



Build Supply Chain Resilience Sphera Sub-tier Visibility



Executive Summary

Supply chain disruption and accompanying shortages seem to be more the rule than exception in recent years. This has prompted businesses and governments to increasingly focus on strengthening supply chain resilience.

What exactly is resilience and why is it important?

Resilient supply chains are able to withstand negative impacts and recover quickly. And robust supply chain risk management is key to achieving resilience. Many enterprises with risk management programs want to continue their journey to resilience, by achieving visibility across multiple tiers of their supply network. In some cases, organizations are trying to map these extended business relationships. But attaining accuracy in mapping supply chains beyond tier-1 suppliers is difficult.

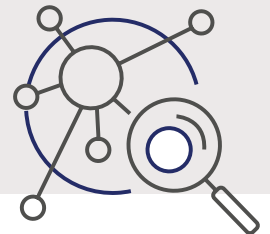
With Sphera Sub-tier Visibility enterprises and their business partners can manage risk collaboratively to gain visibility. Suppliers have the immediate benefit of being able to map their own supply chains, and become more risk aware.

Here we will outline some of the benefits achieved through Sphera Sub-tier Visibility. Among our customers who use this approach is specialty chemicals company Clariant, who confirms the high value of managing risk collaboratively throughout their entire supply network.

Why Clariant is a first mover in using Sphera Sub-tier Visibility to avoid disruption:

CLARIANT
Supply chain disruptions have the potential to cause damage that easily adds up into the millions. Among other painful consequences, you lose revenue and pay customer penalties.

Artur Kulawiński
Global Supply Risk Manager
Clariant
Sphera [formerly riskmethods] customer



Lack of Multi-tier Supply Chain Visibility and Its Consequences

Global enterprises may have tens of thousands of sub-tier suppliers, and simply cannot monitor these without digitally transformative technologies. Such complex supply chains are thus highly vulnerable to risks and their consequences, including:

High emergency mitigation costs

On average, supply chain disruptions cause 4.2 % EBITDA loss per year.¹

Production downtimes

Financial damage is inevitable, and supply interruption has a cascading effect:

- Contractual penalties when you fail to meet agreements
- Loss of customers and competitiveness go hand in hand with loss in revenue and market share
- Potential bullwhip effect through erratic spikes in demand and supply
- Ineffective use of time when staff is occupied with firefighting

Why transparency is key for Clariant:

CLARIANT

At the moment, suppliers' entire risk posture is under scrutiny. The market is demanding transparency and resilience, as both are key to compliance.

Artur Kulawiński
Global Supply Risk Manager
Clariant
Sphera [formerly riskmethods] customer

Why avoiding disruption in its supply network is critical for Clariant:

CLARIANT

For every \$1 you spend on risk prevention, you save \$3 to \$5 in emergency costs afterwards.

Artur Kulawiński
Global Supply Risk Manager
Clariant
Sphera [formerly riskmethods] customer

Lack of transparency

The inability to improve transparency hinders companies from meeting compliance and sustainability requirements. Some of the consequences include:

- Fines and penalties imposed by regulatory bodies that impose corporate legal requirements around supply chain due diligence
- Market exclusion when enterprises face sanctions for partners' illegal behavior
- Reputational damage can cause loss of investors, business partners, and consumers

¹ Source: McKinsey Global Institute (2020)

15 %

Of companies say they have visibility into tier 2 and beyond

70 %

Of companies say they know who their tier-1 suppliers are

IN NEED OF TRANSPARENCY

Source: The Deloitte Global CPO Survey, Deloitte (2021)



THREAT OF DISRUPTION

Source: Industry Research: Supply Chain Resiliency, Industry Week, Siskich, Endeavor Business Media (2021)

76 %

Agree that the pandemic exposed weaknesses in their supply chains

93 %

Experienced COVID-19 pandemic-related supply chain challenges

Gaining Visibility through Collaboration

By improving your ability to map your sub-tier suppliers, your organization is able to clearly identify supply chain dependencies and expose supply risk at an early stage. You also discover new areas for collaboration, and risk mitigation. With visibility into the sub-tiers, enterprises can address shortages or other disruptions. The solution? Sphera Sub-tier Visibility is the critical first step to collaboratively reduce risk in the supply network. Every participant benefits from gaining visibility of new and emerging threats.

How Sphera Sub-tier Visibility works

To begin the process, Sphera [formerly riskmethods] customers acquire our Sub-tier Visibility module. This module gives you access to Sphera Supply Risk Network™.



Step 1

As an enterprise, you invite your tier-1 suppliers to join Sphera Supply Risk Network, a unique collaborative hub for managing risk in the supply network.



Step 2

Suppliers share basic information about their suppliers with you, such as their company names and locations.



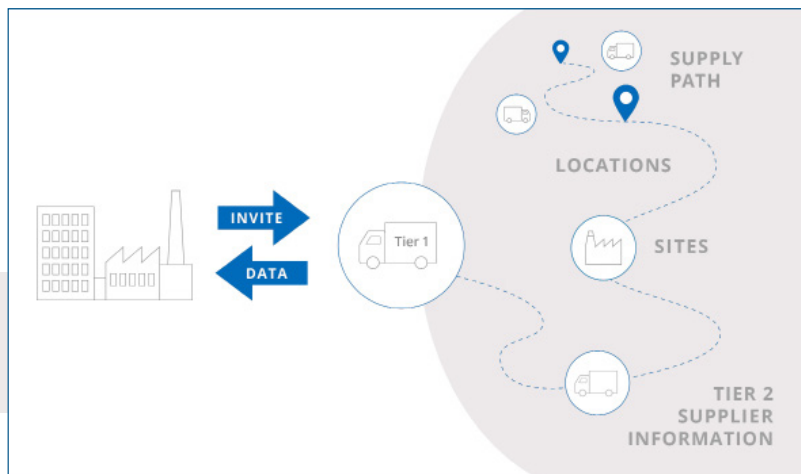
Step 3

Thanks to information provided, you can now visualize your sub-tiers. You receive warnings of risk events throughout your supply network natively within The Sphera Solution™.



Step 4

Through your suppliers' active participation, you gain a true visibility into an extended supply network that was previously unattainable.



How Clariant perceives the benefits gained through visibility:



CLARIANT

The company that has visibility into its sub-tiers has a big advantage over its competitors. You hear about disruption first, so you're the first to react.

Artur Kulawiński
Global Risk Manager in Procurement
Clariant
Sphera [formerly riskmethods] customer

Benefits of Collaboratively Managing Sub-tier Risk

Sphera Sub-tier Visibility is an innovative approach to n-tier transparency that benefits each of the participants in a trading relationship. As enterprise customers, you can pinpoint new and emerging threats to your supply chain. Such insights allow you to synchronize risk visibility and mitigation efforts with suppliers:



Build network resilience

to maintain business continuity and keep production running.



Reduce your risk exposure

and avoid mitigation costs to drive top- and bottom-line results.



Understand bottlenecks (diamond risk)

in your supply network, so you can proactively remedy such situations.



React faster to risk events within sub-tiers

supported by having sourcing and mitigation strategies already in place.



Strengthen your supplier relationships

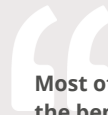
and reduce supply disruption by collaborating on risk management.



Maintain compliance and sustainability along multiple tiers

to avoid fines and reputational damage.

How Clariant's suppliers react to being invited to manage risks with their business partner:



CLARIANT

Most of our suppliers understand the benefits of taking part in a collaborative supply risk network. They love to visualize their risk exposure on a world map. And of course, they want to become more resilient themselves.

Artur Kulawiński
Global Supply Risk Manager
Clariant

Sphera [formerly riskmethods] customer

How Do Suppliers Benefit from Joining Sphera Supply Risk Network?

When you invite suppliers to join Sphera Supply Risk Network, this is a great opportunity to deepen business relations and establish your supplier as a partner of choice. By inviting your supplier, you ask them to register to the network and share basic data about their suppliers. Membership enables suppliers to:



Map their own suppliers and supply paths on an interactive world map.



Understand the criticality of risk events or objects.



Receive real-time warnings, so they can take appropriate countermeasures. For example, they might book different transportation modes, or increase stock levels.



Gain risk insights, so they are better able to keep their production running.



Ensure business continuity across the entire supply chain.

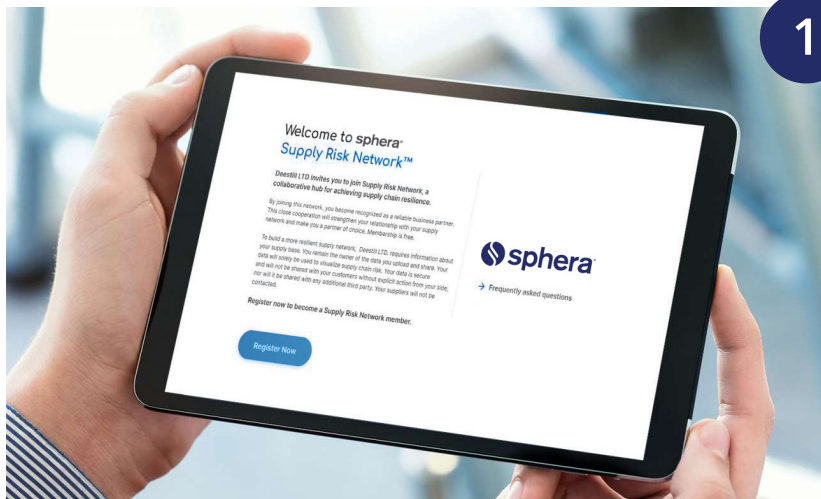


Avert financial damage at every level and stay competitive with best-in-class technology.

Sphera Sub-tier Visibility supports your suppliers in becoming risk-aware enterprises and trusted partners. You collaborate as business partners on risk mitigation to strengthen the entire network.

For suppliers who join Sphera Supply Risk Network, **PARTICIPATION IS FREE.**

Gaining Visibility in Three Steps



1

Invite suppliers to join and share data
As a Sphera customer, you invite relevant suppliers to join Sphera Supply Risk Network, which provides suppliers with free risk insights



2

Gain insights through sub-tier visibility
When your suppliers provide their supplier data, you can visualize their sub-tiers. Should risk events occur, you receive warnings natively within The Sphera Solution™



3

Make suppliers more resilient
When suppliers participate in Sphera Supply Risk Network, they are able to visualize their own suppliers and locations on a world map

Conclusion

Greater supply chain resilience is now a priority for many enterprises. Early-mover Clariant is well on its way to reaching this goal with Sphera Sub-tier Visibility. This innovative approach enables enterprises to actively seek collaboration with suppliers, and offer their partners valuable risk insights in return.

With Sphera Sub-tier Visibility, you and your suppliers can be more risk aware, react faster, and be more proactive. Perhaps for the first time, suppliers can visualize threats on a world map, to uncover hidden risk in their own supply chains, and receive real-time risk alerts. All this at no cost to them.

To implement your program, start with your key suppliers and their sub-tiers. Then you can use the powerful scalability of The Sphera Solution to achieve a broad coverage of critical supply. Suppliers will benefit from greater resilience throughout your joint supply network. Once your suppliers understand the value of the proactive risk management capabilities offered by The Sphera Solution, you might encourage their integration into a deeper and wider program. This builds loyalty and strengthens relationships.



I believe that a collaborative supply network and sub-tier visibility will become standard in the market by two to three years from now.

Artur Kulawiński
Global Supply Risk Manager
Clariant

Sphera customer

**Sphera was acquired by Sphera in October 2022. This content originally appeared on the Sphera website and was slightly modified for sphera.com.*

About Sphera

Sphera is the leading provider of Environmental, Social and Governance (ESG) performance and risk management software, data and consulting services focusing on Environment, Health, Safety & Sustainability (EHS&S), Operational Risk Management (ORM), Product Stewardship and Supply Chain Risk Management (SCRM). For more than 30 years, we have served over 6,700 customers and a million-plus users in 80 countries to help companies keep their people safe, their products sustainable and their operations productive.



www.sphera.com

For more information contact us at:
sphera.com/contact-us

©2023 Sphera. All Rights Reserved.

Contact us to learn more about how Sphera can help your business meet its safety, sustainability and productivity goals.