Risk Management for Global Supply Chains

Your strongest link in supply chain risk management
Aon’s Approach to supply chain management recognizes the wide spectrum of risks that can negatively impact our clients’ business operations, some of which are common to all industries and others very specific to a particular segment. We bring efficiency to the process by triaging each client’s specific supply chain needs, and deploying a hand-picked team of specialists that can develop industry specific solutions ranging from risk identification and quantification to tailored risk financing programs and claim resolution strategies.
Growing Challenges in a Global Economy

Today’s supply chains have to be leaner, more efficient and more flexible than ever before. Ensuring the right materials and goods arrive at the right point at the right time. Supply chains are becoming much longer and more complex, increasing the risk of failure or disruption at any point.

Aon’s approach to supply chain risk management is designed to meet these challenges and more. Our adaptive supply chain services span across property, marine, cyber, political risk/trade credit, casualty and crisis management solutions.

Key Issues Affecting Today’s Supply Chains

Across Aon Risk Solutions’ industry surveys, clients have identified the following supply chain issues affecting their organization’s operations:

- Outsourcing, offshoring and insourcing of production
- Greater demand for rapid delivery (JIT inventories, on-demand business models)
- Complex products requiring multi-tier suppliers, increasing interdependencies and need for coordination
- Natural disasters and geopolitical events affecting suppliers and supply chains
- Demand shortfalls and key customer losses
- Increasing cyber risk
- Logistics and port delays
- Manufacturing defects and recalls
- Supplier solvency
- Theft and cargo loss

While many of these issues are covered by traditional risk controls and insurance, often gaps exist within a company’s risk control and risk transfer program.

Supply Chain Risk Management

<table>
<thead>
<tr>
<th>Property</th>
<th>Marine</th>
<th>Cyber</th>
<th>Political Risk/Trade Credit</th>
<th>Casualty</th>
<th>Crisis Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Global Supply</td>
<td>• Logistics</td>
<td>• Privacy Breach</td>
<td>• Government Action</td>
<td>• Product Defect</td>
<td>• Product Recall</td>
</tr>
<tr>
<td>• Warehousing</td>
<td>• Air</td>
<td>• Security Event</td>
<td>• Nationalization</td>
<td>• Product Liability</td>
<td>• Reputational Risk</td>
</tr>
<tr>
<td>• Manufacturing</td>
<td>• Ocean</td>
<td>• Sabotage/Theft</td>
<td>• Acts of War</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Global Customers</td>
<td>• Rail</td>
<td>• Compliance</td>
<td>• Payment Default</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• System Denials</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
We fully support our clients in the identification, mitigation and transfer of supply chain risk. Our three-step process provides clarity around risk needs, certainty around the benefits and costs of risk control and risk transfer options, and comfort knowing that controls and coverages will be delivered as promised.

1. **Gap Analysis: Assess exposures, controls and coverages across the supply chain.**
   Our team assesses our client’s supply chain risk exposure and reviews all relevant controls and coverages. At the completion of this step, Aon clients have a clear understanding of supply chain exposures and cost-effective recommendations on improving supply chain controls and coverage.

2. **Define strategies to mitigate and transfer supply chain risk.**
   We work with clients to move from gap assessment to go-forward strategy, shaping a plan that meets their cost-benefit objectives in managing supply chain risk. This objective-oriented strategy often contains elements of risk engineering and risk transfer. Alternative risk financing and captive utilization strategies can be used if traditional insurance markets are not a cost-effective option.

3. **Execute on the defined supply chain risk management strategies.**
   We use project management techniques to ensure that defined risk management strategies are implemented as intended by the client.
A Comprehensive Approach to Supply Chain Exposure

Aon’s approach to supply chain risk combines risk transfer strategies with supply chain risk consulting and evaluation expertise to address gaps and exposures in your supply chain program. Through our iterative supply chain gap analysis approach, clients can better identify, prepare for and mitigate risks.

Continuum of Supply Chain Exposures

- **Gap Analysis**: Identify exposure gaps in your supply chain
- **Strategies to Close the Gap**: Integrate strategies to transfer and mitigate risk
- **Execute for Supply Chain Resiliency**: Execute on supply chain strategies to drive operational resiliency

High Supply Chain Exposure

Low Supply Chain Exposure
A Comprehensive Perspective

We assist clients in identifying gaps and strengthening controls and coverage across our clients supply chain in a manner that validates return on investment.

Our Supply Chain Risk Management toolkit demonstrates strategies we can implement to assist clients.

- **Access Quantify and Control Risk**
  - Define methodology and tools
  - Improve risk appetite of insurers
  - Protect company balance sheet
  - Reduce frequency and severity of loss
  - Utilize engineers, actuaries, accountants and supply chain risk experts

- **Custom Decision Support Modeling**
  - Measure exposure against risk-bearing capacity
  - Support cost-benefit analysis of risk remediation/transfer
  - Apply risk management algorithms to supply chain decisions and metrics

- **Real-time Tracking and Operational Response**
  - Support real-time risk visibility
  - Provide detailed risk alerting service
  - Develop and support operational resiliency
  - Provide immediate alerts from Impact Forecasting for specific catastrophe events

- **Risk Transfer**
  - Provide contingent business interruption insurance
  - Address political risk insurance needs
  - Develop trade disruption insurance solutions
  - Deliver global logistics insurance solutions
  - Provide comprehensive supply chain insurance
  - Provide cyber-related insurance solutions

- **Maximize Financial Recovery**
  - Immediate deployment of accountants and engineers
  - Expedite claim filing and advance payment
  - Alleviate burden on company resources
Aon Supply Chain Risk Management: Comprehensive Protection for Your Supply Chain

Unmatched supply chain risk team with more resources, expertise and demonstrated success than any other risk consultant or broker

- Professionals skilled in supply chain dependent industries such as Manufacturing, Retail, Food, Agribusiness and Beverage, Technology, and others
- An integrated supply chain risk finance team supporting all lines of insurance coverages and alternative risk finance solutions
- The industry’s largest risk accounting team, including dedicated supply chain exposure valuation experts
- Over 100 actuaries and decision support modelers
- The leading fire protection engineering firm in the United States and one of the largest world-wide
- Over 70 global business continuity management professionals
- A product risk management team focused on mitigating and responding to product liability and recall risk
- A robust, geo-coding supply chain platform that tracks natural hazard risk against the global supply chains of over 100 leading companies
- A dedicated rapid response team that optimize operational and financial recovery when disruptions occur, regardless of cause
- Professionals providing pre- and post-loss assessments to ensure that organizations are operational and resilient in the event of loss
- A dedicated team of experts in enterprise risk management and risk governance

Aon’s team of experts continually supports many of the world’s largest and smallest companies to prepare, respond and recover from supply chain risk.

This was one of the best-executed projects I’ve seen in my career. The Aon team did all of the ground work, including meetings, interviews, documentation of strategies, reviewing strategies with teams, identifying issues, resolving issues and performing a dry run in our most significant manufacturing location. The team also did the work in the timeframe that was expected and within their budget. I am very happy with the outcome.

Vice President, Finance for a leading provider of medical devices and services
Contacts

Our professionals can provide organizations with the experience, tools and deep industry expertise required to ensure optimal risk management solutions for the supply chain. Contact the following representatives to learn more about specialized solutions from Aon.

Mike Stankard  
Industry Practice Leader  
Aon Risk Solutions  
+1 248.936.5353  
mike.stankard@aon.com

Devin Derstine  
Director, Americas Region  
Aon Global Risk Consulting  
+1 212.441.2060  
devin.derstine@aon.com

Barbara Spain  
Senior Vice President, Marine  
Aon Risk Solutions  
+1 312.381.4292  
barbara.spain@aon.com

Roger Schwartz  
National Practice Leader, Political Risk  
Aon Risk Solutions  
+1 212.441.1125  
roger.schwartz@aon.com

John Murbach  
Managing Director, Property  
Aon Risk Solutions  
+1 312.381.4303  
john.murbach@aon.com

About Aon

Aon plc (NYSE:AON) is the leading global provider of risk management, insurance and reinsurance brokerage, and human resources solutions and outsourcing services. Through its more than 66,000 colleagues worldwide, Aon unites to empower results for clients in over 120 countries via innovative and effective risk and people solutions and through industry-leading global resources and technical expertise. Aon has been named repeatedly as the world's best broker, best insurance intermediary, best reinsurance intermediary, best captives manager, and best employee benefits consulting firm by multiple industry sources. Visit aon.com for more information on Aon and aon.com/manchesterunited to learn about Aon's global partnership with Manchester United.

© Aon plc 2015. All rights reserved.

The information contained herein and the statements expressed are of a general nature and are not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information and use sources we consider reliable, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

www.aon.com