

RISK AND CRITICALITY SEGMENTATION QUESTIONS

Risk Question 1: Has the supplier been involved in a supply disruption for our business in the last 12 months?

Objective: Assess historical continuity of supply abilities

- 3) More than Once: There was more than one supply disruption in the last 12 months
- 2) Once: There was one supply disruption in the last 12 months
- 1) No: No supply disruptions

Risk Question 2: How likely is there to be a significant dip in the supplier's financial viability or solvency in the coming 12 months?

Objective: Assess near-term supplier solvency risk

- 3) Very Likely: Multiple areas of concern (e.g. significant weakening of supplier financial ratios, difficult macro economic conditions for industry, etc.)
- 2) Somewhat Likely: Some concern in one area (e.g., some weakening of certain financial ratios)
- 1) Unlikely: All risk indicators are positive (e.g. solid financial ratios, no major employee/legal/regulatory issues, etc.)

Criticality Question 1: As a customer, what level of access (compared to our competitors) do we have to unique solutions provided by the supplier?

Objective: Identify unique supplier capabilities that positively impact our profitability

- 3) Preferred: Preferred access to supplier's unique products/services which positively impact our revenue/cost structure
- 2) Equal: Equal access to supplier's unique products/services which positively impact our revenue/cost structure
- 1) None: Supplier doesn't have a unique product/service that positively impacts our revenue/cost structure or our access is disadvantaged

Criticality Question 2: How likely is this supplier to develop a breakthrough technology or process in the next three years that will give us competitive advantage?

Objective: Assess supplier's future capabilities

- 3) Very Likely: In process of negotiating access to new products which will give us an advantage
- 2) Somewhat Likely: Known to be developing products which will give us an advantage
- 1) Unlikely: Nothing known about new products which are relevant to us

Criticality Question 3: What is the level of sharing of business critical data (e.g., customer data) and intellectual property with this supplier?

Objective: Determine level of integration with supplier

- 3) Significant: Open-book policy; effective joint ventures
- 2) Moderate: Sharing restricted to selected projects/areas
- 1) Little: Arms-length relationship

Criticality Question 4: For the primary product obtained from this supplier, what is the level of difficulty in switching to another supplier or bringing in-house within 12 months?

Objective: Assess dependency and switching costs

- 3) Significant: Switching would require developing a new supplier's capabilities and would create significant business disruption
- 2) Moderate: Alternate suppliers available; switching would just require careful coordination
- 1) Little: Could readily switch to another supplier

Criticality Question 5: How much impact does this supplier have on our critical regulatory compliance, safety obligations or product quality?

Objective: Assess our exposure to supplier relationship

- 3) Significant: Supplier's product/service can easily create liabilities and reputation risk for us
- 2) Moderate: Supplier's product/service can create liabilities and reputation risk for one portion of our organization
- 1) Little: Supplier's product/service does not pose unusual risk

Criticality Question 6: How much impact does this supplier have on customer retention or service?

Objective: Assess the supplier's impact on our store customer retention/service

- 3) Significant: Supplier's product/service is critical to our customer's experience
- 2) Moderate: Supplier's product/service is indirectly related to our customer's experience
- 1) Little: Supplier's product/service is far removed from our store customer's experience