knowledge of current risks and taking actions to mitigate such issues.



Cargo Theft Trends Asia

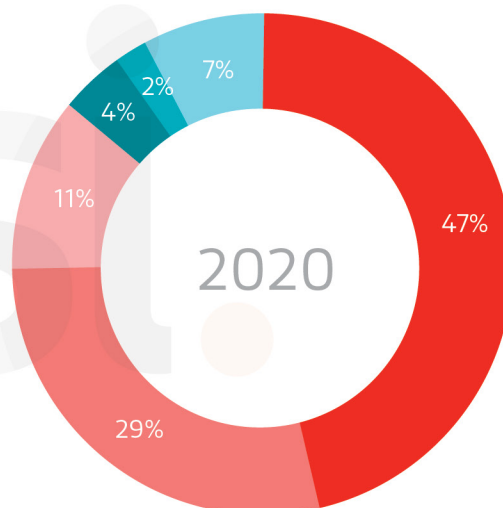
Cargo Theft Types

- Theft from Facility
- Theft from Vehicle
- Theft of Vehicle
- Theft by Driver
- Theft by Employee
- Hijacking



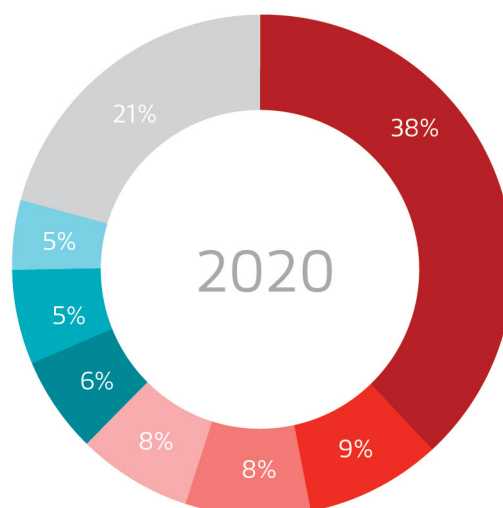
Location of Theft

- Warehouse
- In-Transit
- Unsecured Roadside Parking
- Production Facility
- Unsecured Lot
- Other



Top Commodities Stolen

- Food and Beverage
- Electronics
- Construction Materials
- Fuel
- Consumer Products
- Metal
- Automotive
- Other



EUROPE

Criminal strategies and theft methodologies shifted this year throughout Europe as the continent grappled with lockdowns and the economic effects of COVID-19. Previously, in Europe, the lack of secure parking and the use of soft-sided trailers influenced cargo theft trends, with thieves targeting these vehicles that were parked in lots and at rest areas. Many major countries of concern in Europe, including the United Kingdom and Italy, experienced increased thefts from warehouses and facilities; despite the general lack of secure parking for trucks generally influencing cargo theft trends.

Multiple factors contributed to the cargo theft trends seen by BSI and TT Club throughout 2020 in Europe. Lockdowns and an overall drop in consumer demand for certain types of goods increased vulnerability for goods stockpiled in warehouse facilities and particularly, temporary overspill storage facilities. Regulations and changing cabotage rules limiting the length that cargo truck drivers can operate before taking a mandatory break forced drivers to stop in vulnerable locations. These factors, coupled with increased requirements for trucks to stop at borders due to lockdowns, restrictions, and COVID-19 testing, further contributed to creating a situation where thieves can gain access to cargo goods-in-transit or parked.

The first three quarters of 2020 showed an increasing number of incidents of thefts from warehouse locations, with most of these incidents occurring in Q3. Europe also saw a larger portion of theft incidents in Q3. This trend contrasts with the historical trend in cargo theft tactics in Europe, which more frequently involved thefts from parked vehicles. However, this trend shifted slightly in Q4, as thefts from facilities and warehouses declined and thefts from trucks once again increased. Multiple factors may have contributed to this shift, including the increase of trade up to around 30 percent above normal freight rates as companies stockpiled for Brexit and an increase in holiday-related traffic.

Throughout 2020, there were additional security risks in Europe. Individuals stowing away for transportation in cargo shipments continued to pose a threat to trucks, and occasionally other modalities, despite an overall decline in migration into Europe in 2020 and the sharp decline in Q1. In Q2, migration to Europe from North African, Middle Eastern, and Asian countries increased from the previous quarter due to the deteriorating economic and political situation in these countries. The discovery of stowaways in cargo shipments can cause significant financial loss for transporters as shipments' integrity is lost.

Illegal drug introduction also posed a threat to supply chains in Europe in 2020 and much of this risk, which is in part driven by corruption, has cross-over risk for cargo theft as well. Despite the COVID-19 lockdowns and movement restrictions, criminals continued to smuggle illicit drugs, although with changing modus operandi. The ports of Rotterdam, Netherlands, and Antwerp, Belgium reported a record number of seizures of drugs in 2020, with Dutch customs seizing approximately 48 tons and Belgian customs seizing 65.5 tons. The press reported that a number of these incidents involved insider participation. Multiple times throughout the year, officials arrested dock workers for their involvement in "switching" cocaine, which is historically an issue at these ports. The majority of drug seizures at Antwerp and Rotterdam's ports can be attributed to the ports' large amounts



of shipments seized from South America, where criminals in countries like Brazil, Colombia, and Ecuador insert drugs into shipments destined for Europe. Once at these ports, unauthorized corrupt individuals assist criminal gangs working in coordination with gangs in South America to remove the drugs and insert them into cargo trucks transiting throughout Europe. Shipments of illegal drugs found in cargo in Europe were overwhelmingly hidden in loads of food and beverage products in 2020.

Ramifications of Brexit Changing Vulnerability for Goods Moving Through Northern Europe

In December of 2020, the United Kingdom officially left the European Union, the Single Market, and the Customs Union. In preparation for the end of the Transition Period on December 31st, companies throughout the United Kingdom prepared by stockpiling goods such as pharmaceuticals, increasing and re-routing ferry services around the United Kingdom to Ireland, and conducting tests at border control points.

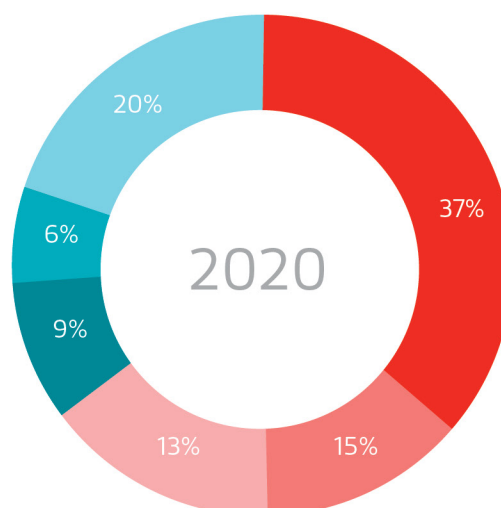
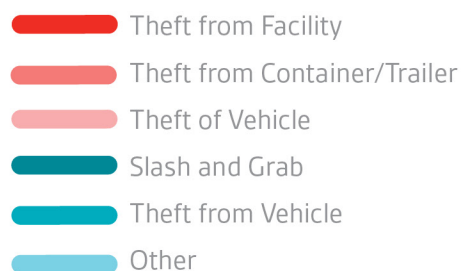
Despite concerns that the new Brexit-related controls would cause significant congestion at ports, primarily those between France and the United Kingdom, the occurrence of lengthy queues is minimal. As companies react to anticipated changing costs of trade between the United Kingdom and the European Union, cargo transport is decreasing in the region, diminishing the risk of congestion. But as reports of shortages continue and companies resume shipping at a normal level, the risk of delays and queues increases as customs adapt to changing rules and regulations.

In anticipation of Brexit, some major ferry lines between continental Europe and Ireland increased their number of ferry crossings to move more goods and changed services along different routes. Prior to Brexit, the landbridge across the United Kingdom was the quickest and most cost-efficient route for shippers moving goods between Ireland and continental Europe. However, companies may attempt to avoid this landbridge crossing and transport goods directly to Ireland, thereby increasing their travel time and potentially decreasing the risk of theft, as cargo transported along these sea routes is historically at a low-risk for theft. This changing environment of routes for cargo transportation is likely to continue, causing disruptions and drastic changes for shippers in the area as companies are forced to alter transportation plans.

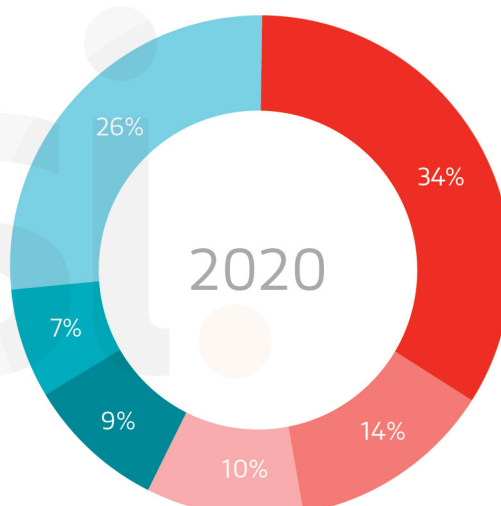
In addition to risks of theft and altered supply chain routes, there is also the risk of stowaway introductions into cargo shipments in Europe. Migrants attempted to cross the English Channel by boat or in cargo at an increased rate, hoping to reach the United Kingdom before Brexit. The queues of trucks generated by customs simulating Brexit and changing lockdowns and restrictions due to COVID-19 were a target by smugglers attempting to introduce people into supply chains. To combat smuggling through cargo and protect vulnerable migrants, the United Kingdom and France signed an agreement to curb migration, by doubling police along the coast and adding security at customs. As companies alter transportation plans to adapt to changing ferry routes and avoid areas considered a higher risk for wait times like the Port of Calais, smugglers may target areas that historically had less risk of stowaway introductions, such as the Port of Cherbourg.

Cargo Theft Trends Europe

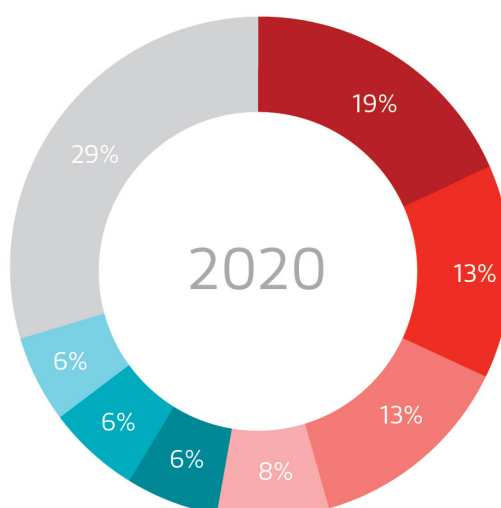
Cargo Theft Types



Location of Theft



Top Commodities Stolen



MIDDLE EAST AND AFRICA

In the Middle East and Africa, cargo thefts occurred at a high rate in countries including South Africa and Nigeria. An increased rate of thefts occurred in Nigeria and also the United Arab Emirates (UAE) in 2020. This is likely due to the deteriorating security situation in and around the Lagos-Apapa port complex and the overall increase in thefts from warehouses and production facilities spurred on by the backup of goods due to the spread of COVID-19 in 2020.

The COVID-19 pandemic impacted the Middle Eastern and African supply chains indiscriminately. Regarding cargo theft, criminals adapted to the restrictions on the movement of goods and people, as well as the subsequent economic consequences, by diversifying their theft locations, targeting higher-value goods, and employing opportunistic theft methodologies involving corrupt employees. Three trends emerged in the region throughout 2020: thieves targeted facilities and warehouses, in addition to primarily cargo trucks in-transit; theft of medical devices and supplies and alcohol and tobacco increased; and insider participation and corruption within the supply chain played a large role in cargo crime.

In 2020, criminals adapted their theft methodologies by diversifying their theft locations and increasingly targeting facilities, warehouses, production facilities, and secured and unsecured parking lots, during the first half of 2020. This uptick contrasts with 2019, in which cargo theft locations were not as diversified. The shift is revealing of the impact of stringent measures, in terms of lockdowns and regulations, on cargo theft trends in the region. Nonetheless, and despite the diversified theft locations in 2020, it should also be noted that the trucking modality accounted for around 60 percent of cargo theft incidents in 2020. As countries distribute the vaccine and ease restrictions, it is likely criminals will return to primarily targeting the trucking modality, as seen in South Africa in Q4 2020.

While metal, fuel, and electronics remained highly targeted commodities in 2020, thieves began to increasingly target medical devices and supplies and alcohol and tobacco products. This trend is demonstrative of the global demand for higher-value goods such as medical supplies surrounding a pandemic, and the decreasing demand for fuel surrounding a global oil price decline. As countries grapple with distributing the COVID-19 vaccine this year and oil prices fluctuate, it is possible criminals will continue targeting medical supplies, either through cargo theft or counterfeits. This is tracked in South Africa, Nigeria, and Egypt, where criminals are stealing PPE in South Africa, counterfeiting medications in Nigeria, and targeting oxygen tanks in Egypt.

Supply chain corruption is another issue that contributes to the high rates of cargo crime that is seen in the Middle East and Africa, with criminals disguising themselves as police officers or corrupt employees accessing shipments stored in warehouses or logistics facilities. Thieves in these incidents often pilfer entire truckloads of high-value goods. The vaccine could likely be targeted through corruption and coercion or cargo theft in African countries, similar to how medical devices and supplies like PPE, masks, hand sanitizers, and COVID-19 test kits were targeted in the region in 2020 as they became highly valuable. South Africa and Nigeria are two particular countries where corruption plays a large role in cargo crime and there is a likelihood criminals will target the COVID-19 vaccine distribution by coercing security guards or bribing police officers.

Along with these trends in cargo crime throughout 2020 in the Middle East and Africa, illegal drug introduction continues to pose a risk to the security of cargo transiting from South America to Europe. Recent seizures suggest that North Africa, specifically Morocco, Tunisia, Algeria, and Libya, is emerging as a direct transit point for cocaine from South America destined for European markets. Considering the size of the shipments, coupled with the increasing cocaine seizures through Africa, two patterns are likely. The shipments were likely destined for European

markets, indicating a route from North Africa into Europe, either through Spain, Italy, and the Balkans or Turkey. Second, it appears South American drug-smuggling networks are attempting to establish direct transit points in the Maghreb countries. This threat to the security of cargo transiting through North Africa highlights the importance of proactively understanding the risk to mitigate cargo disruption.

Cargo Theft Trends in South Africa Returning to Pre-COVID-19 Trends and Levels

Truck hijackings were the primary theft type in South Africa, with thefts from facilities following in second in 2020. While this trend follows the type of thefts recorded in previous years, theft locations shifted slightly from H1 2020 to H2 2020 and more significantly from Q3 2020 to Q4 2020; indicating both a drop in the number of thefts from in-transit trucks coupled with an increase in thefts from facilities in H1 2020 and a return to pre-COVID-19 levels in Q4 2020.

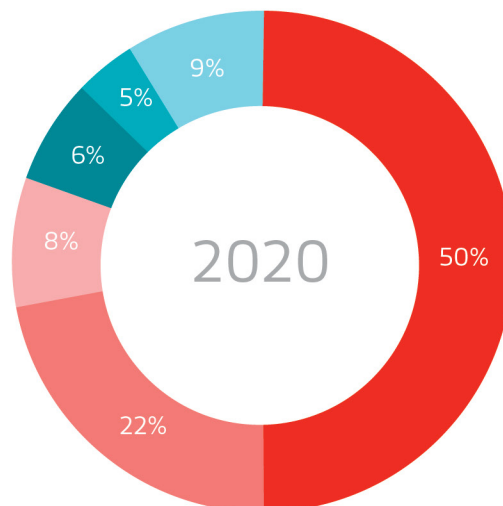
During the first half of 2020, and the majority of Q3, cargo theft incidents in South Africa were characterized by three key trends: an increase in thefts from facilities during H1 2020, an increase in cargo theft incidents in Eastern Cape and Western Cape, and an uptick in thefts of food and beverage and medical supplies. While some of these trends continued into Q4 2020, such as the uptick in thefts of food and beverage and medical supplies relative to 2019 levels, there was a substantial decrease in thefts from facilities, warehouses, production facilities, and secure and unsecured parking lots in Q4 2020. This decrease was coupled with a return to pre-COVID-19 levels, in which thieves primarily targeted cargo trucks in-transit, accounting for about ninety-five percent of cargo theft incidents.

The reason for this slight swing from primarily in-transit cargo theft incidents in H1 2019 to diversified cargo theft incidents in H1 2020 and back to primarily in-transit cargo theft incidents in Q4 2020 is due to a myriad of factors. However, the most notable factor is the multi-level lockdowns, that caused companies to limit their operations, thereby resulting in goods stockpiled and backed up in warehouse facilities. In late Q3, when the government continued easing restrictions by entering into level 1 of the national lockdown, BSI noted a return to predominantly thefts from cargo trucks in-transit, mirroring pre-COVID-19 levels and characterized by violent hijackings.

Cargo Theft Trends Middle East & Africa

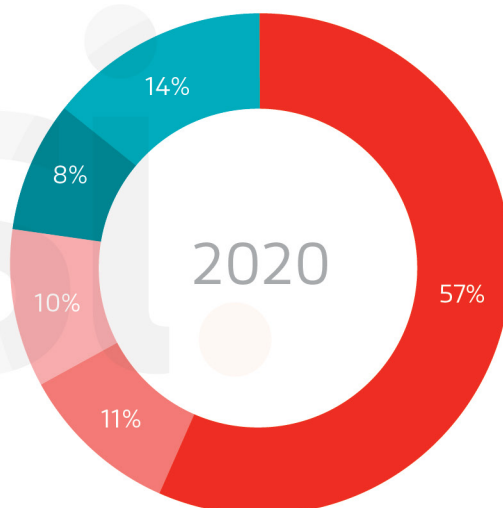
Cargo Theft Types

- Hijacking
- Theft from Facility
- Theft from Pipeline
- Theft of Vehicle
- Theft from Vehicle
- Other



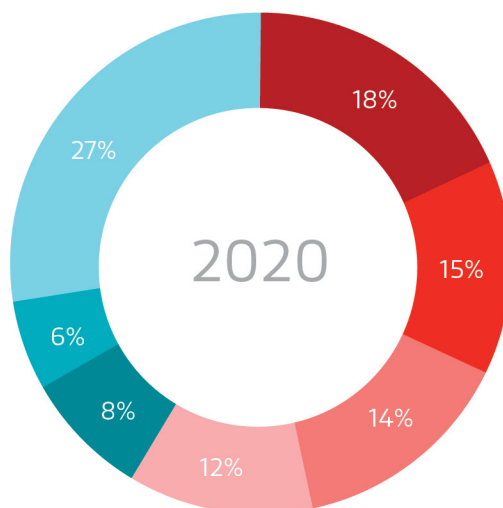
Location of Theft

- In-Transit
- Warehouse
- Production Facility
- Fuel Infrastructure
- Other



Top Commodities Stolen

- Fuel
- Food & Beverage
- Electronics
- Metal
- Automotive
- Alcohol & Tobacco
- Other



NORTH AMERICA

In 2020, cargo theft in North America occurred mainly in three countries: Mexico, the United States, and Canada, maintaining the historic trend of the region. However, while these three countries may share the commonality of a high rate of cargo theft as well as the frequent theft of food and beverage and general consumer goods, how thieves operate in the United States and Canada differs vastly from those methods used by thieves in Mexico. In general, thieves in the United States and Canada tend to most frequently steal shipments of goods by targeting cargo trucks parked in insecure locations. Thefts in these two countries tend to take the form of either pilferage or break-ins of trailers or thefts of entire vehicles or containers. Occasionally, thieves in the United States and Canada will carry out thefts of facilities, but in general, cargo truck thefts account for most incidents. In the United States specifically, cargo truck hijackings are extremely rare; however, criminals will carry out hijacking-style thefts of last-mile couriers that tend to impact the pharmaceutical industry most.

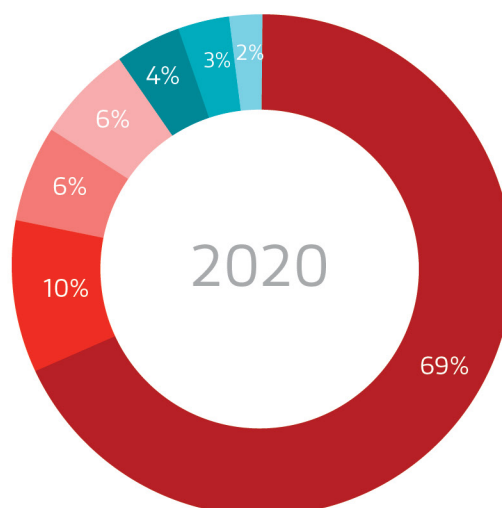
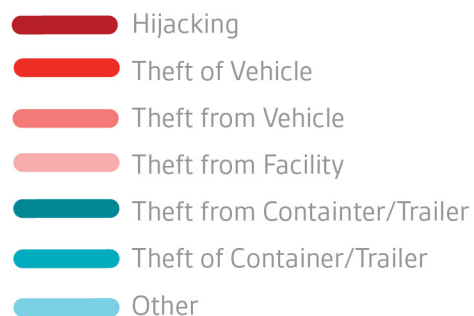
Thieves in Mexico, on the other hand, are not opposed to carrying out armed hijackings of in-transit cargo trucks, a tactic, and modality that represents the bulk of incidents that occur in the country. Cargo thieves in Mexico often use violence or the threat of violence during cargo thefts and tend to be knowledgeable and capable of overcoming typical security measures, particularly GPS tracking devices. Other types of security countermeasures, including the use of security escorts, have at times proven incapable of preventing hijackings in Mexico. But in multiple cases, well-armed hijackers outmatched security escorts and steal shipments of goods anyway, highlighting the extent to which thieves will go to successfully carry out a cargo theft while also underscoring the severity of the problem.

Beyond the typical trends in cargo theft seen in North America, several other issues present a cross-over risk for cargo losses in North America, including high rates of illegal drug and stowaway smuggling, which can at a minimum delay the progress of shipments through the supply chain and at a maximum result in a total loss of goods due to the breach of shipment integrity. But it is the risk of social unrest, particularly in Mexico, that arguably impacted the risk of cargo loss most last year.

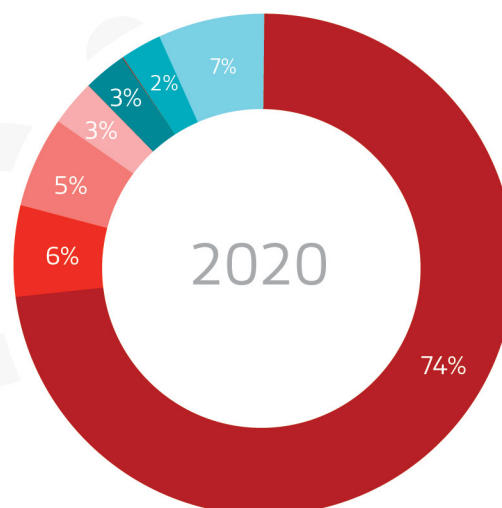
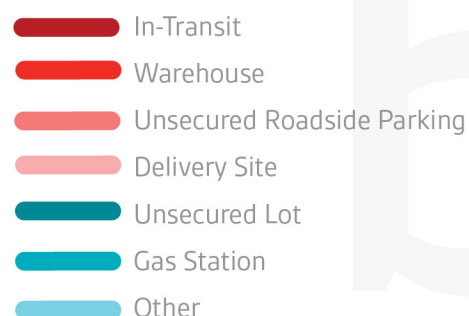
Social protests over a myriad of issues led to significant disruption to the Mexican rail freight industry in 2020, with protesters setting up blockades on train tracks that halted and created a backup of cargo across the country. Not only did this disruption lead to losses of close to 4.4 billion USD in economic losses, according to industry representatives, the blockade of railways also resulted in two major impacts that increased the vulnerability of cargo in the country: a backup of goods in storage facilities and freight trains stuck on tracks and an attempt by the industry to switch to cargo trucks. While the common saying of 'freight at rest is freight at risk' applies in this situation, the fact that companies attempted to switch to cargo trucks also provides more opportunity for thieves to strike. In addition, the switch in logistics modality cannot be properly done without knowing and mitigating the inherent risks in doing so. The security measures applied for rail freight shipments likely do not have much application for those goods transported by truck in Mexico, meaning that companies may need to adapt current mitigation plans to combat a different, and in this case, higher risk of cargo theft. The overall disruption to the rail freight industry only serves to highlight how organizations need to evaluate events in areas of operation, even those that appear to be tangential and not have any obvious impact on supply chain risk, to comprehensively anticipate and ensure that goods remain protected.

Cargo Theft Trends North America

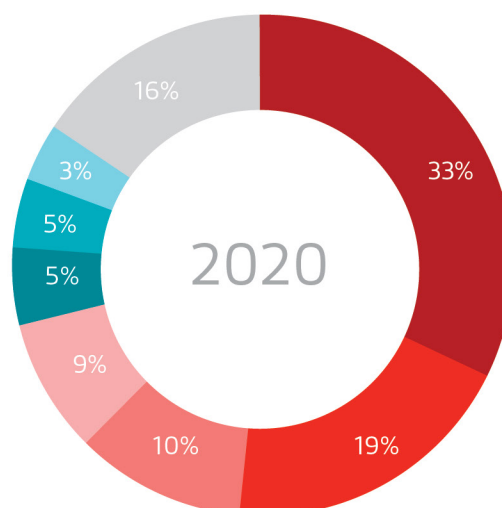
Cargo Theft Types



Location of Theft



Top Commodities Stolen



SOUTH AMERICA

Brazil, in 2020, was again the top-ranked country for cargo theft in South America, with the number of incidents occurring more frequently than any other country in the world. A key driver of the high rates of cargo theft in Brazil is the presence of major illegal drug smuggling gangs that need to fund their trafficking efforts. These gangs already exert control over swathes of territory in the country, are equipped with often heavy weaponry, and have extensive criminal networks, all of which lends itself to an environment prone to cargo theft. This extreme rate of cargo theft, however, did drop for the first time in several years, as continued efforts by police and industry contributed to a slight decline in incidents in 2020.

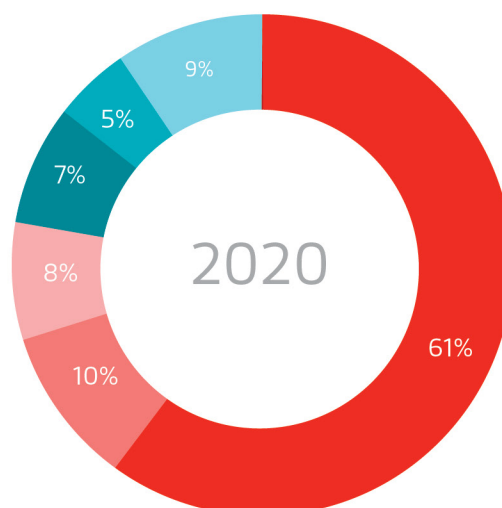
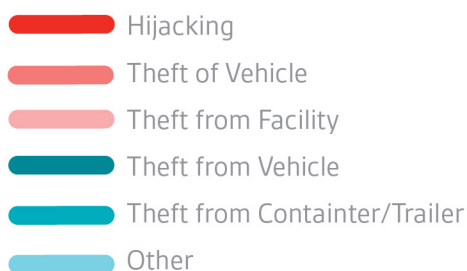
Police increased patrols on major highways and also remained vigilant in the pursuit of cargo thieves that participated in major past incidents. A continued process of identifying and arresting cargo theft gangs, particularly the sophisticated groups responsible for carrying out rapid assaults of high-value shipments in cargo trucks, facilities, and airports, also led to a drop in the number of incidents seen in hotspots like Rio de Janeiro and Sao Paulo. Industries also stepped up and began implementing sophisticated countermeasures, such as vehicle killswitches, to assist in the prevention and ultimate drop in cargo theft in the country. In Rio de Janeiro, officials saw a 34 percent decrease in cargo theft incidents, while their counterparts in Sao Paulo similarly saw a drop in incidents equating to about 20 percent. While the decrease in these two areas is notable, it will take a continued commitment by both police and industry to lead to further long-lasting change in cargo theft rates.

Brazil is not the only country to experience issues with cargo theft in South America, with supply chains in Argentina, Chile, Peru, and, to a lesser extent, Colombia, all also facing risks of cargo truck hijackings. This risk of hijacking is the dominant method of theft throughout the region, including in Brazil, with thieves also frequently employing the use of firearms to obtain driver compliance with the theft. Regarding commodities stolen, thieves often steal food and beverage shipments and alcohol and tobacco products. While the high cost of tobacco products traditionally drives this trend in cargo thefts in South America, the spread of COVID-19 and the subsequent lockdown measures imposed by country governments led to an increase in consumption of alcohol and tobacco, thereby creating an even higher black market-demand for the goods and increasing the appeal for theft.

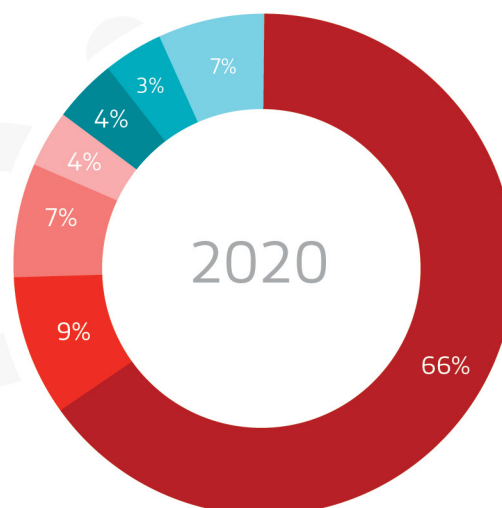
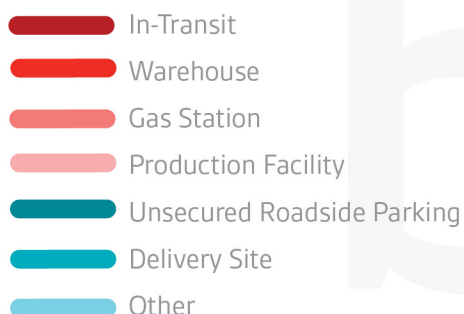
South America is a leading producer of illegal drugs, namely cocaine, that are often trafficked globally via cargo shipments. This risk poses a major threat to the integrity of supply chains; however, the region also experiences several other issues that can impact the security of cargo. Political stability, particularly over the past couple of years, often leads to protests that have the potential to become violent and impact cargo shipments unfortunate to be caught in the unrest. This is perhaps most prominent in Venezuela, where protesters would hijack and set cargo trucks on fire during riots. However, given the unrest seen in countries throughout South America last year, including Peru and Chile, along with the fact that multiple countries will hold elections this year, it is likely to see further risk to cargo from political protests in the region. A related issue that could threaten cargo security in the region is the residual economic impact of COVID-19, which has hit South American countries particularly hard and could end up forcing more to turn to crime to make a living. Given the crimes of cargo theft and illegal drug smuggling in cargo are already established throughout the region, these risks could likely increase. And lastly, although limited to primarily Colombia and Chile, the risk of terrorism too has the potential to impact cargo security and only underscores the need for comprehensive risk intelligence to be factored into cargo transportation plans to mitigate losses.

Cargo Theft Trends South America

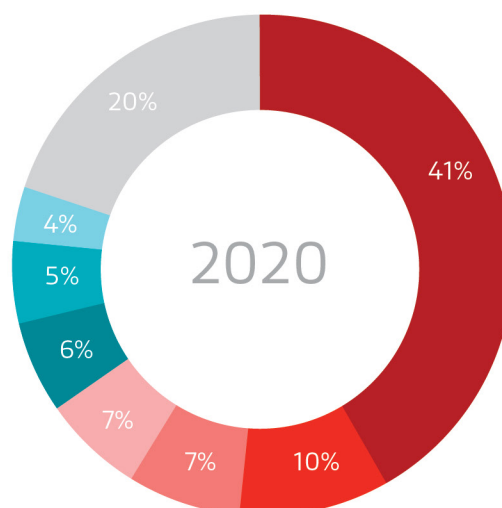
Cargo Theft Types



Location of Theft



Top Commodities Stolen



BSI & TT CLUB EXPERT LOSS MITIGATION ADVICE

Mitigating the Risk of Emerging Issues

As organizations worldwide attempt to tackle the issues that created a consistently changing landscape of risk in supply chains throughout 2020, the key to mitigating threats in 2021 is staying ahead of the risk. BSI and TT Club collaborated on this report to analyze two key threats supply chains will face in 2021. We offer these mitigation techniques so organizations can proactively understand their risk and build a supply chain that is ahead of the criminal tactics and trends detailed in this report and these emerging threats.

Container Shortages Impacting Global Shipping

Evaluating the Implications

Disruption and the uneven resumption of international maritime trade during the spread of COVID-19 resulted in imbalances in shipping container distribution that are likely to impact maritime and air shipping capacity throughout 2021 and lead to added vulnerability for cargo.

During the early spread of COVID-19, demand for Chinese-manufactured goods, particularly personal protective equipment such as face masks, spiked. In addition, many countries that went into lockdowns spurred consumer spending on products rather than domestic services, such as eating at restaurants, which further drove Asian exports. However, Chinese imports did not manifest to the same degree, creating an imbalance in maritime shipping containers heading to destination markets in North America and Europe but not returning at the same rate to Asia. As a result, Asia manufacturers are finding it challenging to obtain shipping containers to export goods, while ports in destination markets are struggling to find the labor to offload the arriving containers. To exemplify the overload of sea containers arriving at destination markets, the port of Los Angeles recorded at least 42 ships anchored offshore waiting to unload in late January.

The global imbalance of shipping containers is likely to impact maritime shipping throughout 2021, while also likely having knock-on effects on both air freight capacity, shipping prices in general, and the ability to obtain resources needed for manufacturing. While not certain, the expectation is that the current high container rates will be short term until such time that balances of equipment are normalized. There is a risk that the second, third, fourth waves of the virus and subsequent periods of lockdown again serve to cause imbalances in certain countries/regions. This would prolong the challenge of increased rates. Additionally, this delay in the ability to ship goods from this prolonged issue will also lead to added vulnerability for goods waiting for departure to destination markets. Another issue that companies should consider is the potential risk to shipments should the organization seek to either diversify shippers or shipping routes, which will almost certainly be different and possibly require an altered plan for security.

Mitigating the Risk to Stalled Cargo

The current pandemic has disrupted global supply chains in a wide variety of ways. In particular, the lag in its effects between the large-scale sourcing regions of China and other parts of Asia and the consuming markets



of Europe and North America, which caused significant build-ups of goods produced in the former regions but not now required in the latter. Such accumulations include cargo in containers at both transshipment and destination port terminals, as well as import consignments that have been delivered to warehouses and distribution centers (DC). These are primarily non-essential products, for which there is little demand as retail outlets are closed or supplies for production lines that are either static or at reduced capacity.

Security is a dominant risk as operators seek alternative storage. Whether it's taking up capacity in buildings not usually used for storage or laden vehicles parked adjacent to a full warehouse, or simply facilities unfamiliar to the operator, the security regime may not be of a similar standard. This concern is not just limited to fencing, lighting, security patrols, and CCTV, but also communication with haulers delivering cargo to the unfamiliar premises. There is also the constant danger of vehicles being diverted into the hands of criminals; so-called round the corner theft.

The physical characteristics of a temporary facility may also be unsuitable in a range of ways, such as eathertightness, phytosanitary issues, uneven hard standing. Further, consideration needs to be given to the nature of the cargo and the capability to handle and store hazardous materials and specialized commodities correctly (such as high value or temperature-controlled). These factors may also extend to inappropriate or substandard handling equipment and the requirement to subcontract labor and security personnel from previously unknown sources. Where possible, established standards should be maintained, including undertaking full due diligence, including controlling and keeping records, and an efficient documentation flow.

Such bottlenecks in the supply chain through the lack of demand for goods may be temporary as diminishing orders start to affect the flow through. However, one of the knock-on effects currently being experienced is that some port terminal operators and their ocean carrier customers are attempting to help importers by delaying the delivery and/or providing temporary storage for containers.

Due to these risks, container and cargo damage potentially could be heightened in facilities unaccustomed to handling full containers. There is a heightened risk of phytosanitary issues where off-terminal storage locations may have less permanent surfaces or increased exposure to vegetation and pest ingress, particularly if the storage is long-term. The dwell time of such containers may also become an issue if the cargo is eventually abandoned as the goods become 'off-season' or the importer ceases to trade, increasing the importance of traceability in the supply chain.

COVID-19 Vaccine Supply Chain Creating Logistic Challenges

Already on the front line and proven critical to the world's economy, performance in the global supply chain is being catapulted into the public gaze like never before. As initial reports emerged in November 2020 of a breakthrough in the development of COVID-19 vaccines, the focus immediately turned to the supply chain and distribution capable of maintaining the integrity and protecting the cargo from theft.

While the fast-tracked research and development for COVID-19 vaccines will undoubtedly deliver a high return on investment, it is hard to imagine a comparable product for wider 'value' associated with the global population's well-being, societal benefits, and the impact on the global economy.

The distribution of COVID-19 vaccines is labeled as the 'biggest logistics project ever'. Without the inevitable emotion attached to its distribution, one could argue it is similar to any other valuable, sensitive cargo. Basics remain constant: identify the characteristics of the cargo to ensure its integrity is maintained; understand the location of manufacture, delivery, routing, and volumes, as well as value, to determine the appropriate strategies to adopt for safe and secure transport. However, there are of course considerable differences in distributing this particular cargo – whichever vaccine is considered.

Logistics Challenges

The scale of the logistical challenge should not be underestimated. Many supply chains during the pandemic period have suffered stress and disruption, and there are regular reports of port congestion or lack of reefer point capacity. Supply and demand may be unclear, but significant volumes may be anticipated. While some countries are considering local manufacture and distribution, the logistics requirements are expected to stretch capacity and capability. The ultimate consignee in the context of the vaccine is, of course, you and me; delivery to a destination country or local region is not the end of the supply chain.

The distribution will be required to every corner of the globe, necessitating careful planning and due diligence. While airfreight is widely expected to support the vaccine's primary movement, the global distribution requirement will necessitate substantial involvement from surface intermodal actors. The likely multiple transfers will require the most careful management of all aspects. Pharmaceutical regulations alone will be insufficient to support the necessary tracking, tracing, and transparency through the end-to-end supply chain; intensified security strategies may need to be developed and implemented.

AREAS OF CONCERN

- Local supply chain corruption
- Supporting infrastructure
- Availability of reliable resources

Cargo Theft Risk

National policymakers will determine approvals and demographic priorities. However, popular expectations will be that distribution and availability are immediate and on a global scale. There will inevitably be those who fall outside of a defined demographic, who will be willing to pay for expedient access. Consequently, as vaccines' perceived value increases, a black market will likely quickly develop for these vaccines, including counterfeiting.

Earlier in this pandemic, reacting to market forces, items such as face masks and anti-bacterial hand gel became key targets for perpetrators of cargo crime. Unless distribution plans are perfectly executed within the expectations of any given population, which is unlikely, a COVID-19 vaccine risks being perceived as the single most valuable cargo in the supply chain.

AREAS OF CONCERN

- Actual and perceived cargo value (for use and counterfeiting)
- Market fluctuations in supply and demand
- Security provisions/processes
- Final mile security risks
- Warehousing and storage security risks
- Fraudulent actors

Cargo Integrity

Critical challenges exist in maintaining integrity in the temperature-controlled vaccine supply chain, including accurate instructions and communications between stakeholders. Risk exists at every juncture, across packaging, packing, transport, and unpacking. Such sensitive cargo will be vulnerable to the smallest error, variation, or discrepancy. Vaccines, specifically, are not just perishable but also subject to tight regulations transportation. Of particular relevance are the controls necessary with traceability and evidence of integrity throughout the journey. Where the supply chain's integrity is disrupted through attempted or actual theft in transit, affected cargoes (and batches thereof) are likely to be considered a total loss. The associated health and safety risks of allowing such shipments to enter the market are grave.

AREAS OF CONCERN

- Contamination risk
- Cool chain interruption
- Damage to retail packages

Communications

It is essential to ensure that instructions to sub-contractors and service providers are accurate and then followed. Building in service level agreements with your sub-contractors regarding safety, security, and performance would be prudent. Only provide specific, precise instructions to your contractors, general publicity about transporting COVID-19 vaccines should ideally be avoided. While advertising might serve to promote your business, such information in the wrong hands will afford bad actors insight into the workings of the vaccine supply chain and provide them with a point of access.

AREAS OF CONCERN

- Incorporate service-level agreements
- Ensure instructions are accurate
- Keep publicity to a minimum

Security Devices - Technology Solutions

There are numerous technological security devices on the global market, and each serves its purpose, many designed for particular trade routes and commodities. It would be prudent for stakeholders involved in distributing COVID-19 vaccines to engage with their customers to discuss and agree on the use of specific security devices.

The ability in real-time to track, trace and monitor the cargo's temperature is the most obvious requirement in this context. Incorporating deterrents such as tamper-proof/evident security seals, alarms, locks, and forensic solutions will bolster security.

AREAS OF CONCERN

Track/trace GPS devices	Locks
Tamper proof/evident seals	Forensic solutions

Routes

The routes taken by the trucker are of importance both at the collection from the shipper and delivery to the consignee. Local expert knowledge of crime trends will assist in making decisions as to where to park for statutory breaks and which routes are most vulnerable to attack. Careful route planning will assist in avoiding risks and losses.

Varying regular routes and vehicles will also assist in preventing bad actors from recognizing patterns and building a clear and recognizable picture of the supply chain.

AREAS OF CONCERN

- Carefully plan routes
- Local knowledge of crime trends
- Vary regular routes/vehicles

Delivery

Final mile delivery is generally considered the period of most significant risk in the context of cargo theft. While the consignee for the COVID-19 vaccines will likely be different from a regular distribution center, common factors are still applicable to mitigate risk.

Delivery schedules should be adhered to wherever possible. As with many operations, early or late deliveries can present operational challenges. Stakeholders should be mindful of this and ensure that they communicate with contractual partners if delivery schedules are unlikely to be met. If arriving early or late for a particular delivery, do not park up outside the consignees' facility in an unsecured area. Early communication will assist in making alternative plans while maintaining the security plan.

Do not deliver to a location other than that specified on delivery paperwork without first receiving express authority from your customer in writing. Bad actors have been known to intercept delivery vehicles on the approach to the genuine consignee facility, advising the driver that the cargo is required at an alternative local address – where the cargo is unloaded and stolen.

AREAS OF CONCERN

- Adhere to delivery schedules
- Deliver only to the address specified
- Communication with contractual partners if deviating from the schedule
- Proof of delivery

Sub-contracting – Due Diligence

Whenever sub-contracting is necessary, it is important to undertake adequate due diligence on the business you are contracting with. Ensuring that they are a reputable, reliable business and that they will deliver on your service commitment to your customer. Fraudulent activity in the haulage industry is a growing concern; bad actors can easily replicate documents and identifications to fool stakeholders into providing them access to valuable cargoes. Implementing a robust and consistent due diligence process will assist in reducing your business's exposure to fraudulent activity.

Developing an approved contractor list for road haulage services and only using those businesses is the ideal solution. These risks increase where urgent, ad hoc shipments are required, and a pre-approved hauler is not available. Due diligence management, controls are vital in protecting your business. Take your time, do not be pressured into rushing through the process, the risks of handing a cargo to a fraudster are far more significant than not meeting a timed delivery.

The primary objective is to verify the contractor's identity to combat theft and fraud, protecting your interests, including your business's reputation. While not exhaustive, consider:

- Full legal name and registered address of the supplier
- Details of other branches (nationally or internationally)
- Contact details (telephone and email)
- Web address
- The main activity of the supplier
- Verify ownership (taking account of regulations, such as sanctions, as appropriate)
- Legal form (limited company, sole trader, public limited company)
- Company registration number
- Tax (e.g. VAT) registration number
- Governmental or similar audit scheme (e.g. AEO) membership
- Key personnel and their roles
- Authority of the individual to sign on behalf of the supplier



TT Club is the established market-leading independent provider of mutual insurance and related risk management services to the international transport and logistics industry. TT Club's primary objective is to help make the industry safer and more secure. TT Club's Risk Management team is committed to the ongoing development of advice and information underpinning this objective.



This includes:

- Providing support to reduce the risk of claims occurrence
- Promoting 'best practice' opportunities
- Helping to improve risk assessment, mitigation, and control

Theft remains a top five area of claims cost in TT Club's global claims analysis. Analysis of incidents, increased data sharing agreements, collaborations, and widespread dissemination of findings, all serve to improve understanding of the underlying risks. This report demonstrates TT Club and BSI's shared goal of educating the transportation and manufacturing sectors about the dynamic cargo theft risks present globally.

With enhanced awareness of cargo crime trends, the industry will be able to engage in a proactive approach in preventing cargo crime, while minimising the resulting financial loss and brand reputation damage.

HIGHLIGHTING RISK, REDUCING EXPOSURE. ADVISING INSURED, SERVING THE INDUSTRY.



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Our Services: BSI Connect SCREEN

BSI Connect Screen is an integrated platform that employs a risk-based approach to supply chain risk management programs. It targets the biggest global supply chain threats to help organizations inspire trust and build resilience through data-driven insight. Our platform contains the largest proprietary global supply chain risk intelligence database that looks at more than 20 risk ratings in over 200 countries. BSI Connect Screen provides services and solutions to accelerate your understanding of supply chain risk and gain insight to empower decision making to build a more resilient supply chain.

Custom Intelligence Services

BSI's Intelligence Team offers custom intelligence services specific to your organization's supply chain. This innovative feature allows our team to dive deep into geographies, commodities, and subject areas most importance to your organization. Our team can work to keep your organization ahead of risk by addressing your supply chain concerns through creating custom reports, developing specific threat ratings, and providing analyses. For more information on having our team craft custom intelligence solutions for your organization, please reach out to one of our supply chain analysts at supplychain@bsigroup.com.

Powerful, Interactive Risk Mapping

Each proprietary risk indicator is conveniently displayed for over 200 countries through SCREEN's global risk mapping views. For every indicator, a country is assigned a rating of Low, Guarded, Elevated, High, or Severe. This rating system allows users to quickly identify and categorize the threats to their supply chain and address them quickly. On our mapping, users can view these threats, along with the latests incidents, news, and analysis and can filter the map to show points of interest, allowing organizations to see the key components of their supply chain.

Daily Updates and Notifications

SCREEN provides users the ability to stay up to date with breaking news and changing conditions around the world that impact the integrity of their supply chain. SCREEN's homepage features a compilation of daily analysis, insights, and incidents. Additionally, users can subscribe to the notifications for specific locations and subject areas that concern them the most. SCREEN's daily updates provide data and analysis on the most pressing global incidents and crucial topics in supply chain.

Custom Report Builder

SCREEN's custom country report builder provides users with more control over the areas that are represented in the report. Users can easily pull and compare reports for multiple countries, threat assessments, and commodities tagged throughout the SCREEN system instantly. Our intelligence team reviews each country on a consistent basis and updates them based on threat rating changes, new discoveries, and other pertinent factors.

Supply Chain Incident Database

SCREEN provides users access to a massive repository of supply chain incidents, updated on a daily basis. The database covers a wide range of supply chain issues and user can filter incidents by date, incident type, product type, and country.

Additional Supply Chain Services and Solutions

Connect SCREEN Auditing System

BSI's 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. By infusing geographic risk data and analysis into the assessment process, organizations can track compliance and risk throughout the supply chain to maximize visibility and focus on the biggest issues confronting them.

Advisory Services

BSI's experienced risk management professionals leverage their knowledge and SCREEN intelligence to help organizations effectively identify, manage, and mitigate risk and develop robust management programs.

Training Services

Our customizable training helps organizations understand, quickly respond, and pro-actively manage supply chain security, corporate social responsibility, food fraud/safety, and business continuity risks.