

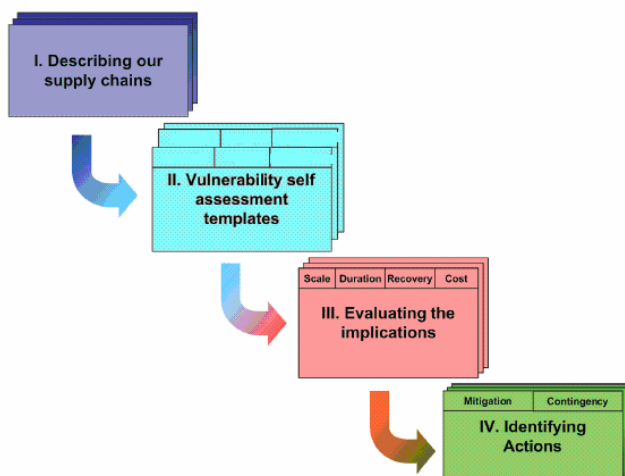
Supply Chain Risk Factor Analysis Executive Summary

Overview of the Risk Factor Analysis Process

The objective of the Supply Chain Risk Factor Analysis is to identify and understand the underlying vulnerabilities and to support the planning of both contingency and mitigating actions. The primary steps involved in conducting a risk factor analysis are as follows:

- Identify and describe the supply chains of which SAFC Biosciences is part
- Identify risk factors and potential vulnerabilities
- Rank exposure to each risk factor
- Document the results and identify potential risk-reduction actions

Each of these steps is described in the subsections that follow.



Identify Supply Chains

SAFC Biosciences has identified each supply chain in which it is involved, and described these to level three using the Supply Chain Council SCOR (Supply Chain Operations Reference) model. To the extent risks factors differ among the various supply chains, individual rankings of vulnerability will be maintained for each supply chain. (Exhibit 1).

Identification of Risk Factors

Risk factors will be identified using templates based on those developed by LCP Consulting in conjunction with the Centre for Logistics and Supply Chain Management, Cranfield School of Management. LCP Consulting is a UK based international supply chain group that has worked with 300 clients in 28 countries, including the world's two largest. This process is designed to both identify and calibrate the severity potential for the specific risk. The process is designed to capture the 20% of events that will drive 80% of the risks. The Director of Supply Chain Management will lead the effort to identify all supply and logistics risk factors. Calibration is based on the exposure of the business to the risk, where appropriate offset by the existence of actions that will mitigate the risk. Each risk factor is evaluated as 'none' 'some' 'significant'. The mitigation factors are assessed as 'significant' 'some' 'none' and this is used as a multiplier to classify the relative risk of each factor. The most significant risks will then be assembled and ranked. The most significant risk factors from this analysis are further evaluated in the next section. (Exhibit 2).

Evaluation

For the list of significant vulnerabilities, the third stage in the process is to assess the implications of these relatively high-risk ratings. This process places a value on the size of the risk, its likely duration before it is likely it can be corrected, the recovery actions that will be needed and the indicative cost of that recovery. At the end of this process it is possible to see the importance of the risk from stage 2 against the scale of the exposure and the cost to fix. A simple ranking of the most critical vulnerabilities for which there is no mitigation or contingency becomes available as a result of this analysis. (Exhibit 3).

Identify Actions

The ranked list of vulnerabilities becomes the input to the final stage, which is to identify potential actions in terms of either contingency planning of resources, or mitigation measures. The final step in the process is to prepare a list of actions and an estimate of the associated costs to mitigate or provide contingency. The final deliverable is a list of supply chain vulnerabilities that has been narrowed to areas for priority focus and appropriate actions flagged and estimated. This will allow Executive Management to make an initial judgment on where to focus risk management efforts and resources in the supply chain. The process may expose some uncertainties that should be addressed with more detailed analysis. (Exhibit 4).

Conclusion

The Supply Chain Risk Factor Analysis is a systematic qualitative risk evaluation technique that identifies significant vulnerabilities for quantitative analysis. The quantitative analysis is used to prioritize and place a value on the risks and potential risk reduction strategies. No attempt is made to elicit the probability of an event occurrence. The goal of this process is to identify the biggest risks in a timely manner so management can decide on the proper course of action. The Director of Supply Chain management is responsible for assuring this process occurs biennially.

