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The SCRLC (http://www.scrlc.com) is a cross-industry organization including world-class manufacturing and services supply-chain organizations and academic institutions that work together to develop and share current best practices in supply-chain risk management. Its mission is to create supply-chain risk management standards, processes, capabilities, and metrics that reflect current best practices and can be widely adopted.

Suggestions for improvement of this document are welcome. They should be sent to ASIS International, 1625 Prince Street, Alexandria, VA 22314-2818.

Commission Members

Charles A. Baley, Farmers Insurance Group, Inc.
Jason L. Brown, Thales Australia
Michael Bouchard, Sterling Global Operations, Inc.
Cynthia P. Conlon, CPP, Conlon Consulting Corporation
William J. Daly, Control Risks Security Consulting
Lisa DuBrock, Radian Compliance
Eugene F. Ferraro, CPP, PCI, CFE, Convercent
F. Mark Geraci, CPP, Purdue Pharma L.P.
Bernard D. Greenawalt, CPP, Securitas Security Services USA, Inc.
At the time it approved this document, the SCRM Standards Committee, which is responsible for the development of this Standard, had the following members:

**Committee Members**

**Committee Co-Chair:** Marc H. Siegel, Ph.D., Commissioner, ASIS Global Standards Initiative  
**Committee Co-Chair:** John J. Brown, P.E., ARM-E, Thomson Reuters  
**Commission Liaison:** Bernard D. Greenawalt, CPP, Securitas Security Services USA, Inc.  
**Committee Secretariat:** Susan Carioti, ASIS International
Mike Edgerton, CPP, Good Harbor Consulting, LLC
Thomas Engells, CPP, CPM, The University of Texas Medical Branch at Galveston
Richard J. Ferraro, Centanni Maritime, Inc.
Windom Fitzgerald, Fitzgerald Technology Group
Charles Forreth, Purdue Pharma
Thomas Frank, CPP, AbbVie Inc.
Jeremiah Frazier, CPP, Coca-Cola
Peter French, CPP, SSR Personnel
Robert Grieman, CPP, Securitas Security Services, USA, Inc.
Jeffrey Gruber, CPP, CHS-IV, Department of Defense, Department of the Army Civilian
Hector Grynberg, CPP, NOKIA
Phillip Guffey, CPP, Roche
Carlos Guzman, Security 101 Denver
Jon Hallaway, Harris Health Systems
Mark Hankewycz, CPP, The Protection Engineering Group, Inc.
Lloyd Hardy, JSI Logistics
Tom Holmes, Edinburgh International
Zahid Iqbal, MSc, Microsoft Corporation
Calvin Jaeger, PhD, Sandia National Laboratories
Ben Jakubovic, CPP, PSP, Avante International Technology
Mitchell Kemp, CPP, Cummins Filtration
David Kimmerly, CSC, AVSEC PM, WSP Middle East
Tami Kitajima, Competitive Insights, LLC
Timothy Klass, CPP, Amazon Web Services
Gerald Knight, The Coca-Cola Company
Otto Kocsis, Zurich Insurance Group
Stephen Krill, PMP, CEM, CBCP, SRA International
Alessandro Lega, CPP, Independent Consultant
Steven Lente, CPP, Securitas Security Services, USA, Inc.
Timothy Lindsey, CPP, Sidwell Protection Services
Charles Littler, American Bus Association
Anthony Macisco, CPP, The Densus Group
Charlie Maclean-Bristol, CPP, PlanB Consulting
Christopher Mark, American Sugar Refining/Domino Brands
Ronald Martin, CPP, Open Security Exchange
Pascal Matthey, PSP, XL Insurance Services Ltd
Jim McMahon, CPP, CISSP, McMahon & Associates
William Miller, MaCT USA
Michael Miller, American Broadcasting Companies, Inc.
David Moore, AcuTech Consulting Group
Rashon Moore, West-Ward Pharmaceutical
Joseph Nelson, CPP, State Street
Augustine Okereke, CPP, PZ Cussons Nigeria PLC
Philip Oppenheim, CBCP, Continuity Information Support Services
Russ Phillips, MMTS Group
Russell Price, Continuity Forum
Daniel Puente Pérez, Sociedad de Prevención de Asepeyo
Joseph Rector, CPP, PSP, PCL, USAF/11th Security Force Group
James Rice, MIT Center for Transportation and Logistics
Mark Riesinger, CPP, West Bend Mutual Insurance
Eric Rojo, USDOE, DOD, Magination Consulting International
John Schettino, CFS, DIAGEO
Gavriel Schneider, CPP, MTSEC, Dynamic Alternatives
Richard Sharpe, Competitive Insights, LLC
Jeffrey Slotnick, CPP, PSP, Setracon Inc.
Kevin Smith, CPP, Allied Insurance
Jose Miguel Sobron, United Nations
Jerzy W. Sobstel, SOSTEL
Scott Soltis, CPP, Actavis
Scott Taylor, CPP, Exact Security
Jason Teliszczaak, CPP, JT Environmental Consulting, Inc.
Rajeev Thykatt, ISO 27001 Lead Auditor, BS 25999 Lead Auditor, Infosys BPO Ltd
Yoriko Tobishima, InterRisk Research Institute & Consulting, Inc.
Shawn VanDiver, CPP, AEM, CHS-V, CTT+, CHSM, CAS-PSM, VanDiver Consulting
Stephane Veilleux, CPP, Pharmascience
Carlos Velez, Johnson & Johnson
Erika Voss, CBCP, MBCI, Microsoft Corporation
Doug Weeks, PSP, Chevron
Renee Wentworth, Commonwealth of Virginia
Robert Weronik, CPP, Alexion
Nick Wildgoose, Zurich Insurance Group
Hunter Wright, CPP, Vestas Wind Systems
Allison Wylde, University of Roe Hampton Business School

Working Group Members

Working Group Co-Chairs:
Marc H. Siegel, Ph.D., Commissioner, ASIS Global Standards Initiative
John J. Brown, P.E., ARM-E, Thomson Reuters

Frank Amoyaw, LandMark Security Limited
Ravi Anupindi, University of Michigan
Craig Babcock, Procter & Gamble
Pradeep Bajaj, Professional Industrial Security Management Academy
Dennis Blass, CPP, PSP, CISSP, CFE, CSHP, Children's of Alabama
John Casas, PSP, John Casas & Associates, LLC
Anthony DiSalvatore, CPP, PSP, PCI, Rocky Gap Casino Resort
Meliha Dzirlo-Ayvaz, PMP, CBCP, CEM, Deloitte & Touche LLP
Windom Fitzgerald, FitzgeraldTechnology Group
Charles Forsaith, Purdue Pharma
Thomas Frank, CPP, AbbVie Inc.
Robert Grieman, CPP, Securitas Security Services, USA, Inc.
Jeffrey Gruber, CPP, CHS-IV, Department of Defense, Department of the Army Civilian
Hector Grynberg, CPP, NOKIA
Lloyd Hardy, JSI Logistics
Tom Holmes, Edinburgh International
Zahid Iqbal, MSc psn, Microsoft Corporation
Calvin Jaeger, PhD, Sandia National Laboratories
Gerold Knight, The Coca-Cola Company
Alessandro Lega, CPP, Independent Consultant
Steven Lente, CPP, Securitas Security Services, USA, Inc.
Anthony Macisco, CPP, The Densus Group
Charlie Maclean-Bristol, CPP, PlanB Consulting
Pascal Matthey, PSP, XL Insurance Services Ltd
Jim McMahon, CPP, CISSP, McMahon & Associates
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Russ Phillips, MMTS Group
Russell Price, Continuity Forum
Joseph Rector, CPP, PSP, PCI, USAF/11th Security Force Group
Eric Rojo, USDOE, DOD, Magination Consulting International
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Richard Sharpe, Competitive Insights, LLC
Jeffrey Slotnick, CPP, PSP, Setracon Inc.
Kevin Smith, CPP, Allied Insurance
Jerzy W. Sobstel, SOSTEL
Jason Teliszczak, CPP, JT Environmental Consulting, Inc.
Rajeev Thykatt, ISO 27001 Lead Auditor, BS 25999 Lead Auditor, Infosys BPO Ltd
Shawn VanDiver, CPP, AEM, CHS-V, CTT+, CHSM, CAS-PSM, VanDiver Consulting
Stephane Veilleux, CPP, Pharmascience
Doug Weeks, PSP, Chevron
Renee Wentworth, Commonwealth of Virginia
Hunter Wright, CPP, Vestas Wind Systems
Allison Wylde, University of Roe Hampton Business School
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0 Introduction

0.1 Supply Chain Risk Management: An Overview

This Standard defines supply chain risk as the uncertainty in achieving an organization’s objectives throughout its supply chain. Organizations of all types and sizes face internal and external factors and influences that make it uncertain whether and when they will achieve their objectives. The effect this uncertainty has on an organization’s objectives is “risk”. Supply chain risk management (SCRM) involves the assessment and control of risk events at all points in an end-to-end supply chain, from sources of raw materials to end use by customers and consumers. SCRM is the systematic assessment and treatment of potential risk events across operations with the objective to exploit opportunities and/or to reduce negative impacts on the performance of the organization and its supply chain. This includes the coordinated activities and practices an organization uses to manage its operational risks related to its end-to-end supply chain. Potential risk events can occur within and outside the supply chain. Risk events may be caused by:

a) Natural disasters;

b) Intentional acts (e.g., criminal acts, terrorism, industrial espionage, labor and social unrest, regulatory actions, etc.); and

c) Unintentional acts (e.g., accidents, process breakdowns, wrong materials, personnel issues, etc.).

SCRM is part of an integrated and multifaceted business management strategy, and therefore also takes into consideration the organization’s image, reputation, and marketing, as well as the management of quality; environment, health and safety; purchasing; logistics; facilities; communications; human resources; and materials. SCRM integrates several different risk and resilience related disciplines, including, but not limited to security, cyber-security, crisis, business continuity, and emergency management, as well as asset conservation, insurance, and technology recovery. SCRM seeks to anticipate, prevent, protect, mitigate, manage, respond, and recover from potentially undesirable and disruptive events, as well as identify opportunities. The best strategy for addressing risk events will be determined by the organization’s context of operations, its risk appetite, and results of risk assessments.

Supply chain risk management is a holistic component of the overall risk management framework for an organization. Therefore, this Standard should be used as a complement to existing risk management programs for enterprise or fiduciary risk. Adoption of this Standard should build on rather than supplant existing specialized risk programs.

0.2 The Need for Supply Chain Risk Management

SCRM is vital for organizations that increasingly rely on extended operations, both internal and external, for their success. This is primarily due to the advantages organizations have found in utilizing strategies such as globalization, outsourcing, off-shoring, specialized manufacturing,
supply-base rationalization, just-in-time deliveries, supplier consolidation and lean inventories. While these strategies offer many benefits in efficiency and effectiveness, they also make supply chains increasingly prone to risk and can increase the likelihood of supply-chain disruption.

Historic and recent events have proven the need to identify and manage supply chain risks. These past events illustrate that a single event can disrupt multiple elements of supply chains around the world. Disruptions can impact any aspect of the supply chain, including critical infrastructure, communications, logistics, supply, manufacturing, and distribution. Therefore, to protect itself, an organization needs to develop proactive risk management strategies and plans. Additionally, they need to be fully cognizant of potential adverse consequences, opportunities, and impacts on financial performance.

SCRM is essential for all public or private organizations to manage risks associated with their dependencies and interdependencies in order to survive and thrive. Operational maturity levels vary between organizations. Some organizations have yet to realize the importance of SCRM while others have emerging or advanced SCRM programs. This Standard provides guidance on some current best practices that can be applied to any organization. An organization may select and use the appropriate guidance based on the maturity of its SCRM program.

In a globalized economy SCRM is critical for decision making and business planning of international operations and expansion of business. It is important that those responsible for analysis of international operations conduct a robust assessment of risk and resilience in their planning processes prior to domestic or international expansion, taking into account the local context and environment of operations. In the planning process the organization needs to understand the levels of control, exposure, and visibility it will have of the various tiers of its supply chain from end-to-end.

This guidance Standard is a compilation of evolving SCRM current best practices. It presents a generic approach to risk and resilience management that is intended to be applicable to all types of risk and all types of organizations. An organization’s approach to SCRM should be tailored to meet its needs, context of operation, risk appetite, risk criteria, and its unique supply chain characteristics. There is no single path to success; therefore, this Standard offers a collection of SCRM current best practices, tools and approaches that any organization can review, and use or customize to meet its unique needs. Illustrative examples of SCRM current best practices have been included. Organizations should modify and adapt the concepts and examples included in this Standard to fit their distinctive requirements, characteristics, and culture.

---

1 In 2011 and 2012 alone, economic losses around the world have been reported in the hundreds of billions of dollars in disruptive losses from natural disasters (e.g., Tohoku earthquake and tsunami, Thailand floods, Hurricane Sandy, droughts and other extreme weather events, etc.) and man-made catastrophes (political instability, power outages, cyber-crime, etc.).

2 See Annex K for an example of the Supply Chain Risk Leadership Council’s (SCRLC) maturity model.
This *Standard* addresses operational risks in the supply chain and includes risks to tangible assets (e.g., human, physical, and financial) as well as intangible assets (e.g., brand, reputation, competitive position or intellectual property). Each organization should define the scope of its SCRM program consistent with its risk criteria. It presents SCRM current best practices as models and/or options to improve operational risk management performance in the organization and its supply chain based on empirical experience.

SCRM is an evolving field. The challenges faced by organizations and their supply chains are constantly changing, therefore SCRM is a dynamic discipline that in order to achieve maximum effectiveness should be integrated into business management and business planning processes of the organization. The contents of this *Standard* should be seen as a snapshot in time reflecting a collection of current best practices. Continual monitoring of risks is essential due to their dynamic nature and the manner in which they may impact the operations of organizations and their supply chains. When using this *Standard*, organizations should consider the concepts for their organization against their current operating environment to determine how best to structure SCRM to promote resiliency within their organization and its supply chain.

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3 See Figure 13
Supply Chain Risk Management:  
A Compilation of Best Practices  

1 Scope  
This Standard provides guidance and current best practices for developing and embedding a framework and process of risk management in supply chain management. It can be applied to any type of organization, and its supply chain, regardless of size. This Standard adopts the risk management framework and process described in the ISO 31000:2009 - Risk management -- Principles and guidelines as the framework and process of Supply Chain Risk Management (SCRM). It provides current best practices to:  
   a) Identify internal and external environments (including dependencies and interdependencies);  
   b) Define risk criteria;  
   c) Assess risk (identify, analyze, and evaluate);  
   d) Consider and implement risk treatments and controls; and  

2 Normative References  
The following standard(s) contain provisions which, through reference in this text, constitute fundamental knowledge for the use of this American National Standard. At the time of publication, the edition(s) indicated were valid. All standards are subject to revision, and parties to agreements based on this American National Standard are encouraged to investigate the possibility of applying the most recent edition(s) of the standard(s) indicated below.  

3 Terms and Definitions  
For the purposes of this Standard, the following terms and definitions apply:  

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
</table>
| 3.1  | consequence | Outcome of an event affecting objectives.  
     |            | NOTE 1: An event can lead to a range of consequences.  
     |            | NOTE 2: A consequence can be certain or uncertain and can have positive or negative effects on objectives.  
     |            | NOTE 3: Consequences can be expressed qualitatively or quantitatively.  
     |            | NOTE 4: Initial consequences can escalate through cumulative effects |