Supply Chain Excellence
Differentiating Capability for Success

October 21, 2014
Sonoco is a Global Packaging Company

- Founded in 1899, Sonoco is a $5 billion global provider of consumer packaging, industrial products, protective packaging and packaging supply chain services.

- With more than 19,600 employees working in more than 340 operations in 34 countries, we serve some of the world’s best-known brands in some 85 nations.
Mission: Become the acknowledged leader in high quality, innovative, value-creating packaging solutions that “Satisfy the Customer”

Be a GREAT company for our stakeholders through an unwavering belief that “People Build Businesses” by doing the right thing

Guiding Principle
- Ideation and innovation
- Insights and market alignment
- Quality and service excellence
- Manufacturing excellence
- Supply chain excellence

Differentiating Capabilities

Business Priorities
- Maximize sustainable cash flow from operations
- Grow our consumer packaging and protective solutions businesses and our industrial businesses in emerging markets
- Optimize the portfolio

Financial Priorities
- Achieve average annual double digit total return to shareholders
- Return on capital and equity in top quartile of S&P 500
- Maintain investment grade credit rating
- Interim Goals:
  - Sales = $5.5 to $6.0 Billion
  - Base EPS = 10% Annual Growth
  - RONAE = 11% to 12%

Key Focus Areas

<table>
<thead>
<tr>
<th>Safety</th>
<th>Customer Satisfaction</th>
<th>Grow and Optimize</th>
<th>Operational Excellence</th>
<th>Maximize Cash Flow and Deployment</th>
<th>People</th>
</tr>
</thead>
<tbody>
<tr>
<td>Create a zero injury environment</td>
<td>Value-creating solutions</td>
<td>Consumer Insights</td>
<td>Productivity</td>
<td>Working capital management</td>
<td>Talented</td>
</tr>
<tr>
<td>On-time and to specification</td>
<td>Innovation</td>
<td>Reduce Unit Cost to Produce-Sonoco Performance System</td>
<td>Optimize capital investments</td>
<td></td>
<td>Engaged</td>
</tr>
<tr>
<td>Net Promoter Score (NPS)</td>
<td>Share/Profit optimization</td>
<td>Optimal Supply Chain</td>
<td>Grow dividends</td>
<td></td>
<td>Aligned</td>
</tr>
</tbody>
</table>

Financial Priorities
- Maximize sustainable cash flow from operations
- Grow our consumer packaging and protective solutions businesses and our industrial businesses in emerging markets
- Optimize the portfolio
What is Supply Chain Excellence…
…and why should we care about it?

Supply Chain cuts across multiple business functions and includes:

- Plan- Order Processing, S&OP, Scheduling
- Source- Sourcing, Supplier Management, Inbound Transportation
- Make- Scheduling and Material/ Inventory Management
- Deliver- Shipping, Invoicing, Transportation

Excellent Supply Chains

- Simultaneously perform with excellent service (On Time, In Full), best in class Inventory performance, at Optimized Cost
- Consciously Manage the trade offs between cost, service, and cash as defined by the business strategy (Grow vs Optimize)
- Over time, integrate supplier and customer capabilities to function seamlessly
SCE Steering Team

- **Division Supply Chain Leaders**
  - Represent the differing needs of our businesses
  - Insure that the capabilities developed can be applied across different kinds of supply chains

- **Functional Leaders**
  - Represent the common capabilities supporting the businesses
  - Bridge the functional strategies to the business requirements
    - Procurement
    - IT Consumer
    - IT Oracle
    - Supply Chain Excellence
    - IT Supply Chain
    - Logistics

...plus many others working on Teams
Each Supply Chain Type has a set of Practices Important in Delivering Business Success

• Push/ Optimization Supply Chains
  • Link into the S&OP process
  • Demand, Inventory, Capacity loading all planned in advance

• Pull/ Agile Supply Chains
  • Late Stage Customization (at or near the customer)
  • Pre-staged Inventory (VMI/SMI)
  • Integrated Raw Material Planning

• Composite supply chains (Elements of Push/Pull)
  • Raw material Planning/ MRP
  • Collaborative Planning/ Inventory Risk pooling
  • Integrated information flows
Step 1- Align Strategy

• Have Developed supply chain strategies in the past
  • Primarily Functional, but connected to divisional strategies through the supply chain managers

• Now have the “One Page Plan”
  • Supply Chain Excellence designated as a “Differentiating Capability”
  • Assigned a Executive Team Sponsor (Rodger Fuller)

• Strategy session held on January 23,24
  • Facilitated by SCMEP, Baylor University SC Professor
  • Participation with Rodger and Jim Lassiter along with most of the supply chain team

• Out of this session came the concept of the Bold Steps Projects
Supply Chain BOLD STEPS - SONOCO

VISION
Establish Supply Chain Excellence as a differentiating capability in each of our businesses to enable Growth and Optimized Performance

VALUE
Doing the Right Things Right: Safety, Ethics, People Treatment, Community,

SUPPORTS
- Executive Sponsorship
- Integration with SPS
- Oracle Implementation
- SSD Process
- PMD Utilization
- Innovation
- Capital

CHALLENGES
- Inaccurate Data
- Month End mentality
- Oracle Implementation Time
- Differing Business Complexity
- Global Footprint
- Culture
- Organizational Autonomy
- Incapable IT Systems
- Expertise / Knowledge
- Incentive/ Objective alignment
- Lack of cross functional integration processes

BOLD STEPS
Build/ Repair Foundational Supply Chain Capability in all Businesses to deliver the business mission

Use one business unit to capture/ demonstrate the full power of Oracle throughout the entire value chain

Use our Innovation Process in Growth Divisions to ensure that supply chain activities are focused on Sales Growth

PROCESSES
- Proven SC Practices
- Cross Functional Decisions
- Robust Demand Mgmt

CASH
- World Class Inventory Performance Supports Customer Service

COST
- Cost to Serve
- Total Delivered Cost
- Optimization Tools Optimized to Business Mission

GROWTH
- SC early in NPL
- SC Agility to Grow
- Customer Integration
- Flexibility to Adapt

INTEGRATED DATA
- Accurate/ Real time
- Value Chain View
- Streamlined Flow IT Tools
- Integrated Data
- Visible end to end
- Value Chain View
- Integrated Data

PEOPLE
- Right People
- Right Skills
- All levels incl Plant Incentives Aligned

CUSTOMER
- Competitive Service
- Collaborative Plan
- Value Differentiation
- Integrated Data

PROCESS
- Proven SC Practices
- Cross Functional Decisions
- Robust Demand Mgmt
Step 2- Short Term Actions

• Continually optimize the manufacturing assets and working capital of the vertically integrated Industrial supply chains
  • Network Optimization and Scenario Modeling
  • Drive down Logistics Spend
    • Large Spend area- $200MM US, $45MM Europe
    • Supply Chain integration Industrial NA

• Improve the agility of the Consumer growth supply chains at the best possible cost and cash
  • Customer/ Market Intimacy
  • Total Solutions Offering
  • Emerging Markets
Step 3- Longer Term Capability

**Bold Steps Projects**

- Deploy for Growth (DFG)
  - Integration with I6
  - Strategic Account connection with Key Customers
- Put Oracle Capability to Work (SWAG)
  - Demonstration Pilot Suffolk
  - Integrated with Kraft
- Build/ Rebuild SC Foundational Capability
  - Process- S&OP
  - Data/ Systems- Scorecard, Assessment, Leading indicators
  - People Development- Build capability, identify the SC community, Roles, Performance management, Communication
SC Deploy to Grow Objectives

**Premise** - our supply chain resources are not deployed to support growth and are often brought late into the development cycle for new or improved offerings resulting in supply chains that often need to be reconfigured.

- Supply Chain integration with I6 Process
  - Supplier Integration
  - Supply Chain Engagement and offerings
- Defined SC value for Corporate Customers
  - Participation in FIO
- Supply Chain Customer Collaborations with focus on increasing sales
  - Documented case studies
Put Oracle Capability to Work

*Premise*- Oracle brings a set of supply chain capabilities that are not being utilized in the initial rollout. There are other tools in use in our supply chains that need to be integrated into the Oracle processes (Logility, OMP, Cognos TM, Allocation Model).

- Understand the full functionality of Oracle and how best to leverage that in our businesses
- Select a pilot plant/ customer to employ enhanced capabilities- Chose Suffolk/ Kraft Planters
  - Establish corporate best practices
  - Drive operational and administrative efficiencies
  - Develop or improve integration with key customers and suppliers
Build/ Rebuild SC Foundational Capability

Premise- Most of Sonoco’s Supply Chains do not have the basic practices/capabilities in place to consistently meet customer expectations at the cost and inventory performance required today.

Gaps can be grouped into three areas… Processes, Systems/Data, People

Sub teams Launched:

• Process- define standard planning processes for Sonoco's differing supply chain types starting with S&OP

• Systems/Data- develop standard scorecard with leading and lagging indicators;

• People- develop SC Career planning outline, define key SC positions with skill requirements, develop talent acquisition plan

Supply Chain Foundation – Integrated with SPS Manufacturing Basics
Questions?