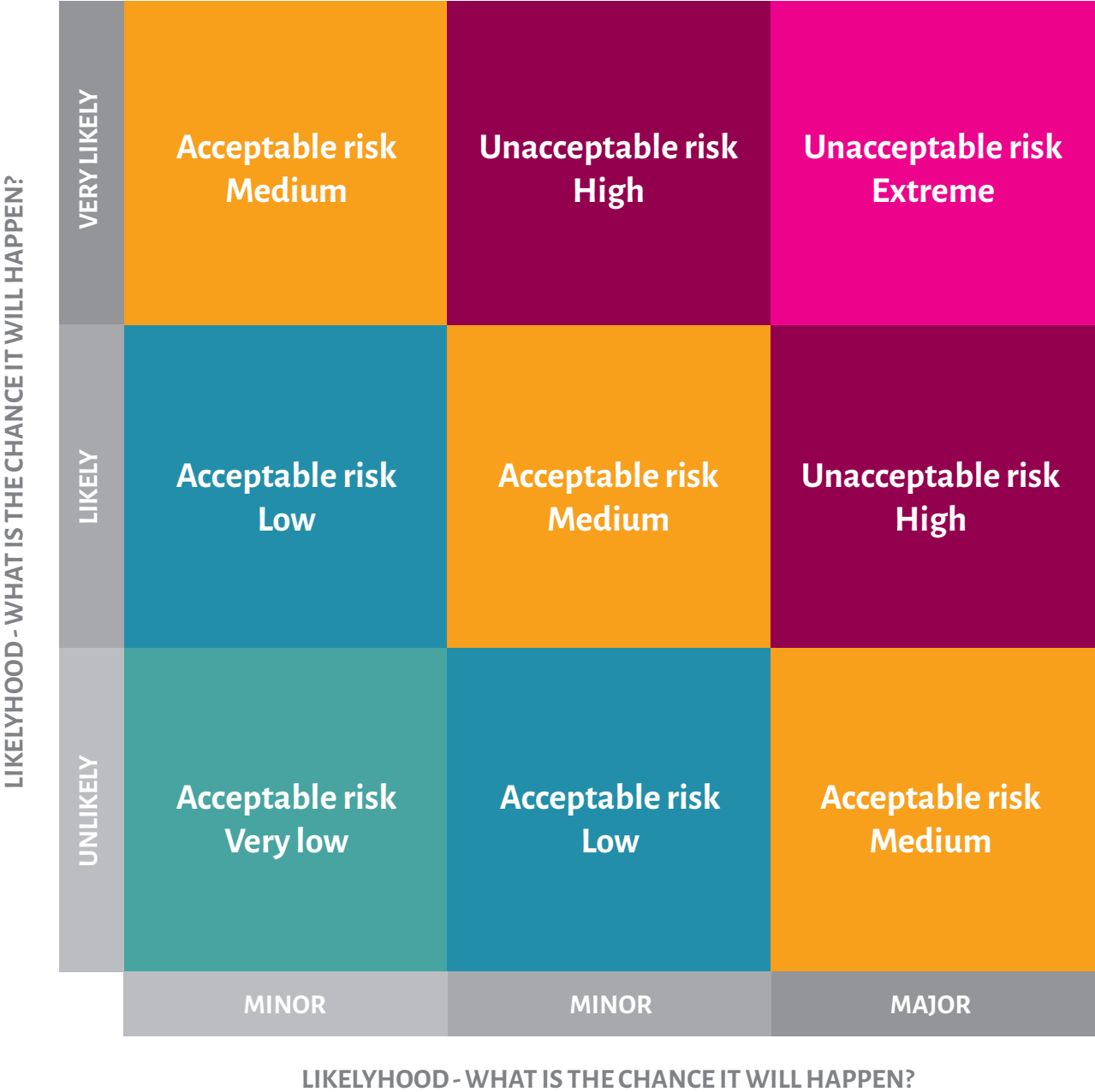




A RISK MANAGEMENT APPROACH TO FRAUD



Risk Matrix



With today's global, fragmented supply chains, having systems in place to manage and mitigate risks within your business is increasingly important – particularly when it comes to protecting the interests of shareholders.

While the level of risk varies depending on the complexity of the supply chain, the markets and industry they operate in, and the value of the product itself, the prevalence of risk can't be ignored. All companies must now implement appropriate plans to mitigate that inevitable risk.

This document outlines supply-chain fraud, the risk it poses for businesses, and approaches that can be leveraged to manage this risk.

The issue: fraud



Fraud takes many forms, impacting 43% of businesses internationally. (PWC)

What is fraud?



The consequences of fraud

Fraud can have serious consequences, ranging from risks to human health to the erosion of brand value.

HUMAN HEALTH

The most serious consequence of fraud is the risk it poses to human health – most notably within the food industry. The 2008 Sanlu melamine milk scandal hospitalised an estimated 54,000 babies and there have also been examples of honey in China containing 0% honey and 188mg of aluminium. Scandals of this nature can cause substantial damage to you and your brand.

MANAGEMENT DISTRACTION

Dealing with the repercussions of a fraud issue inevitably distracts you or the management team from executing your company's strategy. As Tesco scrambled to restore consumer confidence after the horsemeat scandal, competitors took the opportunity to undermine their market share.

SHAREHOLDER LOSS OF CONFIDENCE

Fraud scandals can often damage investor confidence, resulting in a higher cost of capital and putting you at a competitive disadvantage.

PRODUCT RECALL

Product recall from in-market can incur significant direct costs.

BRAND DAMAGE

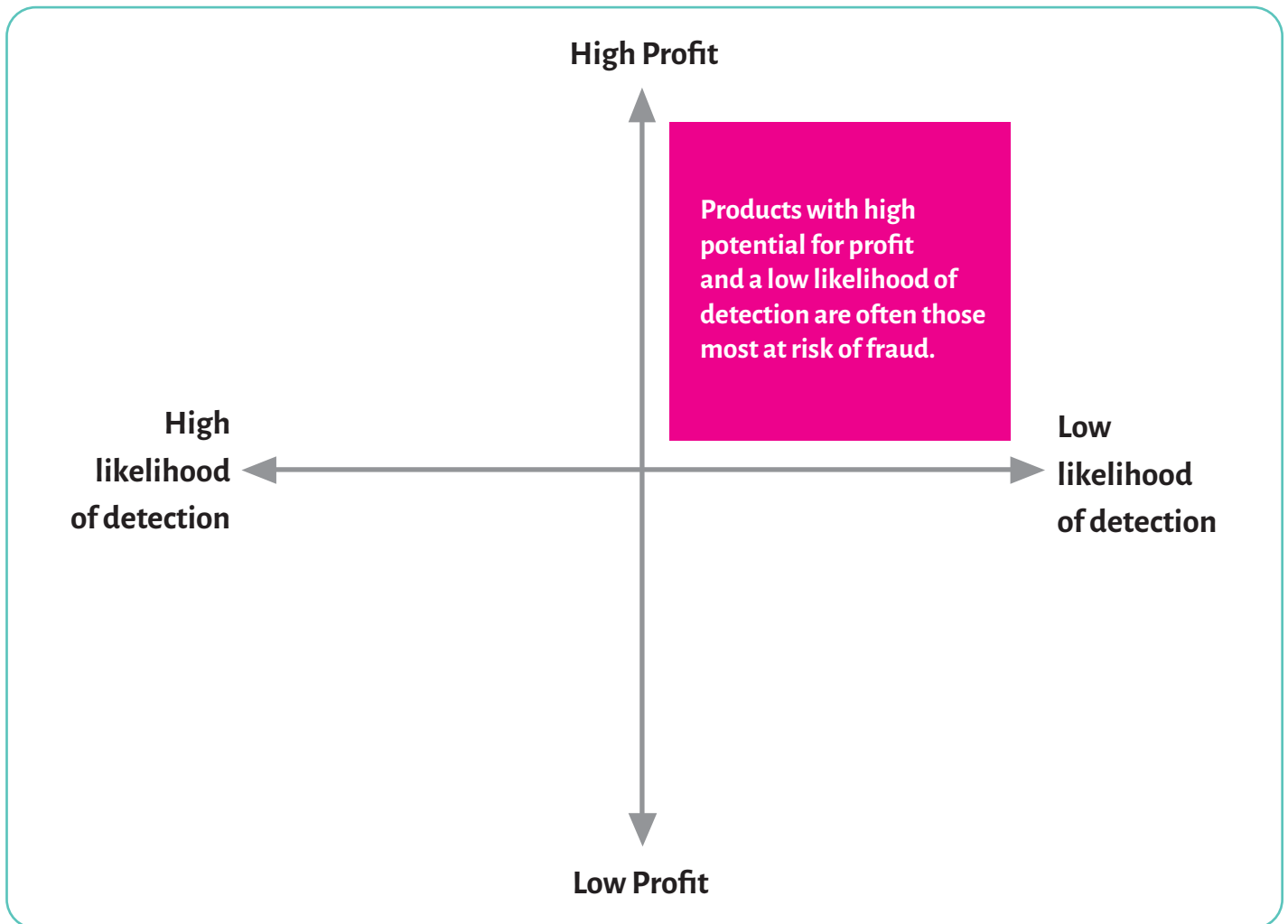
Counterfeit products are never better quality, so there will be unavoidable damage to your brand perception. Every time your product is substituted with an inferior version irreparable brand damage occurs.

POTENTIAL LITIGATION

Legal action may be taken against both a company and its directors if it is found that appropriate measures were not in place to avoid fraudulent activity.



What products are most at risk?



ADDITIONAL RISK FACTORS INCLUDE:

- **Countries exported to:** while product fraud is a truly global problem, developing markets – namely China and India – typically carry a greater risk than firmly established markets.
- **Length of supply chain:** The more steps in the supply chain, the greater the risk. The shorter the supply chain, the lower the risk.
- **Brand value:** The higher the brand value the more money can be made through fraud. This can be a company brand, or an attribute such as Organic, Free-range, or Product of New Zealand.

How to manage your risk when exporting

It is not possible to fully eliminate the risk of fraud. But there are several steps that can be taken to reduce the likelihood of it occurring and lessen the impact if it does.

CONDUCT A THOROUGH PRELIMINARY RISK ASSESSMENT

Clearly identify all risks before entering a market - production, regulatory, distribution, supply chain and in-market.

EXPECT COUNTERFEIT AND PREPARE FOR IT

Take active steps to reduce your exposure to counterfeit. Identify counterfeit deterrent methods that are appropriate for your business.

PROTECT YOUR IP

If you do not file your copyrights, patents, and trademarks you risk not having any formal protection. You should register all IP you intend to use in a particular market, especially China. If you fail to do this, your brand is at risk of being used by third parties.

EXPORT FINISHED PRODUCT WHERE POSSIBLE

Bulk export that is repackaged in market is exposed to risk. Your product could get substituted or diluted, or additional packaging could be produced without your knowledge.

KEEP A SHORT SUPPLY CHAIN

The more links there are in your supply chain, the greater the likelihood of issues of deception, fraud and counterfeit. Where possible, use only a few trusted partners.

CONDUCT RANDOM IN MARKET AUDITS

Random in-market audits are one of the most effective ways to detect and deter fraud.





Truth lies within



TRACEABILITY LIKE NO OTHER

At Oritain, instead of relying on the packaging to trace a product throughout the supply chain like many other traceability methods, we test the product itself. We've harnessed the power of science to provide businesses with a solution that helps them enhance their reputations and protect their products in market.

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