

OliverWyman Marsh

McGriff

The Next Generation Of Supply-Chain Risk

Introducing our capability Sentrisk™

April 2025

A business of Marsh McLennan

Navigating the Changing Tariff Landscape: Leveraging the Marsh McLennan Advantage



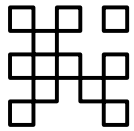
As of Apr 3th, 2025

An overview of the evolving tariffs situation

	U.S. Tariff Actions		Status	Additional detail and response
Broad	**Reciprocal tariffs**	10% minimum, up to 50%	Effective 5th, increasing April 9th	• Re-calculated tariff levels for over 185 countries proportionate to their trade deficit • Excludes copper, pharmaceuticals, semiconductors, lumber, critical minerals, energy, and U.S. components of imported goods if >20% of item value
Country-specific	**China**	54% tariff	Increased to 54% with reciprocal tariffs	• Feb and Mar announcements imposed 10%, then 20% general tariffs; new 34% reciprocal tariffs are additive • China responded decisively after previous announcements and further retaliation is anticipated
	Canada	25% tariff on all goods except energy (10%)	Effective Apr 2nd	• Roughly 36% of U.S. imports from Canada are covered under the USMCA and are exempt • Canada imposed tariffs on C$30 billion of US goods and has threatened more tariffs on C$125 billion of goods • Canada argues there's "no emergency" at border to justify tariffs, calling it a USMCA violation
	Mexico	25% tariff	Effective Apr 2nd	• Roughly 50% of U.S. imports from Mexico are covered under the USMCA and are exempt • Mexico had deployed 10,000 National Guard troops to southern border to impede migration
Product-specific	**Steel and Aluminum**	25% tariffs	Effective Mar 12th	• Removes exemptions previously granted, expands to cover hundreds of downstream products (nails, staples, aluminum wire)
	Autos	25% tariffs	Effective Apr 3rd , auto parts by May 3rd	• Excludes USMCA compliant vehicles and only applies to non-US component of vehicles • Expected to be leveraged in negotiations (especially EU and Japan, who have higher auto tariffs)
	Pharmaceuticals, semiconductors	25% tariffs	Announced Feb 18, no further deadline	• President announced rate on Feb 18th saying: “It’ll be 25% and higher, and it’ll go very substantially higher over a course of a year.”
	Copper, lumber	Unknown	Announced Feb 22nd, Mar 1st	• Section 232 investigations include these goods expected to conclude in Nov-Dec, followed by global tariffs
Other	**Secondary tariffs**	25% tariff	Effective Apr 2nd	• Applies to any buyers of Venezuelan oil on top of any other existing tariffs

Our clients are confronted with significant risk and uncertainty in their value chains, and so we developed Sentrisk™ to solve these most pressing challenges

Our clients are facing…



Ongoing Supply Chain Disruption from Tariffs
The active use of tariffs has caused persistent disruptions in supply chains. The unpredictability of tariff changes, especially with key partners like China, Mexico, and Canada, complicates management and heightens operational risks.



Extreme geopolitical risk and uncertainty
A complex geopolitical landscape, marked by broad and retaliatory tariffs, creates significant uncertainty. Businesses must adapt to rapidly shifting trade policies that affect costs and strategic planning.



Rising Costs and Economic Pressures
Tariffs contribute to increasing goods costs, intensified by post-COVID-19 inflation. This economic strain requires businesses to reassess pricing strategies and supply chain structures to remain competitive.



Inadequate Risk Mitigation Amid Tariff Volatility
Insufficient insurance coverage for tariff-related risks and limited supply chain visibility leave businesses exposed. A proactive risk management approach is essential to navigate this volatile landscape.

Marsh

OliverWyman + Marsh

Sentrisk™

Unlocking new perspectives on the risks you never knew you always had

Built on our legacy of risk expertise

Driven by A unified and flexible platform

Powering what we do best for clients

- Supply Chain risk & resilience advisors
- Breadth and depth of industry-specific expertise
- MMC proprietary knowledge and data
- Tested and proven ecosystem of providers
- Powerful sense-making to break through noise
- Fully transparent and tune-able methodologies
- Highly flexible and modular applications
- Solve your most pressing problems
- Inform your most critical decisions
- Build up your enterprise capabilities

We've developed a capability, Sentrisk, that provides companies unmatched understanding of value chains

MarshMcLennan Sentrisk™

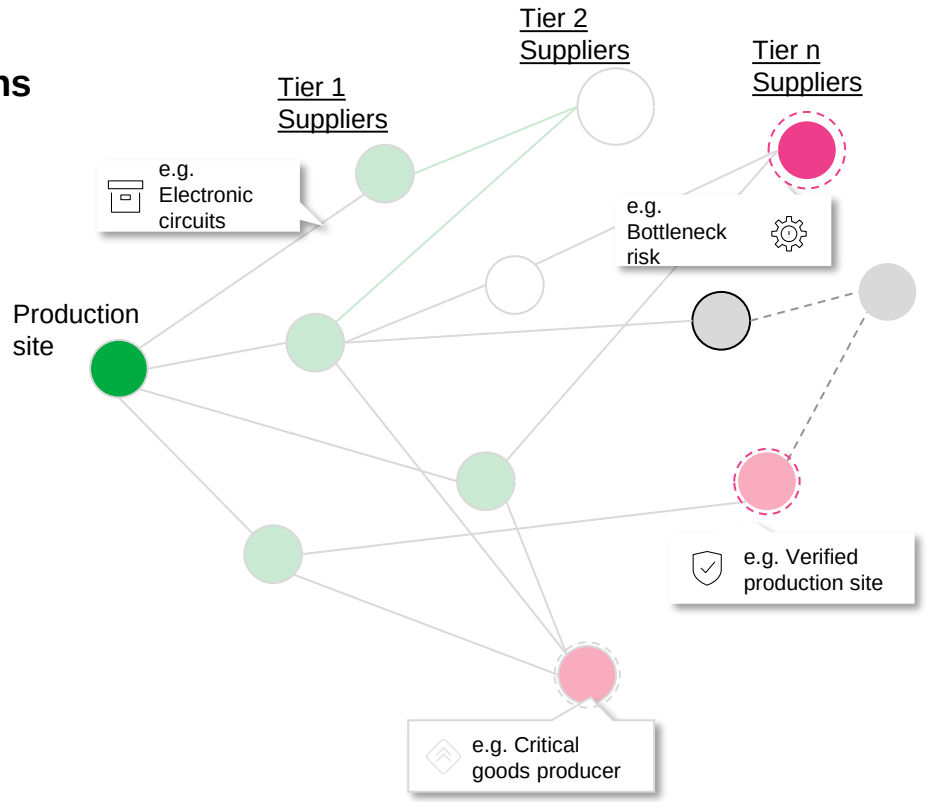
Sentrisk starts with unique shipping data to automatically provide world-leading visibility into value chains…

Billions of shipping transactions captured annually and updated daily

From both publicly available records (e.g. customs) and **proprietary agreements with global logistics companies**

Coverage across both **domestic and international routes** and upstream and downstream movements

Transparency on known geographic (e.g. intra-China) and transportation type gaps (e.g. US rail)



… and adds robust characterization and insights to break through the noise and focus on key areas

Track **types of goods** being exchanged (HS6 classification)

Classification of **critical goods and suppliers** – unique to each industry or client value chain

Site-level **verification and characterization** (e.g. factory versus headquarters site)

Network and site-level **risk scoring and assessment**

© Oliver Wyman

Strategic advisory framework for tariff risk management

In today's shifting tariff environment – with disrupted supply chains, geopolitical tensions, and increased supplier risk – **businesses must strategically realign their risk appetite and capital allocation strategies to stay resilient, competitive, and cost-effective**.

QUANTIFY & UNDERSTAND RISKS

- **Supply Chain Risk Mapping:** Identify, map, and visualize supplier networks and critical product flows exposed to tariffs and potential trade disruptions.
- **Scenario Planning & Stress Testing:** Model financial and operational impacts under critical scenarios, such as sudden tariff escalations, retaliatory trade actions, or significant supplier instability.
- **Supplier Credit & Default Risk Assessment:** Evaluate the financial health and creditworthiness of key suppliers, anticipating potential defaults triggered by tariff-induced stress, and proactively adjust risk models.

OPTIMIZE INSURANCE DECISIONS

Clearly translate quantified tariff risks into precise insurance strategies:

- **Trade Credit Insurance:** Protect against financial losses from tariff-induced supplier defaults or delayed payments.
- **Political Risk Insurance:** Cover losses arising from geopolitical actions, retaliatory tariffs, or sudden regulatory shifts disrupting trade.
- **Contingent Business Interruption (CBI):** Insure against revenue losses due to supplier interruptions caused by tariff-related disruptions.

Provide targeted guidance on contractual risk management and insurance adequacy tailored to tariff-driven risks.

BUILD RESILIENCE & MITIGATE RISK

- **Enterprise Risk Management (ERM):** Embed tariff-driven risk insights into broader ERM frameworks and governance.
- **Strategic Site Selection:** Advice on optimal site locations considering tariffs, regulatory conditions, geopolitical stability, and labor markets.
- **Risk-Capital Strategy:** Optimize spending between insurance, mitigation actions, and proactive investments to achieve resilience and measurable cost savings in response to new tariff constraints.
- **Continuous Risk Intelligence:** Provide ongoing monitoring of Supplier risks through the Sentrisk platform, enabling continuous strategic adjustments

Powered by Sentrisk, Marsh's proprietary supply chain analytics platform, we precisely quantify tariff risks – enabling informed insurance strategies and tailored risk mitigation solutions aligned with your business's evolving risk appetite.

Marsh

Insurance strategies to manage tariff-driven risk

	1. Tariffs Increase Costs	2. Tariffs Disrupt Supply Chain Operations	3. Tariffs Increase Compliance Risks	4. Tariffs Elevate Cyber & Geopolitical Risks
Tariff impacts & the challenges they present	**Tariffs directly increase import costs, pressuring company cash flow and profitability, and heightening supplier insolvency risk.**	**Tariff-induced port congestion and inventory delays disrupt production timelines, sales cycles, and supply chain reliability.**	**Increased regulatory demands and rapid supplier changes raise risks of fraud, compliance errors, and product-quality deterioration.**	**Accelerated digitization and sourcing from unstable regions expose companies to cyber threats, currency volatility, and political disruptions.**
Insurance solutions must adapt to the evolving tariff environment	1. Trade Credit: Expand limits and review supplier credit ratings regularly as tariff-driven insolvency risks rise. 2. Marine Cargo: Expand policy limits to address higher landed value of goods. 3. Surety Bonds: Reassess bonding levels to meet higher customs duties and tariff exposures.	1. Marine Cargo: Ensure coverage explicitly addresses longer storage periods as well as potential accumulation of goods at ports/warehouses. 2. Contingent Business Interruption (CBI): Review supplier dependencies closely, updating CBI limits to reflect tariff-induced disruptions.	1. Commercial Crime: Confirm coverage includes new tariff-related fraud schemes (misclassification, false documentation). 2. D&O Liability: Verify coverage for increased regulatory investigations tied to tariff compliance issues.	1. Political Risk Insurance: Update coverage to include new sourcing locations driven by tariffs, capturing geopolitical instability or trade restrictions. 2. Trade Credit: Adjust policies to explicitly address increased foreign exchange volatility and supplier default risks arising from shifting trade flows.

Sentrisk™

Effectively managing tariff-related risks begins with mapping your exposures. Marsh's solutions can help safeguard financial stability, ensure operational reliability, and navigate compliance challenges. Maintain flexible coverage to adapt to evolving exposures and stay protected against changing tariff impacts.

Sentrisk Insights and Next Steps

2

MarshMcLennan

Sentrisk™ Insights & Perspectives

February 2025 | The Resurgence of Geopolitics & the Rewiring of Global Supply Chains



The norms governing global markets are fundamentally changing – forcing CEOs in many industries to adopt "geopolitics-first" mindset as the world rapidly realigns.

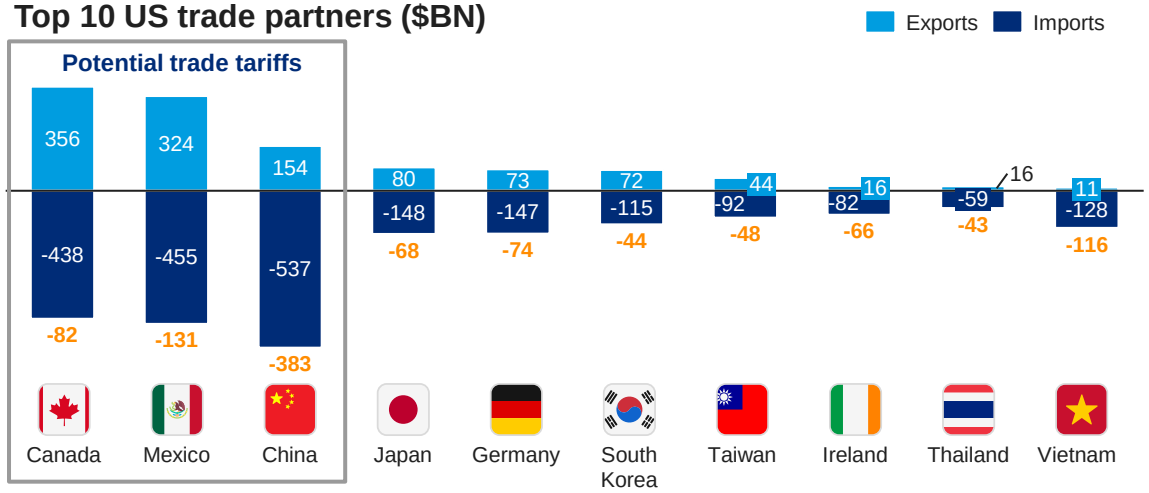
CEOs need to make geopolitics a first consideration rather than an afterthought. Geopolitics will be a driving force for long-term supply chain rewiring… it is a structural shift that requires proactive strategic thinking.

59%

of NYSE-listed CEOs say they are actively trying to de-risk their supply-chains

Oliver Wyman Forum - State of Our World 2025

Top 10 US trade partners ($BN)

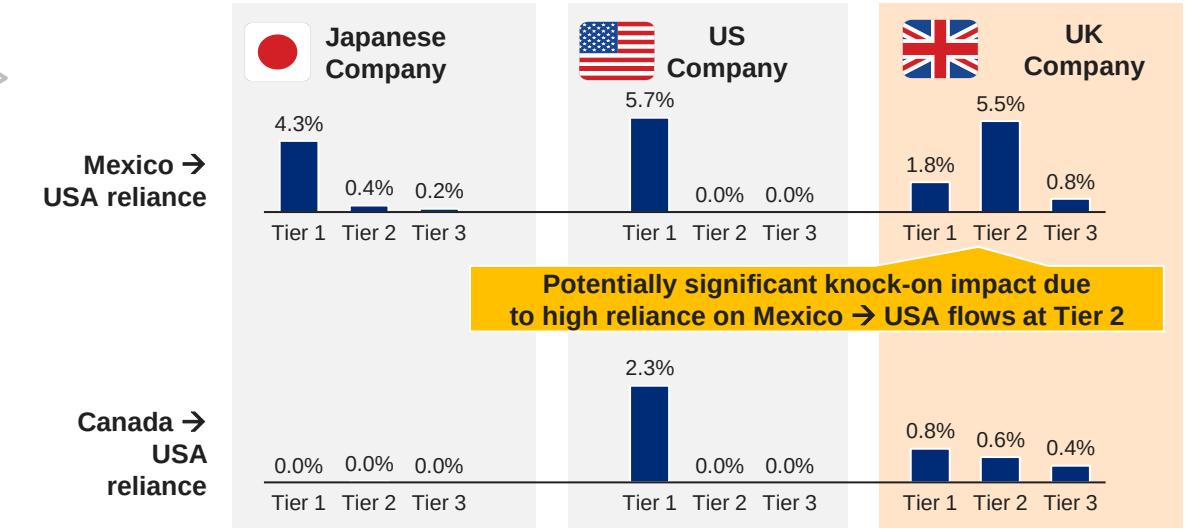


"We need to prepare for a **prolonged period of sustained geopolitical tensions**, marked by high uncertainty and increased volatility."

European Central Bank

Example Sentrisk analysis: Rapidly understand impact of trade actions on supply chains

Client case study: Simulating exposure to trade action scenarios by comparing reliance on Mexico → USA and Canada → USA trade flows in supply chains of three companies, by supplier tier (Tier 1 = direct suppliers, Tier 2 = suppliers' suppliers)



Marsh

February 2025 | The Resurgence of Geopolitics & the Rewiring of Global Supply Chains

Example analysis: UK Automotive Company

Sentrisk exploration of one example in the supply chain for **caps and thermostats** used in **automotive production** reveals multiple points where any proposed trade tariffs between USA & Mexico could have a knock-on impact.

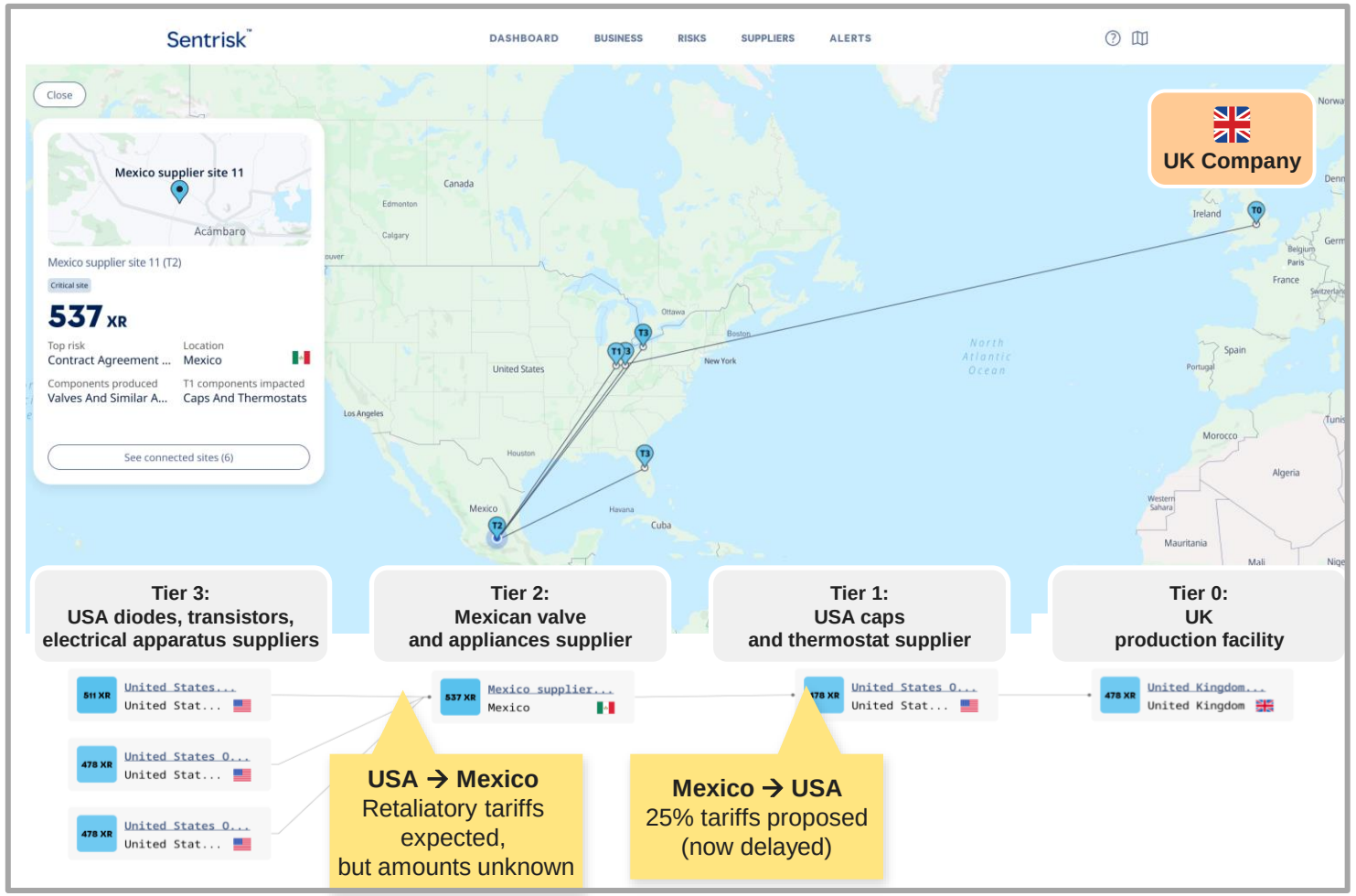
Sentrisk can help you better understand your upstream supplier networks to enable:

- **Visibility:** Identify unknown suppliers, network structures, and disruption risks
- **Evaluation:** Understand the size of your supply chain risks and quantify potential tariff impacts
- **Mitigation:** Act quickly to protect your value chain

Visit: marshmclennan.com/sentrisk to learn more

Contact: Sentrisk@mmc.com to schedule a demo

Read: State of Our World 2025 by Oliver Wyman Forum



Client case study: simulating exposure to trade action scenarios

February 2025 | How clients are responding to the changing landscape

The emerging 'geopolitics first' mindset among CEOs (see page 1) underscores the critical importance of understanding geopolitical exposure for 2025 and beyond. As businesses strive to de-risk their supply chains, leveraging technology, data, and risk insights will be essential tools for those aiming to future-proof their operations and secure a competitive edge.

HOW TO UNDERSTAND AND MITIGATE THE IMPACT OF GEOPOLITICAL SHIFTS

UNDERSTAND AND QUANTIFY EXPOSURE

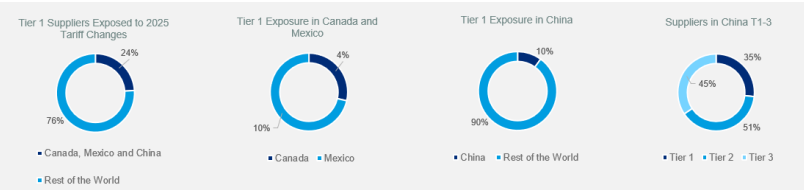
- Map upstream supply chain to understand geographical footprint and high-risk sourcing regions.
- Analyze supply chain data to identify suppliers operating in regions exposed to geopolitical shifts and use the data to rapidly quantify the scale impact of geopolitical shifts either by product, country, component/material or supplier.

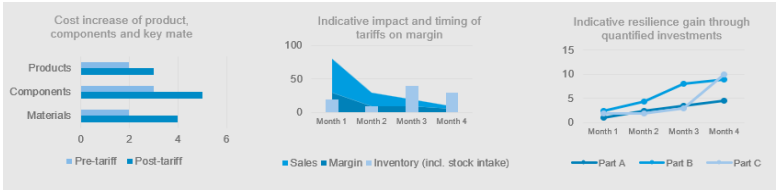
EVALUATE BUSINESS IMPACT OF TARIFF CHANGES

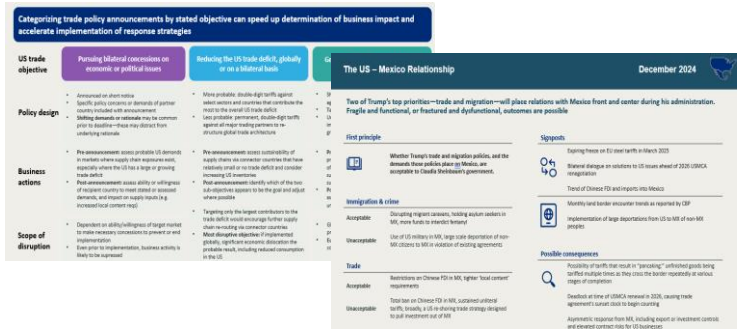
- Conduct a Financial Impact Assessment to analyze the materiality and timing of tariff impact considering product margins, pass-through rates, existing inventory and other factors.
- Develop action plan to mitigate the current and future impact of geopolitical shifts on your supply chain by identifying cost-effective resilience measures.

FUTURE-PROOF YOUR SUPPLY CHAIN

- Assess suppliers in regions with significant geopolitical risks and stress-test your ability to adapt to sudden shifts.
- Create a structured process for timely assessment of business impacts and accelerate the implementation of response strategies.







Clients can flexibly engage with Sentrisk and Marsh Advisory

Off-the-shelf platform

- Sentrisk risk management platform to help corporates gain insights into their suppliers' network and risks
- Review initial risk report and results with experts and receive ongoing access to real-time platform
- ***Annual SaaS license fee***

Solve specific problems

- Leverage Sentrisk as analytics engine to solve specific strategic problems in a project-style basis
- Joint definition of data + consulting activities and specific deliverables (**e.g. deep-dive on Taiwan or EU exposure and mitigating options**)
- ***Sentrisk + Advisory collaboration projects***



Enable Projects

- Use the findings from Sentrisk to explore how to mitigate your supply chain risk exposure:
  - Explore geopolitical exposure in high-risk countries
  - Understand disruption exposure to climate events based on supplier footprint
- ***Marsh Advisory projects***

Ongoing data or reports

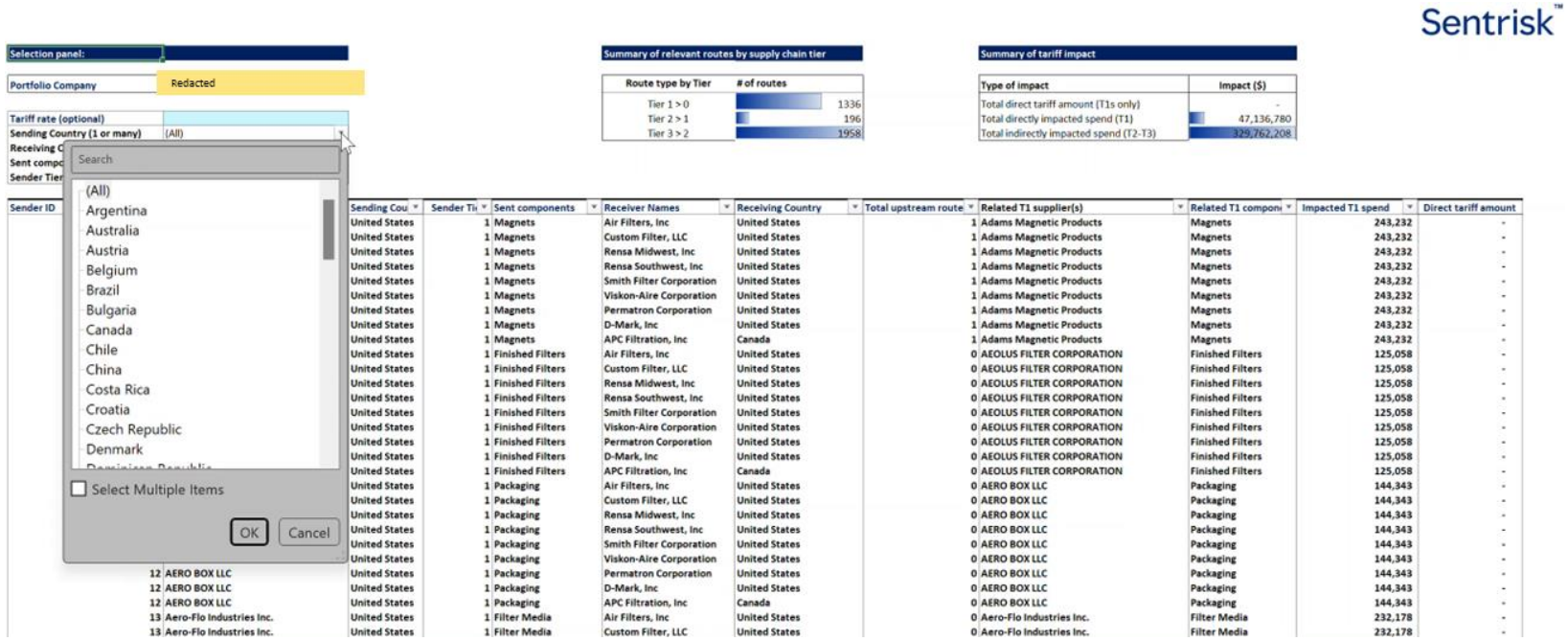
- Receive regular data delivery or reports from Sentrisk – co-designed specifically for your needs (**e.g. Supplier Due Diligence report**)
- Driven by real-time underlying access to Sentrisk analytics engine and data
- ***Annual data licensing fees***

Case Studies

3

Our tariff simulator helped the client immediately quantify exposure to a full range of scenarios – and identify suppliers on which to act

Sentrisk™ Tariff Simulator

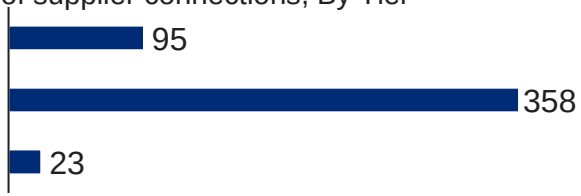


- Leverage upstream Sentrisk™ mapping to understand both direct (T1) and indirect (Tier 2/3) exposure
- Appended with spend data to quantify exposure in $
- Simulate for any two countries, types of goods, and tariff amounts – calculating both current exposure (e.g. announced tariffs) and simulating future exposure (e.g. expected reciprocal tariffs)

Summarize exposure and key drivers

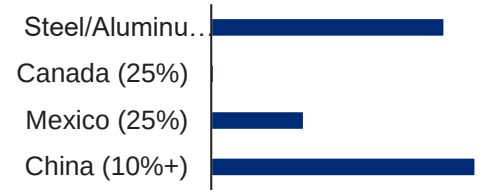
Exposure to specific trade routes (e.g. China > US)

# of supplier connections, By Tier



Summary of direct exposure

$ of exposure, By Tier



Deep-dive on highest exposure suppliers

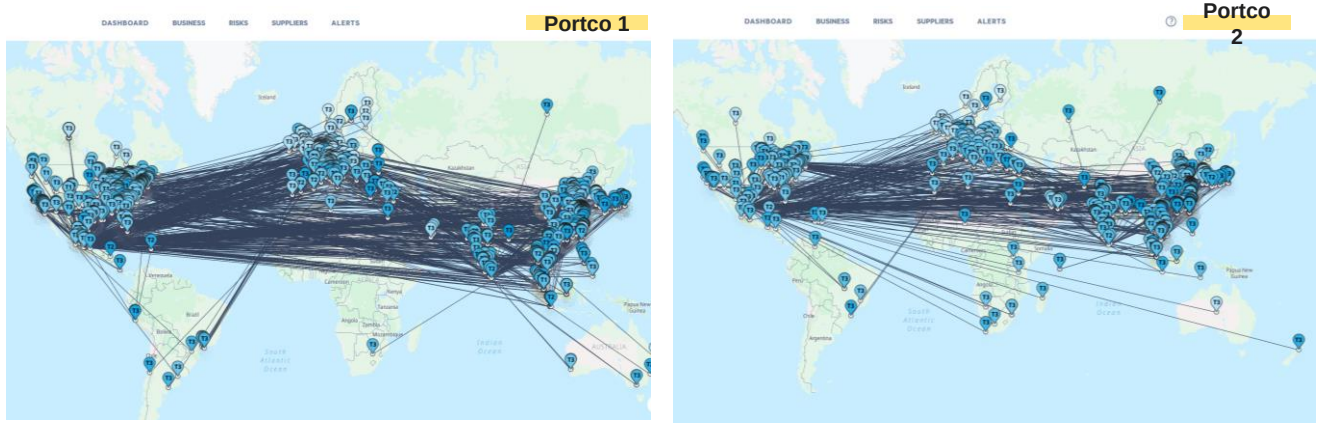
By supplier name based on upstream routes

Name	Country	Component	Tariff impact ($)
Supplier 1	China	Ball bearings	534,353
Supplier 2	China	Steel	500,976
Supplier 3	China	Shafts	282,395

Marsh

Case Study: We started by mapping the upstream flow of goods in each portco supply chain, highlighting key differences in tariff and overall risk profiles

Mapping value chain networks and highlighting key routes
Select examples from two portcos



Exposure to Chinese routes

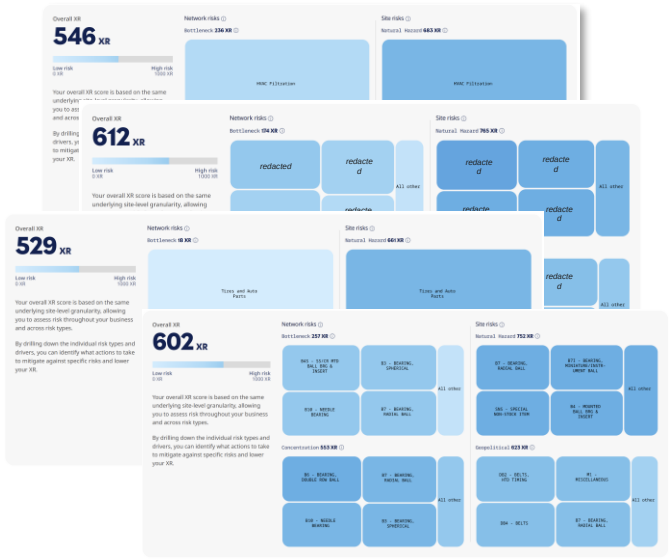
- **Only 35 routes** identified from China to the United States, with the majority of those (23) resulting from Tier 2 to Tier 1 suppliers
- **476 routes** identified from China to the United States, with the majority of those (358) from Tier 2 to Tier 1 suppliers

Exposure to Steel / Aluminum imports

- **9 routes identified of steel or aluminium** imported into the United States, again with the majority (7) from Tier 2 to 1
- **205 routes** identified of steel or aluminium imported into the United States, again majority (170) from Tier 2 to 1

Overall supply chain risk scores (xR)

Sentrisk's proprietary risk scoring (xR) assesses both the severity and likelihood of potential network and site risks, considering how those risk manifest in downtime at production facilities (or increased lead times) – and aggregates this at any level of the business



Marsh

Case Study: our client quickly engaged multiple mitigation levers to limit tariff exposure, enabled by strong governance and decision agility

Lever	Sourcing	Inventory and Supply Chain	Manufacturing Footprint	Product Re-Design	Pricing	Advocacy
Example Actions	• Negotiate tariff cost-sharing with suppliers • **Move to alternative supplier production locations** • **Identify and source new suppliers** • Renegotiate terms such as MOQs • Leverage detailed should-cost modelling and tracking, e.g., T2 tariff impact	• Set-up bonded warehouse or storage in free trade zone • Strengthen forecasting and stocking policy to minimize excess inventory • Reduce the value of goods declared by separating non-dutiable charges	• Optimize footprint based on dynamic TCO analysis • Shift inhouse production locations • Consider contract manufacturing • Reconsider position in value chain (e.g., vertical integration vs. disintegration)	• Tariff engineering to lower duty rates through reclassification or first sale tactics • Mitigate potential overpayment and identify exemption opportunities	• Quantify the BOM impact to determine price actions needed to remain margin neutral for each product • Develop targeted price actions by product and customer; understand elasticity	• Strengthen advocacy efforts through lobbying, public affairs, and collective industry action to influence trade and regulatory policies
Actions Enabled		• **Dedicated tariffs task force and Steerco** • **Scenario planning and pursuit of 'no-regret' moves** • Access to former US Trade Representative for brainstorming ideas/strategies				

Our case study client started with these actions

We support clients in executing several levers, while setting up an overall tariffs 'task-force' to expedite actions





This document and any recommendations, analysis, or advice provided by Marsh (collectively, the “Marsh Analysis”) are not intended to be taken as advice regarding any individual situation and should not be relied upon as such. The information contained herein is based on sources we believe reliable, but we make no representation or warranty as to its accuracy. Marsh shall have no obligation to update the Marsh Analysis and shall have no liability to you or any other party arising out of this publication or any matter contained herein. Any statements concerning actuarial, tax, accounting, or legal matters are based solely on our experience as insurance brokers and risk consultants and are not to be relied upon as actuarial, tax, accounting, or legal advice, for which you should consult your own professional advisors. Any modeling, analytics, or projections are subject to inherent uncertainty, and the Marsh Analysis could be materially affected if any underlying assumptions, conditions, information, or factors are inaccurate or incomplete or should change. Marsh makes no representation or warranty concerning the application of policy wording or the financial condition or solvency of insurers or reinsurers. Marsh makes no assurances regarding the availability, cost, or terms of insurance coverage. Although Marsh may provide advice and recommendations, all decisions regarding the amount, type or terms of coverage are the ultimate responsibility of the insurance purchaser, who must decide on the specific coverage that is appropriate to its particular circumstances and financial position.

Copyright © 2025 Marsh USA LLC. All rights reserved.