

MANAGING RISK IN THE SUPPLY CHAIN



SECURITY RISK

35% Number of countries, including Colombia, Egypt, India and Thailand, in which supply chain terrorist attacks occur on a regular basis.¹

Every 7 days: How often terrorist organizations target supply chains.¹

\$24 Billion: Forecasted 2014 annual cargo theft. Greatest challenges are to cargo transport in countries with the largest economic growth potential, including BRIC.¹

Electronics, Pharmaceuticals, Retail, Apparel, and Alcohol and Tobacco are the hardest hit sectors for cargo theft.¹

54% of companies that have experienced cyber attack disruption.²

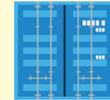
8% Amount of global trade handled by the Suez Canal, which is constantly under significant terrorist threats.¹

LEGAL AND REGULATORY RISK

17 Number of key partners with which the U.S. currently has free trade agreements.³

The **CPSIA** generally requires that children's products:⁵

- 1** Comply with all applicable children's product safety rules;
- 2** Be tested for compliance by a CPSC-accepted laboratory, unless subject to an exception;
- 3** Have a written Children's Product Certificate that provides evidence of the product's compliance; and
- 4** Have permanent tracking information affixed to the product and its packaging where practicable.



About 108 million: Number of cargo containers transported through seaports around the world annually.⁴

10.1 million+: Number of maritime shipments reviewed in CSI (Container Security Initiative) Ports before arriving at U.S. seaports in 2010.⁴



ENVIRONMENTAL AND ECONOMIC RISK

600,000 Number of factory workers temporarily put out of work after 2011 flooding in Thailand.¹

\$210 BILLION: Cost to Japan of 2011 earthquake and tsunami.¹

100,000 Flights cancelled due to 2010 volcano eruption in Iceland⁷

28% Number of companies affected by currency exchange rate volatility due to European economic instability.⁷

45% More diesel fuel burned by steamships waiting to get into ports during Polar Vortex of 2013⁷

Approximately 40% of all 2013 United States imports originated in countries with a high or severe risk of natural disaster exposure.¹

BRAND COMPLIANCE/ SOCIAL RISK

Emerging signals that could pose challenges or opportunities in the future, as identified by NIKE:⁷

- Growing attention to stranded assets
- Greater focus on product end of life
- Radical transparency/traceability
- New emphasis to the genetically modified debate
- Impacts of counterfeit waste
- Divestment as a new form of climate advocacy
- China's green future
- Brazil's environmental push
- Sweating the small stuff: micro plastics
- Raising the bar for women farmers
- From fast fashion to fast e-waste
- Heightened interest in ecosystem services



90% of firms do not quantify risk when outsourcing production⁸

Approximately 72% of 2013 U.S. imports of apparel and footwear originated in countries with a severe risk of poor working conditions.¹

Sources: **1** Bsi Supply Chain Solutions, <http://bsi-supplychainsolutions.com/en-US/supply-chain-risks/security-risk/supply-chain-terrorism/>; **2** "The Global Impact of Supply Chain Disruptions," Legacy Supply Chain Services; **3** American Apparel & Footwear Association, www.wewear.org/aafa-on-the-issues/; **4** Customs and Border Control, http://www.cbp.gov/sites/default/files/documents/csi_brochure_2011_3.pdf; **5** Consumer Products Safety Commission, <http://www.cpsc.gov/en/Regulations-Laws-Standards/Statutes/The-Consumer-Product-Safety-Improvement-Act/>; **6** "The Global Impact of Supply Chain Disruptions," Legacy Supply Chain Services; **7** Nike: Sustainable Business Performance Summary, FY12-13, http://www.nikeresponsibility.com/report/uploads/files/FY12-13_NIKE_Inc_CR_Report.pdf; **8** Game-Changing Trends in Supply Chain, a report by the supply chain management faculty at the University of Tennessee, Summer, 2014, The Global Supply Chain Institute, <http://globalsupplychaininstitute.utk.edu/publications/documents/Risk.pdf>