

# Cannon Quality Group

**Proactively Predict and Mitigate Risk  
Throughout the Supply Chain**





Established 2010

# About **CQG**

- ❑ Over 200 companies served worldwide
- ❑ Translate Regulations into real-world sustainable solutions
- ❑ Leader in Outsourced Quality Department Solution.

Learn more at:

[www.cannonqualitygroup.com](http://www.cannonqualitygroup.com)

Your Change in Quality



# Our Speaker Today

## Andrew Cole

With more than 26 years of experience developing complex global supply chain compliance solutions (2nd party audits) pertaining, but not limited to, sustainability, CSR, EH&S, quality, legal, ethical, and regulatory requirements, Andrew brings a wealth of knowledge around risk in the supply chain.

His expertise extends to implementing management systems and maintaining compliance to a variety of industry regulations, both in the US and abroad.



# Agenda

- **High level overview of Industry & supply chain compliance**
- **Stimulate thought and establish a dialog**
- **Risk Considerations**
- **Managing your findings**
- **Execution**
- **The devils in the details**
- **Q & A**

Everyone is in a different place on their journey to Organizational Resilience.



## Poll question 1

Have you categorized your supply chain in accordance to risk?

- A. Yes, considering; Economic, Environmental, Political and Ethical
- B. Somewhat, by critical component or other considerations
- C. We have an approved supplier list that has not been categorized
- D. We mainly just wing it

# What Could Possibly Go Wrong?





# Threat

**The presence of a hazard and an exposure pathway. Threats may be natural or human induced, either accidental or intentional.**

Factor 1



Factor 2



Factor 3





# Vulnerability

Characteristic or attribute of an asset which renders it susceptible to the effects of an incident. Vulnerability informs both the likelihood and consequences of an incident.







# What is Risk

**Risk refers to the uncertainty that surrounds future incidents and outcomes. It's a function of the likelihood and consequences of an incident. The higher the likelihood and/or the greater the consequences, the greater the risk.**



# Risk Management

...is systematically setting the best course of action under uncertainty by identifying, assessing, understanding, acting on AND communicating risk issues.





# Resiliency

Resiliency is seen as the ability to accommodate abnormal threats & events. SCR is the capacity of a supply chain to persist, adapt, or transform in the face of change. This also refers to identifying, assessing and communicating the risks from threats and events.



## RECAP

- **Threats**
- **Vulnerabilities**
- **Risk**
- **Risk**
- **Management**
- **Resiliency**

**What's next?**

## Preparing for Risk to become Resilient.

- We take risks to achieve potential benefits.
- Organizations who are prepared and ready for abnormal events tend to be more resilient.
- Basically, they have contingency plans because they understand the probability and magnitude of potential or likely threats.
- You won't know how to get to where you're going, if you don't know where you are.
- By understanding the risks, enables you to reduce the risks.



# Kirov's Risk Register

Supply Chain Risk Mgmt: Minimize Disruptions, Reduce Risk and make your Supply Chain Resilient.

- 8 **EXTERNAL** end-to-end supply chain risk categories.
- 5 Supplier Risks, EXTERNAL contract manufacturers.
- 7 **Distribution Risks**, both inbound and outbound
- 11 **INTERNAL** enterprise related risk categories.



## External “end-to-end”

- Natural Disasters
- Accidents
- Terrorism, Crime & War
- Compliance & Political Uncertainty
- Labor Availability
- Industry Challenges
- Lawsuits
- Technology Trends

## Supplier Risks External, Contract

- Physical & Regulatory
- Production Problems
- Financial
- Management Risk
- Upstream Supply

## Distribution Risk

- Infrastructure
- Asset Capacity
- Labor Availability
- Theft/Damage
- Warehouse Issues
- IT Failures
- Multi-Party Supply

## Internal Enterprise Risk

- Operational Risk
- Gov Compliance & Political Uncertainty
- Demand Volatility
- Personnel Availability
- Design Uncertainty
- Planning Failures
- Financial Uncertainty
- Facility Capacity
- Testing Availability
- Underperformance
- SRM

## Poll question 2

Do you have a Supplier assessment plan to verify or monitor compliance?

- A. Yes, we use a combination of onsite, remote & self assessments.
- B. Somewhat, typically we monitor high risk or critical suppliers.
- C. We primarily use self assessments
- D. We are usually reactive after something has gone wrong.

# Manage your findings



The resulting "Risk Rating" will be a factor of geographical profile, history and position in supply chain

## Prioritize the Risks

Consequence

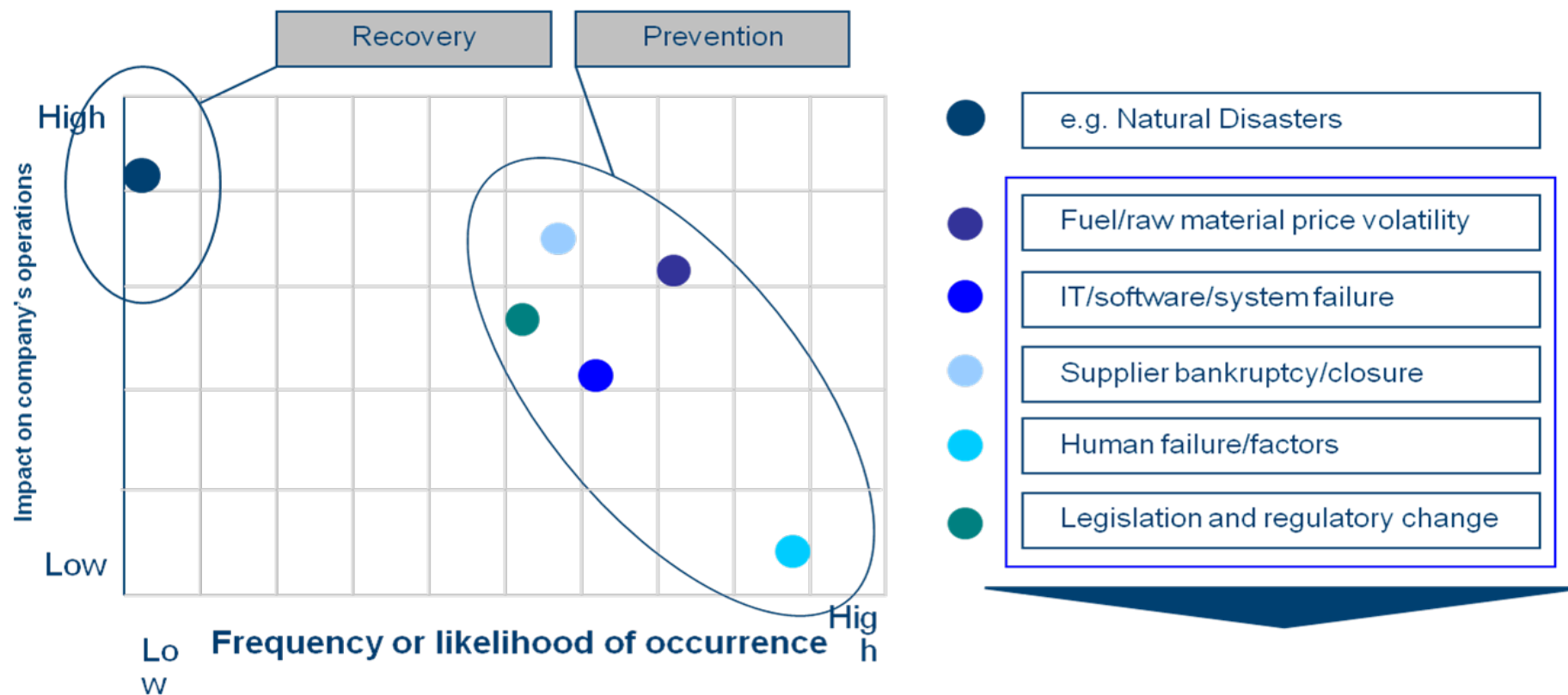
Transfer	Terminate
Tolerate	Treat

0

Likelihood







***International companies which have been successful in this area have been able to leverage a real advantage over their competitors ...***

Source: interviews, Frost & Sullivan analysis

*Many supply chain risks, threats and challenges are however more specific to certain geographies and/or industry segments ...*

		Industry Segment					
		Food	Non-food	Textiles	Electronics	Pharma	Industrial
Selected Risk	Labour rights			e.g. Taiwan, China.			
	Counterfeiting			e.g. India, North Africa.		e.g. India, Brazil, China.	
	Environmental		e.g. India, China, Eastern	Pakistan			e.g. Brazil, China, India,
	Political issues	e.g. China, India	Europe				Middle East
	Strikes		e.g. France, Germany,				

High

Medium

Low

# Assess Risk Example (Ethical)

	Child Labour	Forced Labour	H & S	Freedom of Assoc	Discrimination	Discipline	Hours	Wages
Bangladesh								
Brazil								
Cambodia								
China								
Egypt								
Hong Kong								
India								
Indonesia								
Israel								
Latvia								
Lithuania								
Malaysia								
Mexico								
Morocco								
Pakistan								
Philippines								
Portugal								
Romania								
Sri Lanka								
Thailand								
Turkey								
Ukraine								
Uruguay								
Vietnam								

	Common Occ
	Medium Occ
	Low Occ



Nearly without exception, global companies use a scorecard or similar tool to assess the risk that individual companies and geographies pose ...



### Supplier risk assessment tool

	SUPPLIER A	SUPPLIER B	SUPPLIER C
<b>Question 1</b> What is the geographic scope of the supplier?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<b>Question 2</b> What is the size of the supplier's company?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<b>Question 3</b> What is the main country that the supplier's company operates within: 3.1 - Appears In Corruption Perception Index Worst 100? 3.2 - Appears In Freedom House Worst 50?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<b>Question 4</b> What is the primary country that the supplier sources its products from: 4.1 - Appears In Corruption Perception Index Worst 100? 4.2 - Appears In Freedom House Worst 50?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<b>Question 5</b> What is the main function of the supplier?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<b>Question 6</b> How would you best categorise the relationship of the supplier with Vodafone?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<b>Question 7</b> What is the supplier's public profile?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<b>Question 8</b> Does the Supplier have a Corporate Responsibility Commitment: 8.1 - Does the supplier report on Corporate Responsibility performance? 8.2 - Does the supplier have a Code of Ethical Purchasing or a similar initiative?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<b>Question 9</b> Does a product or package or service bear the Vodafone name or logo?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<b>Question 10</b> How easily can you imagine this supplier creating a negative headline in the newspaper or media relating to Vodafone. For example, child labour/environmental damage etc.?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
* Score	Risk Score 0	Risk Score 0	Risk Score 0
** Weighted Score			

In general, scorecards look to give individual suppliers and/or countries/regions a quantitative ranking according to the risk that they pose to the organization.

### Make it easy and purchase a Vendor Risk Assessment Platform.

- Geographic scope
- Exposure to corruption/political interference
- Historical relationship with Company
- Public and media profile
- Corporate Social Responsibility (CSR) policy
- Degree of association with Company

# Assessing & Monitoring is a Journey

Discover

Audit

Improve

**Standardize:** The use of Standards set the foundation for success and provide a level field to assess.

**Remote or Onsite assessments.** 'You can't change what you don't understand'

Risk Assessment

Automation

Trending

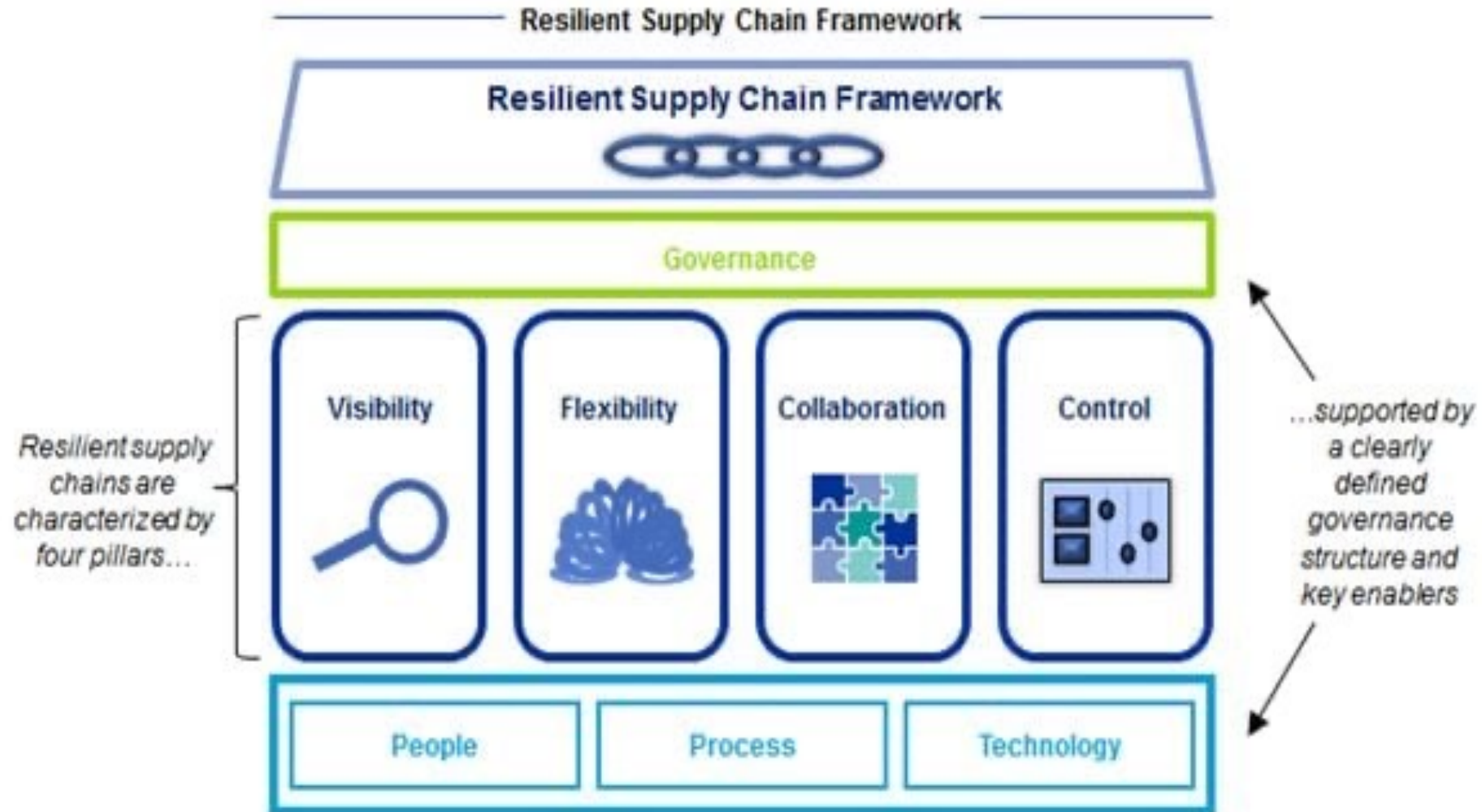
Root Cause Analysis

Proactive

Best Practice

Reactive

## *Balance risk and costs to prevent or recover quickly*





## Poll question 3

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For additional  
Information



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Thank  
You

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