

Risk, Resilience and Rebalancing in Global Value Chains

Disruptions lasting a month or longer now occur every

3.7 years
on average

180

traded products

(worth \$134 billion in 2018)
for which a single country accounts
for the vast majority of exports

Companies can expect
to lose more than

40%

of a year's profits every
decade on average

16-26%

of global goods exports, worth
\$2.9 trillion to \$4.6 trillion, could conceivably
move to new countries over the next five years
if companies restructure their supplier networks

40

weather disasters
in 2019 caused
damages exceeding
\$1 billion each

80% of global
trade involves
nations with
declining political
stability scores from
the World Bank

\$4.4 trillion
in global trade
flows through the
five most exposed
value chains

Session Moderator & Speakers



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Resilience and
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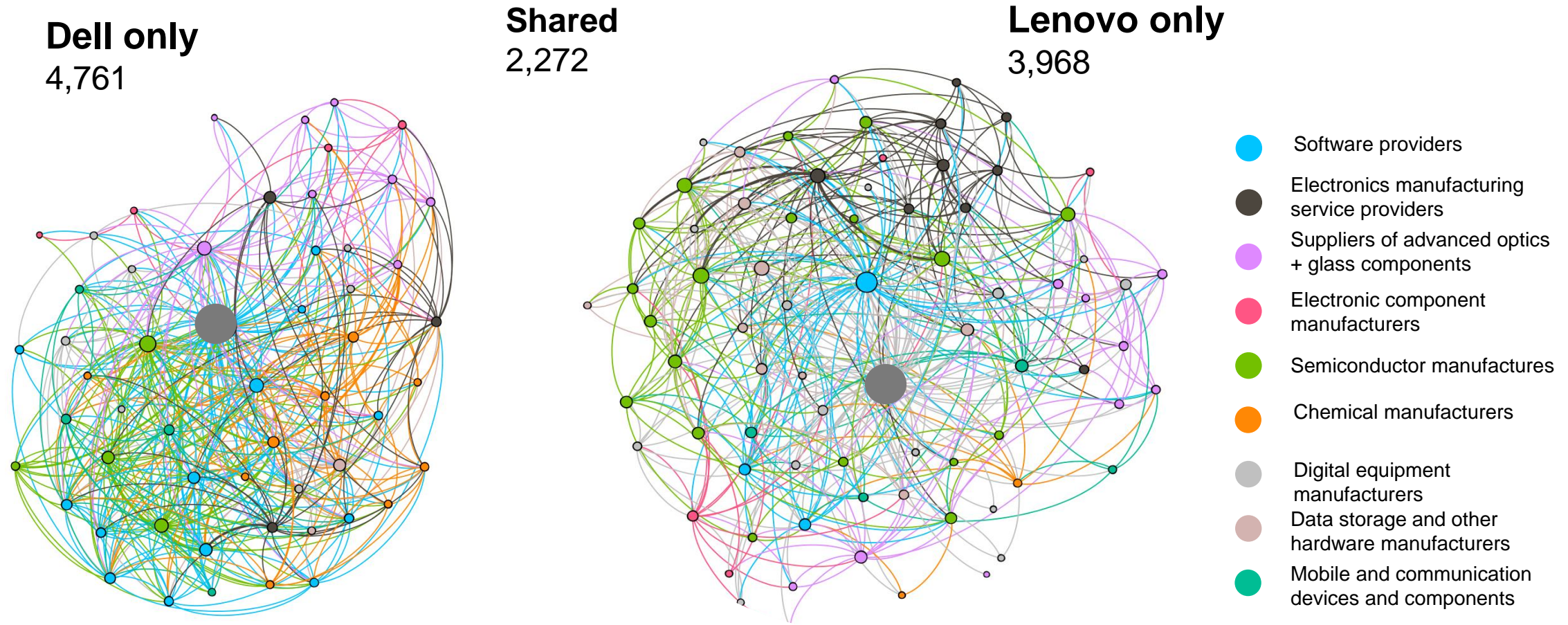
Agenda

1. Bitesize entry point – 10mins
2. Video & audience survey – 10mins
3. Deeper dive & case studies – 20mins
4. Q&A – 20mins

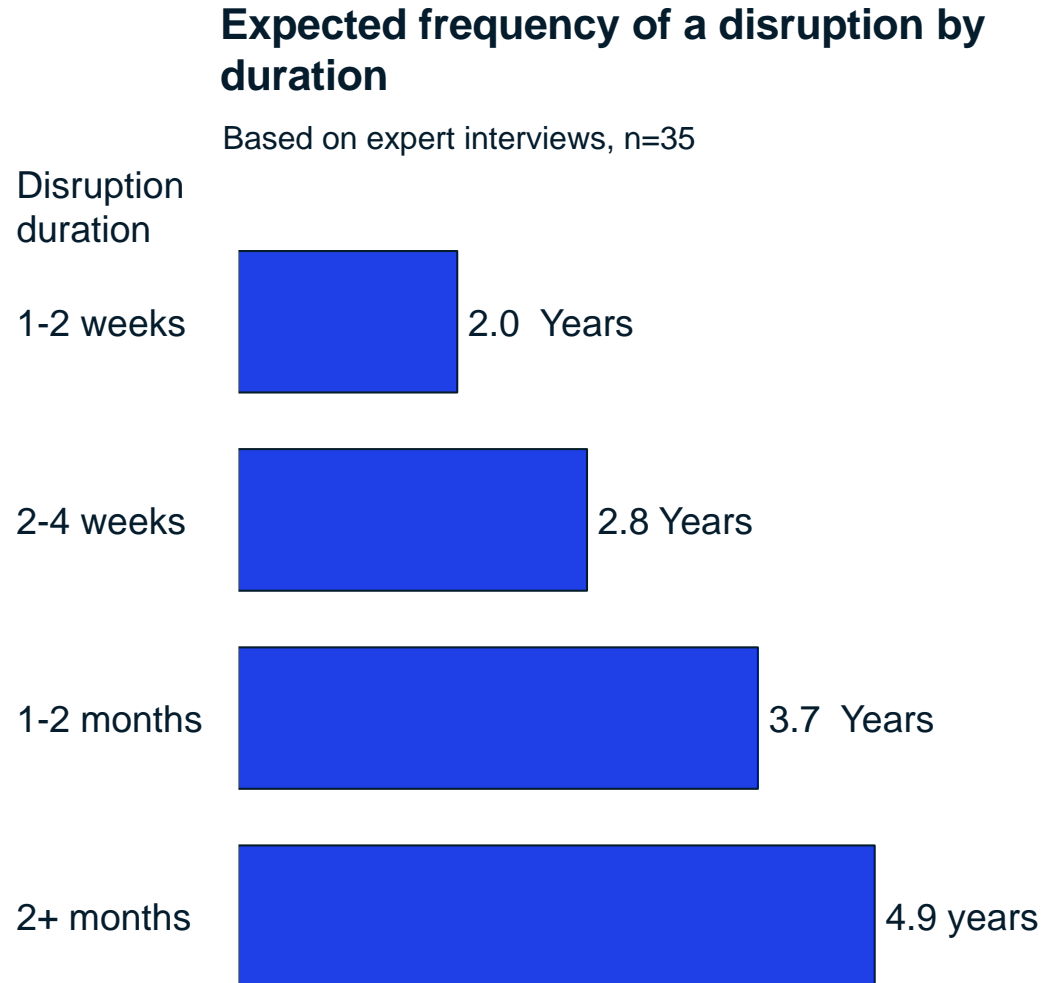
1. Supply chains are highly complex, multi-tiered and interconnected networks; shocks can be amplified across the network

Dell's ecosystem is more clustered (risking bottlenecks) while Lenovo's is deeper (risking lack of visibility)

Number of publicly known Tier 1-2 suppliers



2. External shocks happen with surprising regularity



Shocks are diverse

Force majeure

- Geophysical
- Acute climate event
- Pandemic

Geopolitical

- Financial crisis
- Trade war
- Military conflict

Malicious actors

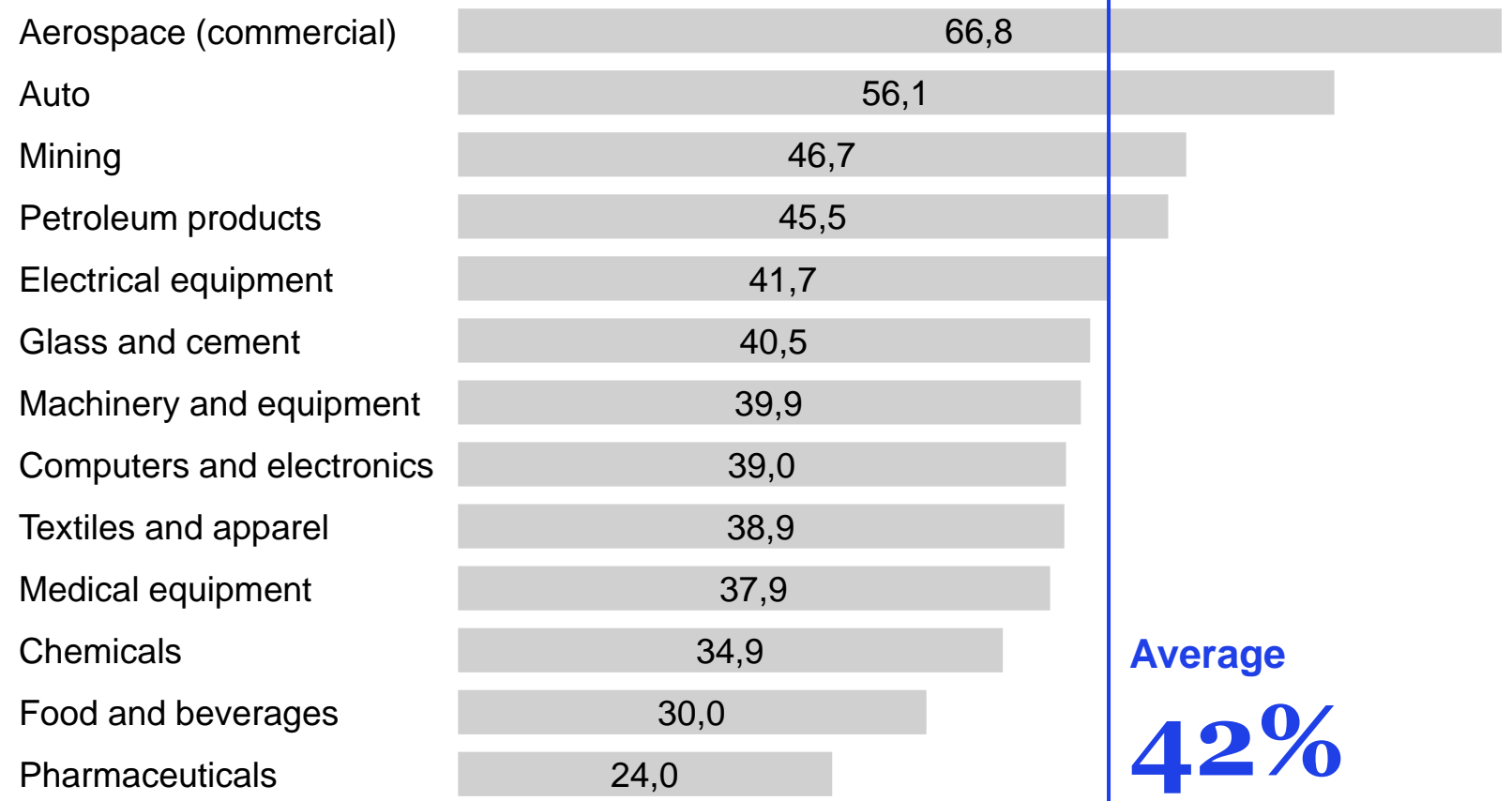
- Counterfeit
- Cyber attacks

Idiosyncratic risks

- Supplier bankruptcy
- Industrial accident

3. Disruptions have a measurable impact on the bottom line across industries

Net present value of expected losses over a 10 year period % annual EBITDA



1. Based on estimated probability of severe disruption (constant across industries) and proportion of revenue at risk due to a shock (varies across industries). Amount is equivalent to one-year's revenue, i.e., is not recurring over the modelled ten-year period. Calculated by aggregating the cash value of expected shocks over a ten year period based on averages of production-only and production-and-distribution scenarios multiplied by the probability of the event occurring for a given year based on expert input on disruption frequency. The expected cash impact is discounted based on each industry's weighted average cost of capital

2. Based on weighted average revenue of top 25 companies by market cap

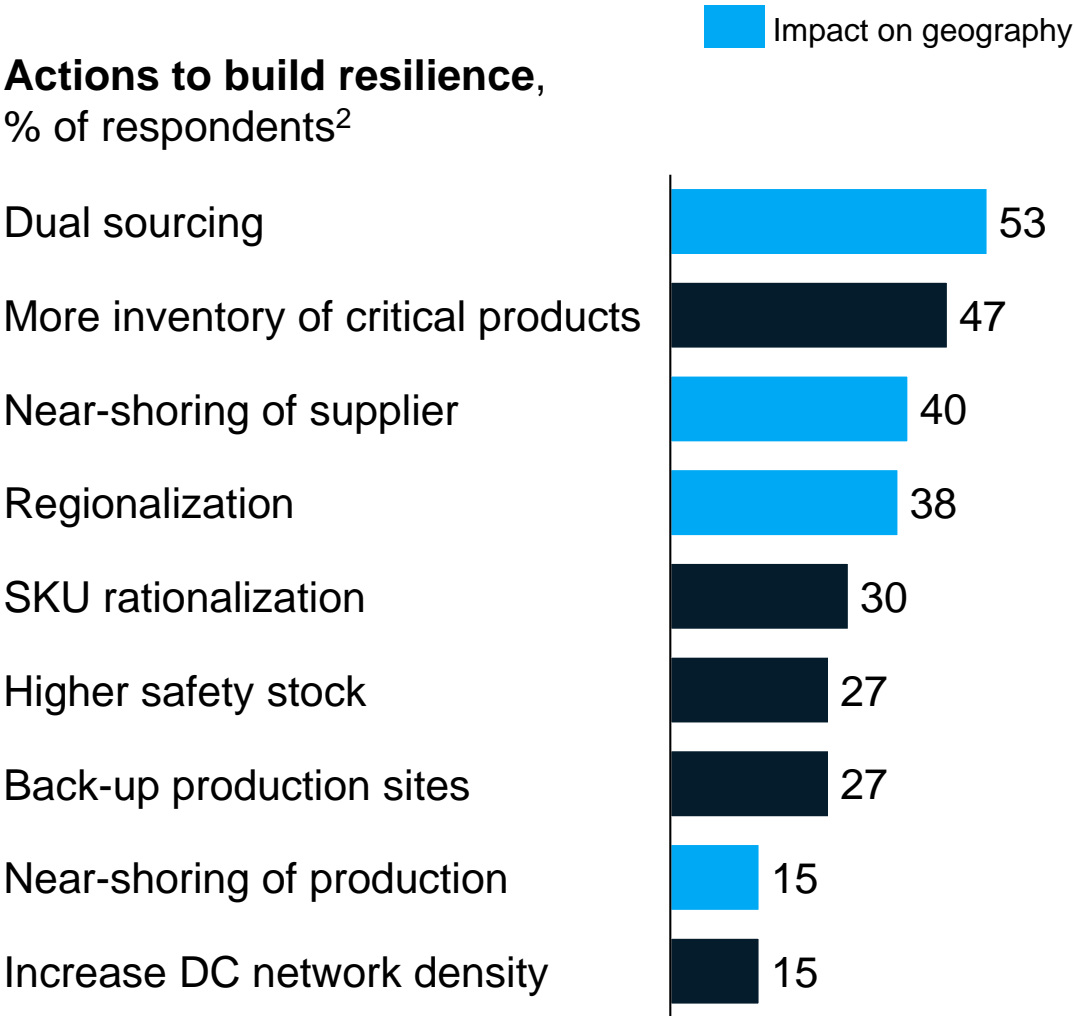
4. Building resilience is a high priority among supply chain executives

Executive survey results,
May 2020

93% Supply chain leaders
planning to increase
resilience¹

44% Would increase resilience
at the expense of short
term efficiency²

Actions to build resilience,
% of respondents²



1. Survey of leading executives, n=60

2 Survey of leading executives, n=605

5. Resilient and efficient supply chains have four key features...



E2E visibility across suppliers



Regular stress-testing



Targeted actions to reduce vulnerability



Resilience & efficiency on CEO agenda

...which requires new ways of working



Resiliency metrics



New digital tools and talent



Investor and customer communications



Processes to manage resilience over the long term

Watch this clip:

Making supply chains more resilient in the post-COVID world





Audience Survey

The image features a dense, geometric pattern of blue-painted metal beams, likely part of a bridge or industrial structure. The beams intersect at various angles, creating a complex web of lines that recede into the distance. The lighting is bright, casting soft shadows and highlighting the metallic texture. The background is a clear, pale blue sky. Overlaid on this background is the text "Deeper Dive" in a large, white, sans-serif font, centered horizontally and slightly above the vertical midpoint.

Deeper Dive

Questions?

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