1 Economic Risk Comments

Remain volatile at a high level. Global macro factors like war in Ukraine and oil output are key price drivers and remain at high risk level.

Risk of recession.
The inflationary environment will cause a second recession in 2023.
Unknown economic environment.
All of the topics listed above are common question marks today. And no one has the crystal ball to resolve any of them.

We are all worried about the 'R' word and it seems inevitable. It will affect all of us in some fashion, especially small businesses. Difficult to prepare for but buying behavior has definitely declined as a result of the concerns.

Increased volume at our plant means a hugely increased demand for labor, which is already a problem. Still higher than 3+ years ago as we still have shortages at our factories and increasing COGS.
Primarily natural gas prices, but all energy costs.
All of the above.
Labor shortages due to bad government policy.
Shutting down one energy system before its replacement and its infrastructure is in place is irresponsible.

Our need for labor increases in Q1, so there is more risk there due to higher sales volume. We see a sudden demand in February/March, and use temporary labor to handle it. Temporary labor is very unreliable.
Across the board economic risks are increasing making business more difficult but also increases the flow of money which can cause sudden shocks and changes to a business.
We rely heavily on government maintenance programs. If those maintenance budgets are cut then our business will be reduced.
Inflation is crippling and showing signs of slowing but it will not slow enough to make a major impact in the first quarter of 2023.
Expect some recessionary activity.
Labor shortages will continue to exist across the country, and energy costs will continue to rise. Commodity price volatility will either decrease due to increased supply, or be neutral, balanced out with the increased labor cost.

Biden policies to address Inflation and labor shortages continue to be ineffective. Our energy policies are an embarrassment. Governmental regulations continue to be problematic. The risk of a meaningful recession is real.

Many risks here. Recession will lead to layoffs which could increase the size of the labor pool looking for work. With more supply of labor, labor costs may tighten up. Energy costs have increased, but we are seeing some pricing drop on utilities (electric/gas.) Diesel costs remain high keeping transportation costs ($/mi) high.

2 Cybersecurity and Data Risk Comments
Remain about the same at an elevated level.

The increase may not be totally accurate but the reality of cyber security is going to become increasingly prevalent as more companies are brought to their knees and must confess publicly. For the past couple of years there were major companies that had been shut down because of it but it did not go public. The next major wave will be very public as that is the leverage the hackers will be pursuing to get their payoffs.

Hackers always seem 2 steps ahead of the people preventing cyber risk. Very smart individuals are spending their time devoted to finding ways to steal. Shame that they can't devote their efforts to the greater good and how much that would help society.

The war in Ukraine, increased misinformation, and an array of cyber-attacks are combining to increase risk.

Strong risk from bad actors in cyber world continue. With job reduction and higher turnover, there is higher likelihood that there will loosening of adherence to IT policy opening the door to cyber criminals.

Cyber-attacks continue.

Cybercrime efforts, participants and methods are constantly changing- cybersecurity must keep pace.

Always a risk and will always assume it is getting worse not better. We feel we are leading in defending ourselves but this is always a risk.

We have seen this recently hit the plumbing industry with Uponor and they will be reeling for at least 6 months. With the ease of how this was done and no ability to combat such a risk why would it not continue?

Increasing every day.

This will continue to increase and is an ongoing threat.

FTX collapse, bad press about blockchain, political misinformation, reorganization of Twitter, chaos in the world of infotech.

Some good measures, such as fake phishing e-mails, orchestrated by the IT department, will train employees to be more vigilant.

This seems to be a bigger concern each and every day. An affiliate of ours, that we integrate with was hacked over Christmas, 2021. The impact was disastrous and this was despite plenty of security precautions and anti-malware software, etc.

### 3 Customer Risk Comments

Inflationary environment will create customer instability, as lower cost solutions are sought.

Except for service, customers tend to remain "loyal". Better to deal with the devil you know than the devil you do not know.

Customers are expecting prices to decrease as inflation isn't as high, could cause distrust from customers.

Easy money is going to dry up for the consumer. Credit is going be more costly. And the competitiveness is going to be greater as many things will be seen as virtually the same with just a different name on it.

Inflation adversely affecting usual buying patterns.
Relationships (being harder than ever to build in this digital age) are more important than they ever were. Winning a customer based on price alone is the first customer you'll lose when a competitor quotes them $5 less. During covid, capacity was very tight so there was an odd shift to service and reliability being most important (which is extremely rare) ...it has since shifted back to the usual price-centric buying behavior.

Business changes due to Covid have been a boon to our business industry, so we anticipate greater demand.

We are implementing a new customer facing policy that is a big change from current practices. I believe this could upset some customers due to the changes in policy.

Consumer demands are changing and retailers have the wrong inventory. Customers will be forced to chase lower prices more than relationships. Less dollars to spend due to inflation.

As long as inflation stays high, customer risk will continue to increase.

Macroeconomic conditions along with changing consumer and customer demand in our industry make this a high risk to manage.

Our main customers are big box stores. Consumer behavior in the garden products industry has drastically changed during covid, but in recent months, we have seen "pre-pandemic" type volume. Pricing and ability to be the best supplier is becoming more difficult and with that, customers need to be proactive and search elsewhere to get what they need when they need it.

Backorders and lack of materials is causing customers to change suppliers more frequently than prior to the pandemic.

Our customer risk is sitting solely on the impact of inflation and the Fed's motions to combat it. Consumer spend has reduced, and quarterly earnings to Wall Street have been disappointing. Possibility of layoffs, reduced volumes, too much inventory, etc. More and more pressure to find savings and push automation.

4 Supplier Risk Comments

Slight reduction following busy Q4.

Geopolitical and economic concerns.

Without a change in government policy, costs will continue to increase for fuel, food, and shelter. Except for quality issues, suppliers face similar distribution problems as do the end manufacturers.

Suppliers are having problems staying afloat and there will be more and more who go bankrupt in the coming years.

It appears that suppliers have recovered from covid for the most part. Availability of raw materials has improved and all the manufacturers that moved from 'Just In Time' to 'Just In Case' have been overstocked with inventory this past year and still to date, allowing suppliers the ability to catch up a bit.

China as a single source will be reevaluated, causing shifts in manufacturing location.

China Covid. Weakness in general from almost 3 years Covid/Supply Chain Issues/Recession. The supplier base is stressed. More will fail or have problems. Inflation is slowing up but still increasing. Increases due to delivery schedules, supplier capacity, etc.
Supplier risk is as volatile as I have ever seen. With the previous two years seeing more supply issues than ever they will continue but it should not get worse.
Continuing price inflation.
We are going from a single source supplier of exotic metals to dual sourced.
Disruptions have improved but prices continue to be volatile.
I feel that more products will come available as demand decreased through Q4 - 2022 into Q1 of 2023.
Inflation and component part shortages increase.
Covid has forced us to respond by "not putting all our eggs in one basket." Diversifying suppliers regionally. Sea containers from APac are significantly cheaper than they were a year ago. $2k vs $20k+.

5 Government Intervention Risk Comments
Split control of government likely means more gridlock and less intervention, but overall expect risk to stay about the same.
Current administration will aggressively impose new regulations.
The Biden Administration continues to revel in creating new red tape for businesses large and small without concern for whether the rules created actually generate value.
Who knows what the next great bad idea will be to come out of Washington or for that matter from any political group around the world.
Some of the independent contractor laws such as AB5 could create enormous supply issues in trucking, as over 90% of the trucks on the road are owner operators under 20 units. While it has only been passed in a few states, it could be detrimental if adopted throughout the country. While I was lobbying against this in DC for our industry, I learned that many lawmakers weren't even aware of the effect it had on trucking.
The split of Republican (House) and Democrat (Senate) in the USA will reduce intervention in the USA. Intervention in Europe is still possible with privacy and monopoly regulation. China's intervention in markets has been disruptive and decreased the desirability of China as a manufacturing location.
Environmental related regulatory oversite continues to grow - plastics, PFOAs, circular packaging, etc.
China covid policy impacting. Ukraine war impact is settling to a "normalcy."
The US government is ridiculous.
Lots of corruption in the US government and close partners. The Ukraine war is untenable. The puppet (literally actor) regime in Ukraine presents a big risk to our operations. We will get squeezed for propaganda purposes.
Xi is making a lot of turbulence. Putin is in the middle of a war. Biden is a bought idiot. Government stupidity is at an all-time high.
Will remain the same until they start to solve the problems associated with supply chain, and transportation, and fuel costs.
The idea of "friendshoring" is real and depending on which way the Government moves can determine whether we will have issues or not. This is not an economic question but rather a political question which means it cannot be easily predicted and calculated.
This is a constantly changing risk which we have little control.
Rail strike settled by Congress.
The more government regulations, the more people need our software.
The ongoing war in the Ukraine with Russia and the looming conflict with China/Taiwan will be a
category.
Biden policies remain problematic.
Difficult local government has a major factor on location decisions.

6 Transportation Disruption Risk Comments

Slight decrease following busy Q4 with holidays.
Instability of China.
Diesel fuel inventories remain at record lows, with prices at record highs. The Biden Administration
seems to be paralyzed by the green grifters.
All four of the items listed have created a bit of turmoil in the industries we support.
Potential for rising fuel costs.
Rail Strike on the horizon. Also, truckers are getting tired of being treated poorly by shippers and
receivers. The list of companies they would rather not pick up from and deliver to.
Demand. Driver Shortage and Fuel prices all increase risk.
Fuel prices, driver shortage, infrastructure and demand volatility are all factors that have been huge
issues this year, with no sign of improvement in the short term.
We foresee supply chain going through a slinky effect for several more quarters, and the war in Ukraine
will keep fuel prices volatile for the near future.
Q4 is our busiest quarter in terms of shipping so we should see some relief in Q1.
The retail inventory mix is not right and companies must shed inventory and replace it with the correct
product mix.
Recession fears and slowing of some sectors of economy have loosened up most Transportation Risks. I
expect US Rail labor negotiations and any strikes to be resolved by Q123.
"Mayor Pete" is an epic disaster. Rail strike is a real risk and there is no one in our bloated fed
government who knows about or cares about this issue. Identity politics are killing transportation.
While these factors will remain the same; until they stabilize their impact on inflation will continue.
Additionally, these factors are inextricably connected- they must improve concurrently to have an
impact.
A lot of transportation capacity is available at this point. Both ocean and ground are flush with capacity
relative to the demand in a slowing economy.
January-March in our industry is entering our peak season, so the risk of transportation disruption
increases due to our demand for it.
Fuel will go up. Drivers are difficult to find even now and more demand is coming as the beginning of
the year with tax refunds prevalent is always something to look for.
Very slow Q1 and Q2.
We continue to monitor the historically low levels of Diesel inventory as well as the limited refining
capacity. In the event of a refer outage or extreme cold spell we could face fuel shortages. While I
don’t believe a shortage will occur it is on the radar. Demand volatility continues to exist as well.
Rail strike diverted for now.
We need the rail workers issues resolved.
Flights are less frequent and get canceled and delayed more frequently. This means our sales team is less likely to get to key meetings on time.

Fuel, driver shortage and infrastructure are already expanding issues that impact demand as the customer struggles to provide any dependable demand forecasting. The bullwhip effect is alive and well.

I expect fuel prices to decline.

I believe that demand on transportation has softened and continue to decrease throughout next year.

Supply demand coming into better balance.

Hard to say with some of the rail challenges, but with Port backlogs reduced/gone, and freight volume balancing across Houston through the east coast, we expect to see it improve. We also still have a shortage in drivers but if the consumer demand drops, we expect us to remain short on drivers, but not as short as in 2021-2022.

7 Technological or Competitive Risk Comments

Given the external challenges, our firms are choosing to stay with what they know and already exists. Safety in performance.

Technology is an extremely costly necessity which does not bring any return value to the operation. It is a leach on operations cash and just another expense. But it is being mandated more and more if you want to work with a major retailer, Amazon, Shipbob or any other similar platform.

In the freight brokerage industry, there seems to be a constant increase in the number of new competitors entering the space. Even most trucking companies have started their own brokerages to secure business that they are otherwise unable to cover on their own equipment.

All companies are spending more to reach a nirvana of digital transformation, a few will obtain a real advantage that starts with the customer experience and ends with better financial performance. The government presents the greatest risk to progress here.

See #4.

Technology has been a huge focus since COVID - since the workforce has pivoted to wanting to be remote and wanting to have flexible work schedules. 5G technology is in beta testing; EV production is behind schedule but will disrupt transportation industry in 2023 or 2024 if the infrastructure can build-out fast enough.

8 Operational Risk Comments

Follow on effects of rail disruption.

We have had plenty of time to shore up our internal capabilities.

With the uncertainty in society right now it is becoming even more difficult to maintain a stable workforce.

As a 3PL/Freight Broker, weather plays a part in disrupting my company's operations. Poor road conditions, unexpected traffic delays, heavy snowfall create additional work and often times aren't properly understood or accounted for by customers.

Maintenance is still under-rated.

Continue to move out of China as we see China as the highest operational risk due to tariffs and geopolitical issues.

I foresee no changes, adds or extra expenditures for any operational risks in Q1.
Increasing every day.

We need to improve our equipment maintenance program. We have equipment that all of our products require to be running or we will be shut down. Our maintenance is not planned or thought out. We need to be more proactive.

May be covid related impact, but difficult to judge at this point.

Site disasters will be the highest risk.

I don't see any major operational risks in Q1 - 2023.

Biggest risk is public perception and governmental actions to limit ability to operate. Trip counts on vehicles, lighting controls, etc.

Being in a 3PL environment, I'm exposed to multiple customer supply chains. Our risks include slowed demand but still some "lumps" in supply from APAC to and from our US Ports. Inventory continues to swell in distribution centers with real estate "overflow" options limited due to many markets having <3% vacancy. In fact, the Lehigh Valley's 130M feet of industrial warehouse space is considered <1% vacant. Any facilities being advertised are at lease rates considerably higher than we've ever seen before.

9 Environmental Risk Comments

Remain elevated with global warming driving wide weather swings and trend to warmer weather. Unknown but feels like the risk will increase.

This is another wild card of who knows what is going to happen.

Hard to predict natural disasters and the like, but we know they will happen. Certain areas are better equipped to deal with them than others, but the results become unfortunate to so many.

Q1 tends to bring more severe weather which impacts transit and operations.

Global warming is real and causing flooding, risk of widespread destruction, and the shutdown of manufacturing and port facilities.

We are more concerned with climate change extremism than we are with actual climate change. Hopefully people will stop being duped by the "climate emergency" grift. We need to - and are - making strides toward sustainability. Real changes are being implemented and will take time. The morons that scream "climate change is killing us" are the main problem.

The only risk to the environment is presented by COP27 and the environment grift. We need to do better to be greener, but it is not the end of the world despite what some gullible, useful idiots might think.

Climate change activists and the only problem in this area.

Winter weather during this period can cause issues in our northern areas, due to ability of labor to reach our warehouses. It can also delay pickups of our orders/delivery of product.

This risk is always increasing no matter what. Anybody who says their risk is decreasing is either profiting from disaster or lying.

I think we are more cognizant to environmental risk than we've been in the past. we've looked at our end-to-end supply chain and reduced the fragility of the suppliers, specifically in APAC.

Environmentally, we've been focused on government and civilian and organizational pushes to reduce carbon footprints through renewable sources.

10 Quality Risk Comments
The government-fueled inflationary environment may cause some customers to chase lower costs over quality.
The continued lock downs in China have impacted not only manufacturing but shipping and other logistics. The extension of the conflict between Russia and Ukraine as well as the splatter effect over other European areas has created ripple effects across that continent. Both are just forcing suppliers to make do with what they have available and can get through the system no matter how poor the quality.

Trucking demand is still declining, which opens up more options and alternatives in terms of carrier choices. It also will continue to drive down pricing.
Supply chain constraints mean that our vendors are working with new or replacement components/raw materials, which we have concerns over certifying.
Possible staff exits.
Experienced, trained professionals are at a premium.
On boarding a lot of new suppliers as we move out of China.
These have all increased this year but seem to have leveled off, which I believe will continue.
Increasing every day.
Our new hire training has been improved over the past few months.
We are seeing more product recalls than in the past, prior to the pandemic.
Shortage of quality and trained labor.
Any time we hold more inventory than optimal or our DOS increases, there is risk of quality errors and shrink. When warehouses fill beyond 85%, there is often extra handling and process exceptions that lead to shrink.