



# Supplier Risk Management

**EVALUATING & MITIGATING SUPPLY CHAIN RISKS**

**SGS**

# Understanding suppliers

Companies have an increasing responsibility to manage their supply chains and ensure compliance with legislation, industry standards and client expectations.

As supply chains have become more international and complex, they are more prone to disruptions caused by a lack of supplier visibility.

## Numbers driving our mission

Sourcing from various parts of the world is increasing, meaning that organizations are looking into more effective ways of evaluating and managing supplier risks.

There is also the added complexity of a post-COVID world, where there is likely to be further supply chain restructuring and demand for supplier optionality. This might lead to supply chains becoming more localized and/or regionally based.

Ultimately, as supply chains become more complex, visibility of supplier activities decreases, leading to customer and investor distrust.

**69%** of firms say they do not have full visibility of their supply chains.

**57%** of companies believe that supply chain management gives them a competitive edge to further develop their business.

**94%** of consumers say they are likely to be more loyal to a brand offering complete transparency.

# Understanding risks

From the types of products and services to safety, social and ethical issues – supply chain risks come in various forms.

## Key risk considerations



**Country and/or region of supply**  
When sourcing from low-cost or high-risk countries.



**Types of products and/or services**  
Such as safety-critical items or those prone to theft due to high value on the black market.



**Levels of spend**  
How much money the company spends on particular products and/or services.



**Safety**  
Where suppliers' import risks to the organization.



**Reputation**  
Where supplier behavior directly affects the organization's brand reputation.



**Quality**  
Where high standards are required.



**Social and ethical**  
Where there is increased risk of factors like bribery, corruption, modern slavery and child labor, etc.

# The importance of trust & transparency

BRAND

Over 50% of consumers actively seek to buy from brands they trust. We also know that over 90% of consumers want more transparency while 74% are ready to pay more for products that show they are from ethical supply chains.

## Maintain brand reputation

Besides financial and legal implications caused by high-risk suppliers, there are other damaging factors that negatively impact an organization's brand, such as child labor, bribery, labor disputes and health and safety incidents.

Organizations also face problems when noncompliance is identified within their supply chains. These high-profile situations can have long-lasting impact on consumer and investor trust.

Recent studies confirm that brand perception is a key competitive advantage and highly effective for attracting new clients.

**81%** of consumers must trust a brand before making a purchase.

**66%** of consumers think transparency is a brand's most attractive quality.

**64%** of consumers would stop buying from a brand after one poor ethical issue.

# Best-in-class technology and experts

Combining our technology and experts, we partner with you to help manage your supply chains, ensure compliance and increase supplier visibility, no matter the complexity and possible disruptions.

## A suite of tools focused on accuracy

Our best-in-class technology and subject matter experts can help you to improve supplier data accuracy through:

- Risk assessment
- Self-assessment questionnaires
- Data validation
- On-site audits based upon a supplier's products, services and/or region of supply

Our software solution combines with our supplier onboarding infrastructure and global network's data validation capabilities to support your supply chain evaluation and mitigation.

We also utilize a modular approach to help mitigate Tier 1 supplier risks by covering a broad range of risk criteria, including health and safety, quality, environment and social responsibility. This can be fully customized to your specific risk criteria.

# A collaborative approach

We offer a flexible strategic partnership to address the individual issues identified during our assessments, as well as your broader business needs.

## Our unique value proposition & general process

Our unique value proposition centers around:



### Governance

Implementing supply chain transparency



### Performance

Continually improving performance by evaluating supplier risk



### Intelligence

Providing data and insights on reported trends

## Tailored to your needs

We offer invaluable insights through up-to-date and validated supplier information. Our data-centric methodology allows us to strategically examine your suppliers' risks. We can tailor our approach based on the data and specific risk areas.

# Evaluating supplier risk

Utilizing years of technical and industry expertise, our risk evaluation methodology identifies and categorizes suppliers into three areas.

## Risk profiling

Categorization determines the level of intervention we take with each supplier.

This process and expected steps are agreed with you during project setup.

### High risk

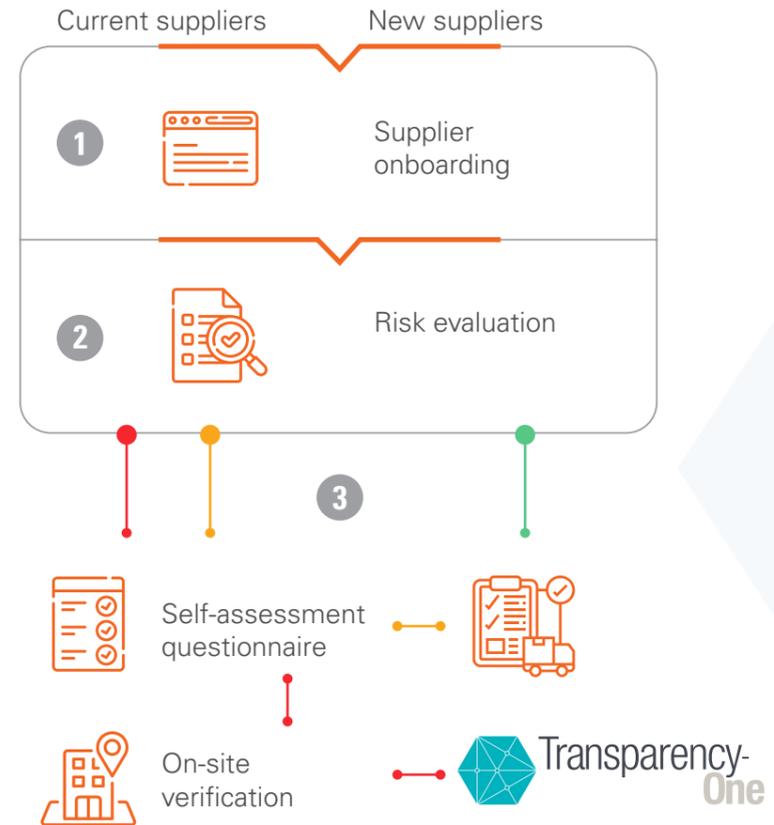
- Providing high-risk products and/or services
- Situated within high-risk regions
- Likely to import high risks into client operations (health & safety, etc.)

### Medium risk

- Providing medium-risk products and/or services
- Situated within medium-risk regions
- Likely to import some risks into client operations (health & safety, CSR, etc.)

### Low risk

- No direct risk to client or their products, services or operations



# Digitization as the driver

Digitizing supply chain data is essential, as it can drive cost savings, global standardization and internal stakeholder collaboration, among other aspects.

## A single source of truth

Using state-of-the-art, cloud-based technology and our global experience in supplier evaluation and certification, we can improve visibility, efficiency and risk management.

We call this “a single source of truth” that supports your transparency, sustainability, safety and compliance.

## Solution benefits



### Global reach, local supplier support and onboarding services

Access our global network for local supplier support, wherever needed.



### Subject matter expertise

With 96,000 employees across multiple sectors, we can provide the right expertise, whatever the industry or program.



### Broad service scope

Our extensive service scope provides regulatory, legislative and country-specific compliance across your supply chain.



### Tailored risk evaluation and content

By strategically partnering with you, we can tailor risk-profiling content to your needs.



### Supplier & buyer data analytics

Powerful dashboards and customizable data points place supplier and supply chain analytics at your fingertips.



### Best-in-class IT platform & data verification

Through our technology partners, we provide an innovative blockchain-enabled platform.

# Supplier data & analytics reporting

We have a variety of data and analytics reporting dashboards to assess your suppliers based on exposure to certain risks.

## Six key benefits

Our sophisticated dashboards' benefits include:

-  View supplier compliance in a single dashboard
-  Track and monitor each supplier's onboarding
-  Benchmark suppliers to identify potential risks
-  Evaluate compliance gaps and improve supplier communication
-  Ascertain tailored training requirements using supplier compliance
-  Identify target regions to improve supplier engagement

We can also present supplier risk information based on third-party data sources. This increases the scope of compliance information to identify other potential risks in your supply chain.

# SGS business principles



## Health, Safety and Environment

Making sure we establish safe and healthy workplaces and protect the environment



## Quality and Professionalism

Making sure we act and communicate responsibly



## Sustainability

Making sure we add long-term value to society



## Integrity

Making sure we build trust



## Respect

Making sure we treat all people fairly



## Leadership

Making sure we work together and think ahead

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**WHEN YOU NEED TO BE SURE**

