

RGP™

SUPPLY CHAIN RISK MANAGEMENT

THE KEY TO SUPPLY CHAIN RESILIENCE

March 25, 2021



2,400+ Clients Annually

**79% of Fortune 500 &
88% of Fortune 100 Clients**

**80% Retention Rate of Top
100 Clients over last 5 years**

**37 Countries in which
Clients Served**

RGP™

\$707M
LTM Revenue

NASDAQ: RGP

3,900+ Employees Globally

**Average Consultant
Experience of 15+ years**

**70% Employees are CPAs
or have Advanced Degrees**

**63% Employees Comprised
of Minorities & Women**



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PRESENTATION OUTLINE

■ SUPPLY CHAIN IN THE HEADLINES

■ THE LINGERING EFFECTS OF DISRUPTION

■ SUPPLY CHAIN VULNERABILITIES

■ SHIFTING SUPPLY CHAIN STRATEGIES

■ SUPPLY CHAIN RESILIANCE

■ SUPPLY CHAIN & SUPPLIER RISK MANAGMENT

A YEAR OF SUPPLY CHAIN DISRUPTION

“Everywhere You Look, the Global Supply Chain Is a Mess”

Wall Street Journal- March 19, 2021

Several forces coming together are squeezing supply chains.



- COVID-19 global pandemic stressed tested global supply chains
- Nike says shipping problems hindered sales
- Toyota, Honda shut factories as supplies run short
- Volkswagen, GM, Ford trimming production
- Samsung warns its business will suffer from worldwide chip shortage
- Texas freeze triggers global plastics shortage

SUPPLY CHAIN DISRUPTION

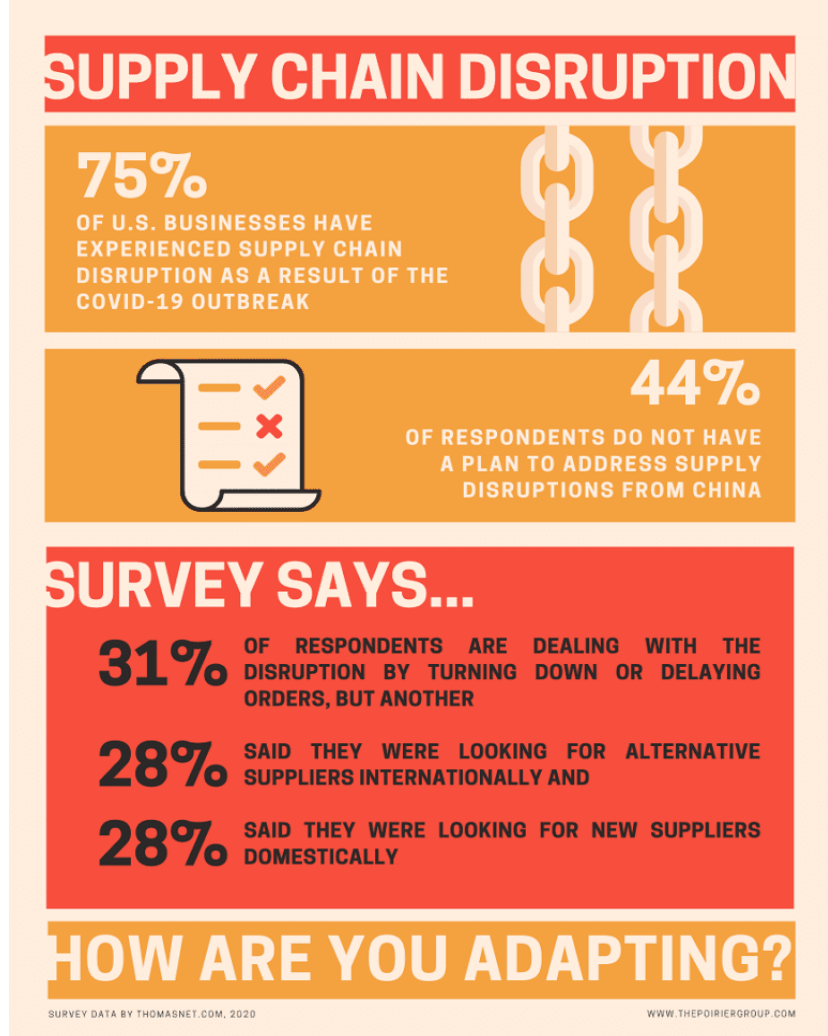
As our global economy continues to grow and scale, the pace of supply chain disruption is not expected to slow. As a result, many supply chain organizations are recalibrating their risk management strategies, with a focus on building supply chain resilience.

The Major Disruptors

- Infectious Disease / Pandemic
- Trade Relations
- Geopolitical
- Natural Disasters

The Lingering Effects

- Global Capacity Crunch
- Long Lead Times
- Demand Volatility
- Supply Shortages
- Price Volatility



POLLING QUESTION #1

What level of pandemic related disruption did your organization experience?

- a) Heavy disruption
- b) Moderate disruption
- c) Little to no disruption

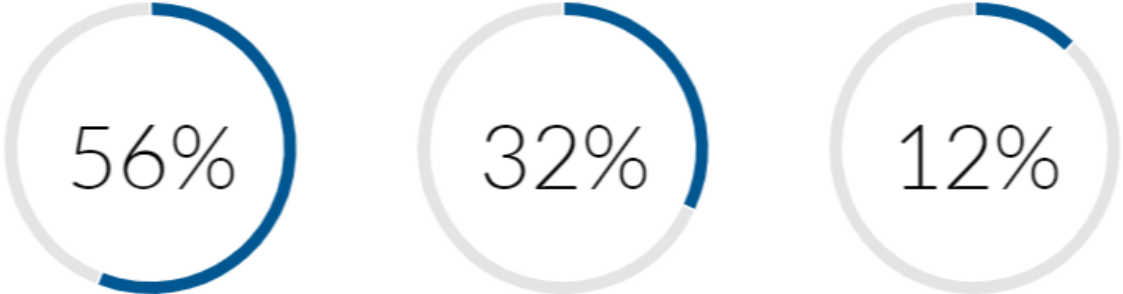
SUPPLY CHAIN DISRUPTION

In a 2020 study by RetailNext, many SCM professionals reported experiencing disruption that forced them to change their strategies.

Examples of strategy changes:

- Shift to ecommerce
- Renegotiating contracts
- Finding alternate sourcing options

Supply Chain Disruption During the Pandemic



SCM professionals that experienced moderate disruption

SCM professionals that experienced little disruption

SCM professionals that experienced heavy disruption

Source: RetailNext, 2020

GLOBAL CAPACITY CRUNCH

The Ripple Effect of the Capacity Crunch

Manufacturing Constraints

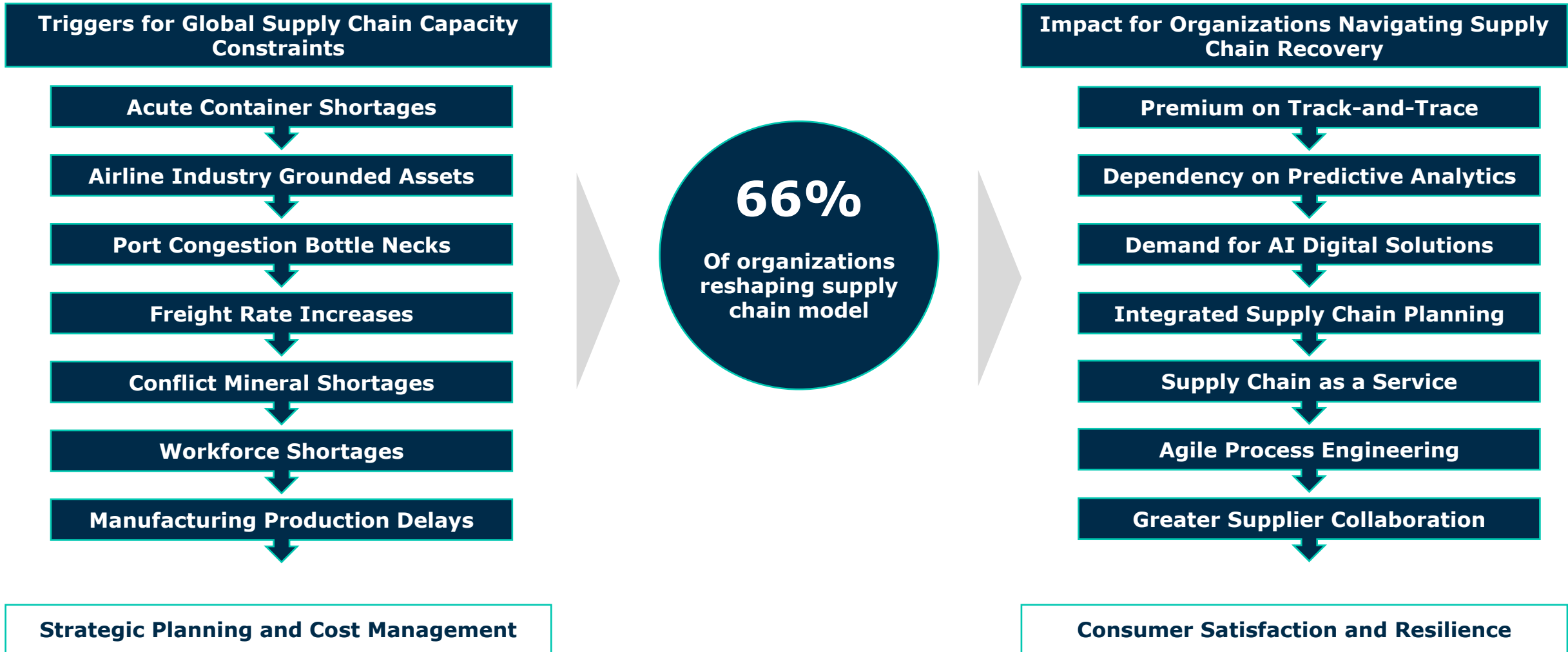
- Labor Shortages- related to COVID-19
- Supply Shortages- packaging, raw materials
- Increasing Demand- shifting consumer demand

Transportation Constraints

- Air cargo space (with decline in passenger airline)
- Shipping Container Shortage
- Driver Shortage
- Border Closures
- Long Lead Time
- Rising Costs



WHAT TO EXPECT FROM THE 2021 CAPACITY CONSTRAINTS



Demand Volatility (The Bullwhip Effect)

The Pandemic created Demand Volatility that was unforeseen and disruptive.

Growth of demand in common stockpile items (Week over week snapshot Feb 23 – 29 2020)

- Masks: 590%
- Hand sanitizers: 420%
- Clorox/Lysol wipes: 184%
- Canned food: 183%
- Disinfectants: 178%
- Gloves: 151%
- Pasta: 99%
- Paracetamols: 90%
- Pedialyte/Gatorade: 82%
- Bottled/package water: 78%
- Vitamins: 78%
- Tissues: 43%
- Hand soap: 33%
- Toilet paper and paper towels: 26%

Source: Bloomreach



POLLING QUESTION #2

2. In the last year, has your organization experienced any of the following capacity constraints?

- a) Limited supply availability
- b) Longer than normal lead times
- c) Backorder / Unable to fulfill customer demand
- d) All of the above

SUPPLY CHAIN VULNERABILITIES EXPOSED

Trends and improvements to supply chain practices have benefitted business and economies tremendously.

Business Factor	Benefit	Risk
Supplier Consolidation	<ul style="list-style-type: none"> • Leverage buying power • Lower cost / better terms 	<ul style="list-style-type: none"> • Limit's ability to quickly shift to alternate suppliers
Emerging Market Sourcing	<ul style="list-style-type: none"> • Lower costs 	<ul style="list-style-type: none"> • Longer Lead Times • Less visibility • Geopolitical instability
Lean MFG.	<ul style="list-style-type: none"> • Efficiency gains • Quality improvement • Lower investment 	<ul style="list-style-type: none"> • Lower safety stock • Potential for back order
Rise of China	<ul style="list-style-type: none"> • Lower cost suppliers • Manufacturing capacity • Chinese consumer demand 	<ul style="list-style-type: none"> • Geographical concentration • Dependence on China
Outsourcing	<ul style="list-style-type: none"> • Gains in productivity • Variable cost model • Focus on core competency 	<ul style="list-style-type: none"> • Reduced visibility / control • IP Theft / Info Security

But the new practices carry risks as well. We are only just beginning to confront those risks.



SHIFTING SUPPLY CHAIN STRATEGY

In 2021, we are seeing organizations recalibrate their supply chain strategy to adjust for the disruption that was experienced coming out of 2020.

Supply Chain Risk Management- Reinvesting in their supply chain risk management programs and assessing their supply chain risk with the goal of building supply chain resilience

Decentralization- Organizations are returning to a decentralized distribution model

Redundancy- Building redundancy into the supply chain including manufacturing capabilities/locations and retaining multiple suppliers for a given commodity or service

Proximity- Reshoring or Nearshoring manufacturing that was previously offshore

Visibility- Investing in technology and collaboration across the supply chain network to enable real time end to end visibility and monitoring

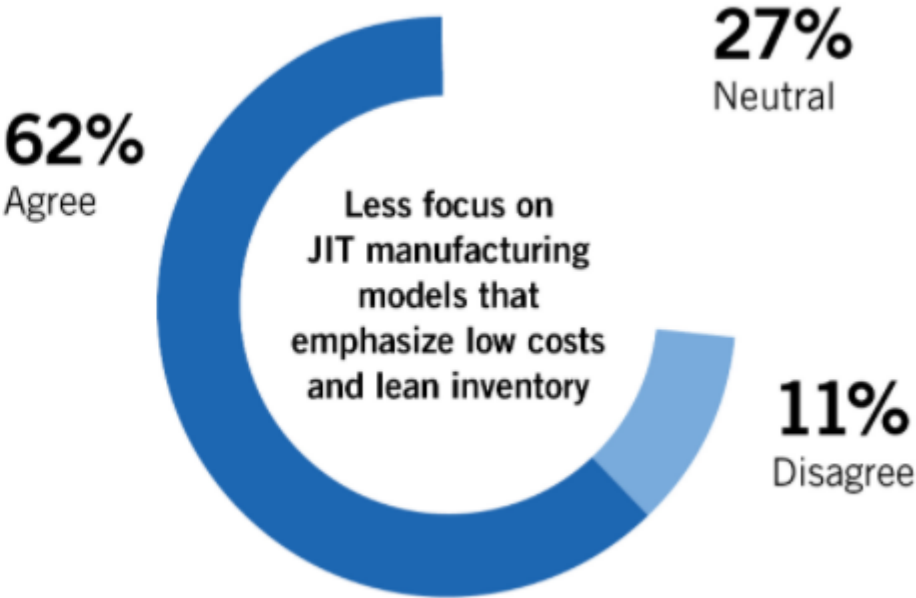
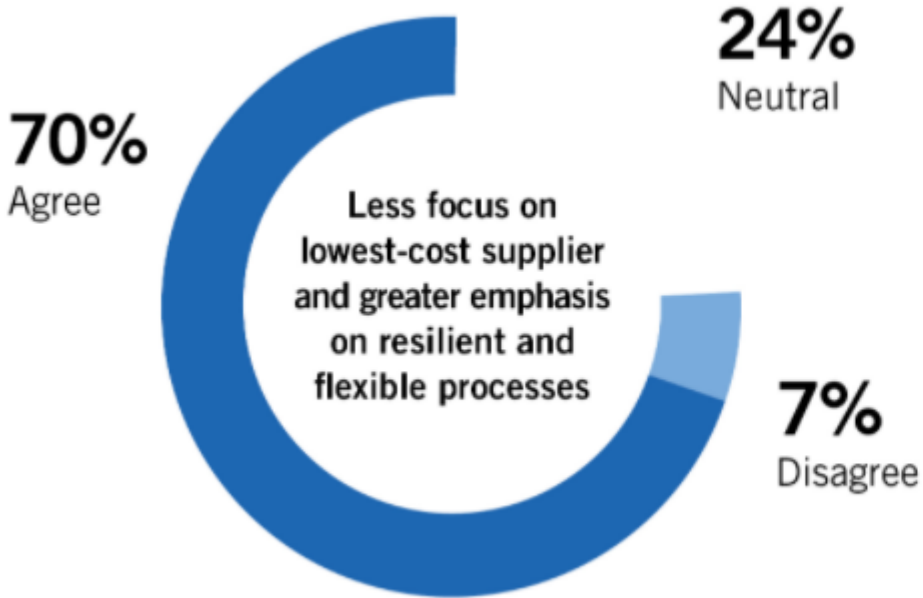
POLLING QUESTION #3

3. In the last year, has your organization shifted Supply Chain Strategy in any of the following ways?

- a) Decentralized Distribution Network
- b) Created Supply Chain Redundancy
- c) Increased proximity of suppliers
- d) Enhanced visibility across the extended supply chain
- e) Not Sure

SHIFTING SUPPLY CHAIN STRATEGY

In a 2020 survey of 150 manufacturing executives across a wide array of industries



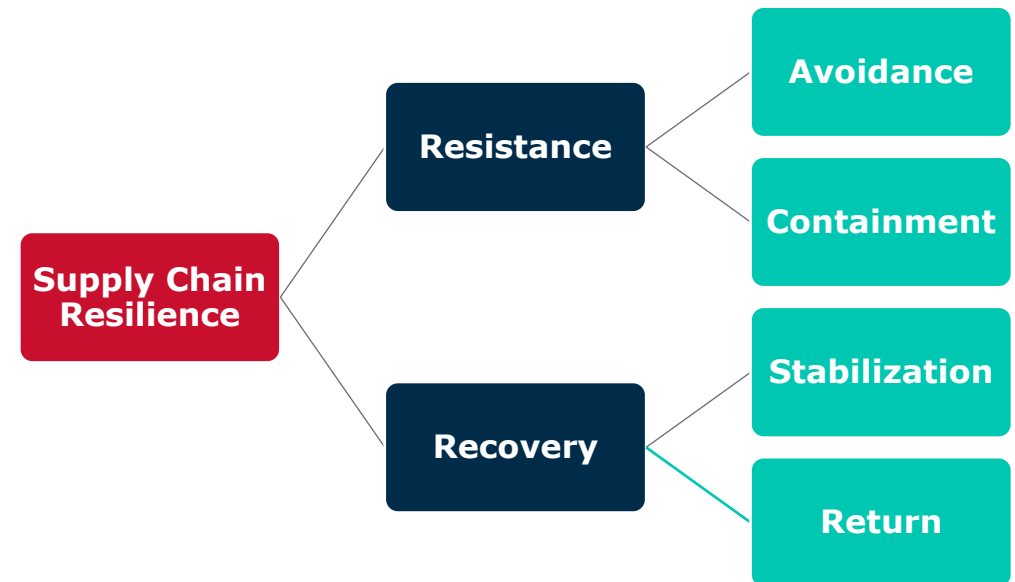
Source: Foley & Lardner LLP

The Business Case for Supply Chain Resilience is at the forefront of the corporate agenda

Supply Chain Risk Management is a **discipline** helps companies identify key areas of risk and exposure that create disruptions to supply chain continuity and profitability.



Supply chain resilience is the **outcome** that considers how prepared an organization is to respond and recover from disrupting events



A resilient supply chain can turn disruption into a competitive advantage

SUPPLY CHAIN RISK MANAGEMENT (SCRM)

Organizations taking a comprehensive and strategic approach to how they manage supply chain risks

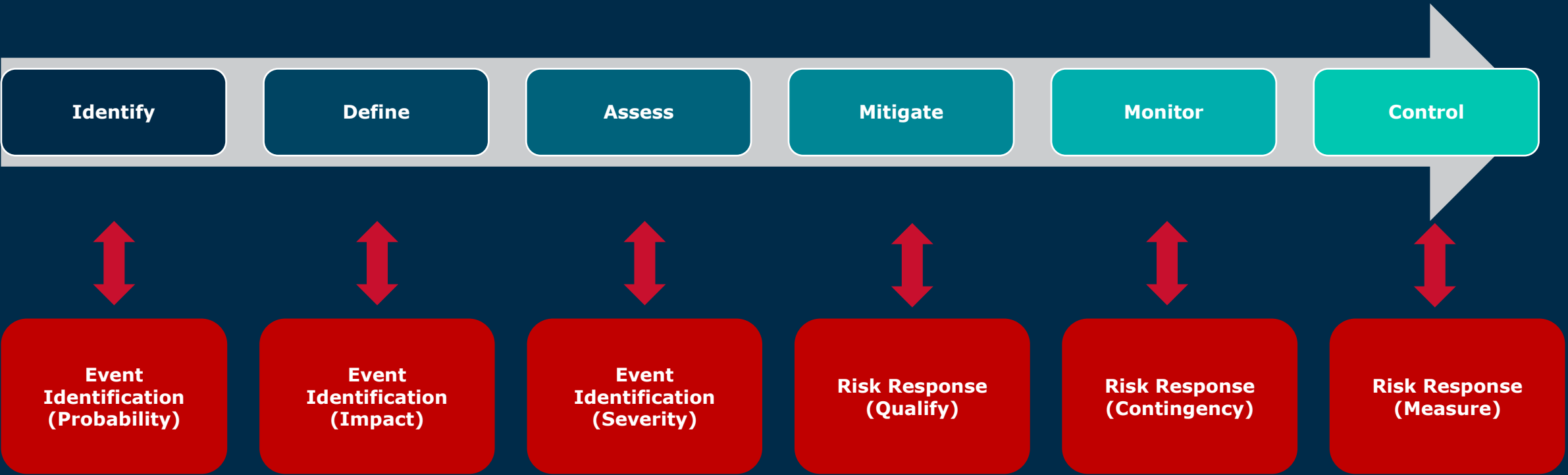


- Risks**
- Financial
 - Operational
 - Geographic
 - Reputational
 - Regulatory

- Multipliers**
- *Globalization*
 - *Lean Operations*
 - *Sole Sourcing*
 - *Evolving Threat Actors*
 - *Limited Visibility & Transparency*
 - *Changing Regulatory Environment*
 - *Rapid New Product Introduction*

SUPPLY CHAIN RISK MANAGEMENT (SCRM)

Supply chain risk management (SCRM) is the coordinated efforts of an organization to help identify, monitor, detect and mitigate threats to supply chain continuity and profitability.



SEGMENTING SUPPLIERS AND SUPPLIER RISK

The trend towards outsourcing, combined with ever increasing regulatory burdens, has made managing supplier and third-party risk increasingly important, difficult, and expensive.

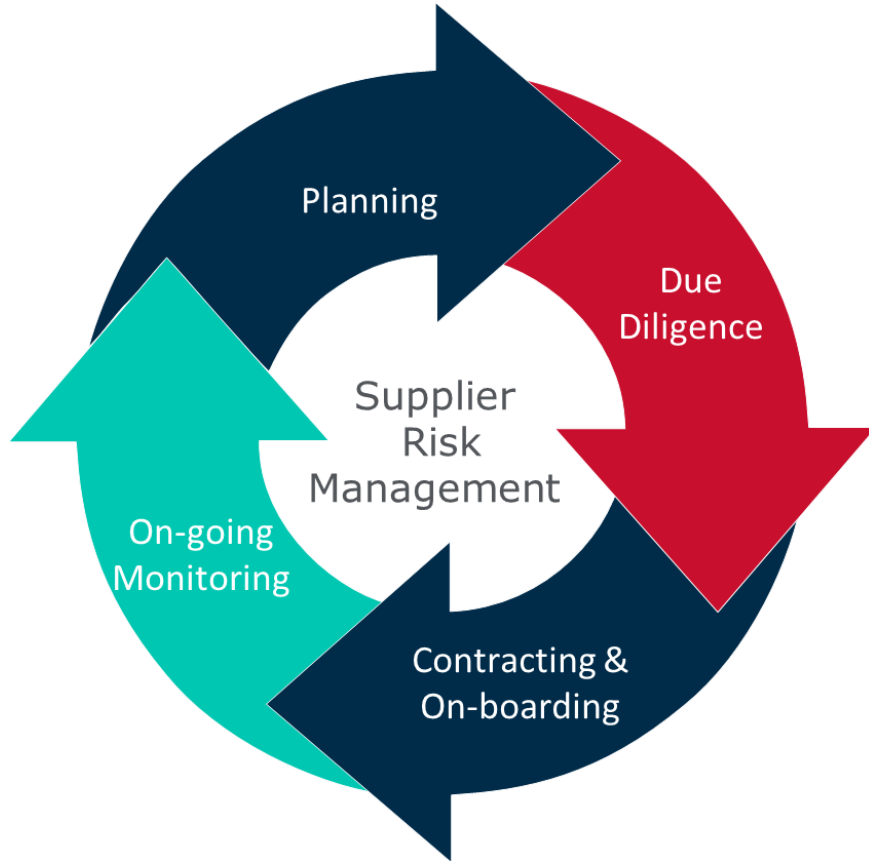
Traditional approach to supplier segmentation falls short for risk management purposes



Examples of segmentation by risk management requirements:

- SaaS- Risk screening questions to understand the type of information and service provided
- Facility Maintenance Service- Risk screening on insurance requirements and employee screening
- Supplier of Electronic Components- Risk screening for conflict minerals and country of origin

KEYS TO EFFECTIVE SUPPLIER RISK MANAGEMENT



Governance:

- Program Management and Executive Oversight
- Supply Chain Led with Cross Functional Support
- Defined Policy and Procedures
- Alignment with business objectives and operational risk

Processes and Tools:

- Supplier Master Data Management
- Risk Classification
- Assessment Execution
- Issues / Event Management
- Reporting, Metrics and Scorecards

Enablers:

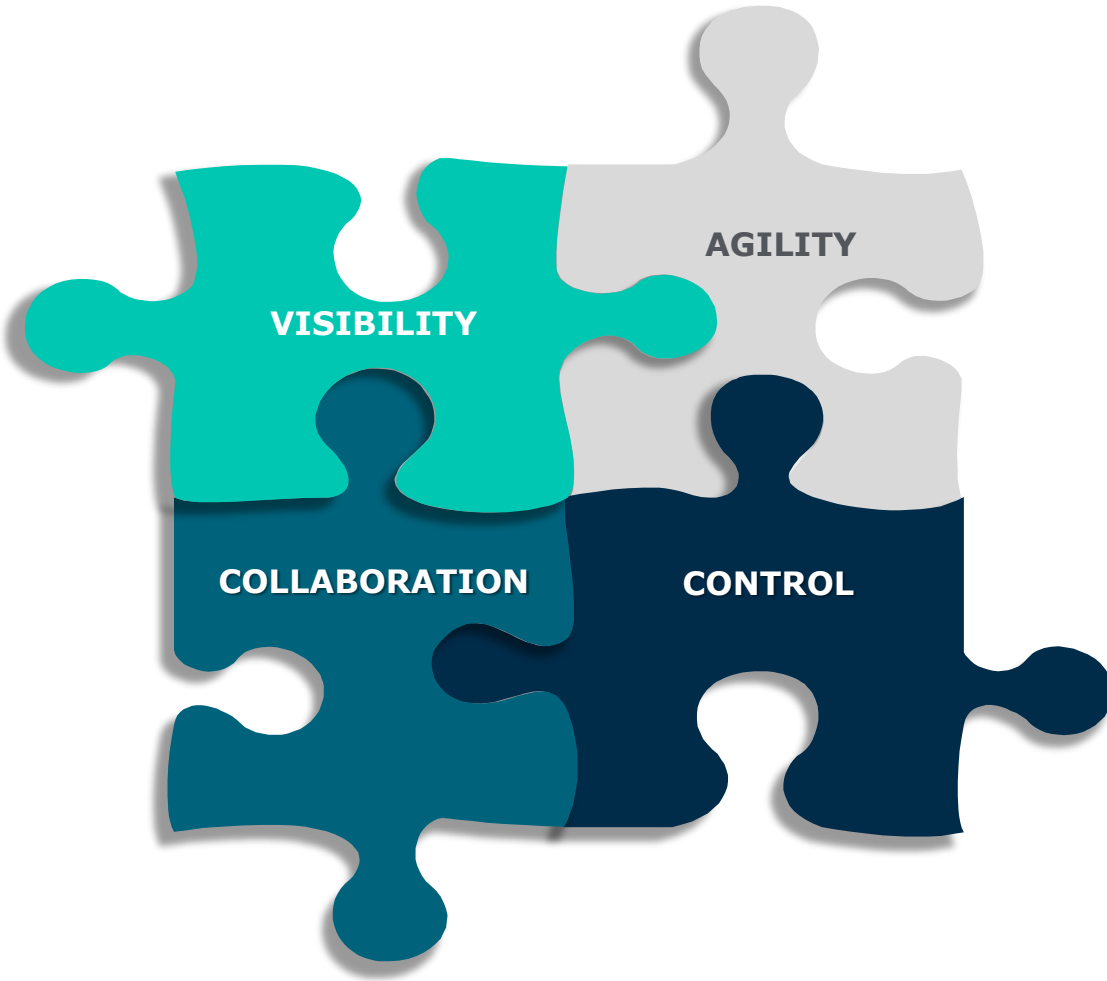
- Technology and Workflow Automation
- Change management, training and communication

POLLING QUESTION #4

4. Does your organization have an effective Supplier Risk Management Program?

- a) Yes
- b) No
- c) Not sure

A FRAMEWORK FOR SUPPLY CHAIN RESILIENCE



- **Visibility** created by technology and integration across the end to end supply chain network
- **Agility** created by supply chain strategy enabling redundancy and alternatives
- **Collaboration** and communication on an on-going basis across supply chain partners and cross functional stakeholders
- **Control** supported an effective Supply Chain Risk Management Program and enabling processes, tools and technology to support tactical execution

**Thank You,
FEI!**

RGP

To the Power of Human™

DEMAND AND SUPPLY VOLATILITY

The Bullwhip Effect of Demand and Supply Volatility

Example: Boat Industry Bullwhip



Boat sales dipped as the lockdown started, but not for long. Overall sales increased for the year. Because parts suppliers decreased production for longer than demand dipped, inventory is down and backlog is way up. Producers are struggling to get back in balance.

The Pandemic created Demand Volatility that was unforeseen and disruptive. Boats are a good example. Other examples include:

Demand Suppression:

- Medical Supply- Elective Surgery
- Cold & Flu Products
- Travel Services

Demand Surge:

- Medical Supply- PPE, Respirators
- Vitamins & Supplements
- Delivery Services

Supply Volatility stemming from swings in demand and capacity constraints