



# NAVIGATING THE NOISE: **Enhancing Supply Chain Resilience and Addressing Compliance**

Sourcemap

JUNE 20, 2023

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# Poll Question



# Poll Question



What is your top goal in integrating technology into your supply chain?  
(SELECT ONE)

A

Transparency And Traceability

B

Regulatory Compliance

C

Risk Management

D

Cost Efficiency



# Agenda for Today



Welcome & Introduction



Adapting Supply Chain Management for Resilience



The Role of Technology in Supply Chain Optimization and Regulatory Compliance



Putting Strategy Into Action



Q&A

# With You Today



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# Adapting Supply Chain Management for Resilience

Andrea Greco & James Pai, BDO USA



# Bolstering Supply Chain Resilience



**How balancing agility, visibility, risk management, and cost efficiency in supply chain can help enhance resilience**

- ▶ Where do opportunities to increase resilience exist?
  - Supply and demand planning
  - AI & ML analytics
  - Predictive forecasting
  - Inventory management
  - S&OP
  - Planning systems integration

- ▶ What are the potential impacts of strengthening resilience?
  - Increased compliance with regulatory standards and customs
  - Achieve greater transparency
  - Advance ESG goals
  - Enhance decision-making

# Regulatory Compliance Considerations

## **UFLPA: The Uyghur Forced Labor Prevention Act (UFLPA)**

- ▶ Strictly enforced to eliminate trade in goods made with forced labor
- ▶ Focuses on responsible sourcing and documenting risk mitigation strategies
- ▶ Must have a comprehensive process to vet suppliers
- ▶ Must confirm suppliers can verify all sources used in the manufacture or production of the imported goods, including raw materials
- ▶ Effectively bans imports of all finished goods produced in the Xinjiang Uyghur Autonomous Region (XUAR) unless importers can meet burden of proof that no forced labor was used

## **Other Regulations and Compliance**

- ▶ SEC Climate & ESG Task Force
- ▶ EU sustainability requirements

# The Business Case for Mapping Your Supply Chain



## CASE STUDY

# Unauthorized Tier 2 Suppliers

### Situation & Challenge

A leading footwear brand was conducting discovery for its apparel and footwear products across five commodities, including cotton. The client wanted to map its Tier 1 suppliers separately from Tier 2 to understand which T1s were sourcing from each of their designated T2s. The client's sourcing policy mandates that T1 suppliers must source from a list of approved T2 vendors.

### Project Outcomes

- ▶ Leveraging Sourcemap's technology, the client learned many of their T1 suppliers were not sourcing their materials from the list of approved vendors.
- ▶ 13% of T2s being used by the T1s were not on the company's approved list of vendors.

### Impact

The client escalated this discovery to sourcing leadership to create a plan for how to better monitor and enforce T1 sourcing.



## CASE STUDY

# Supplier Watchlist Monitoring

### Situation & Challenge

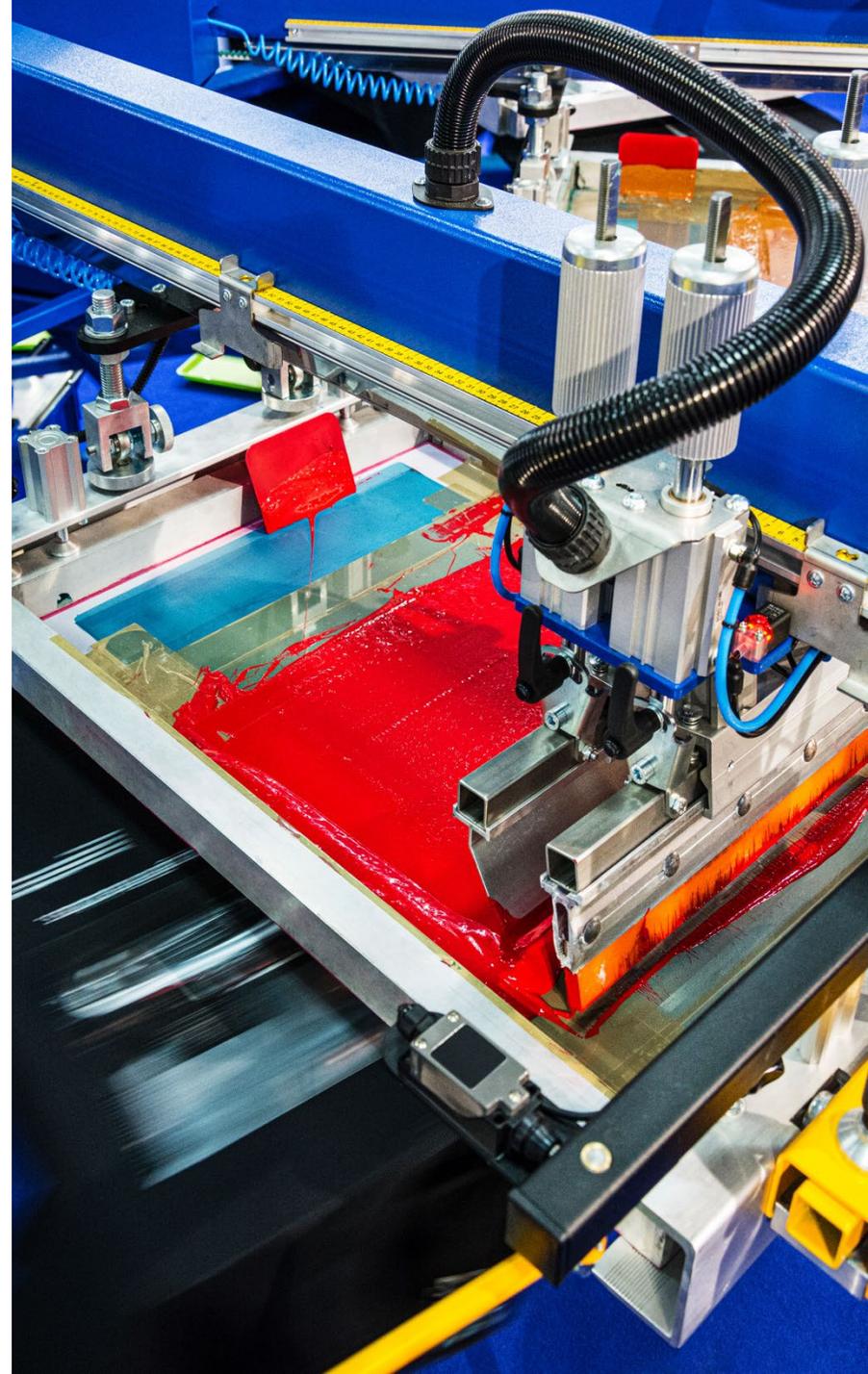
A leading apparel brand wanted to gain visibility into its upstream supply chain and identify risk within its sub-supplier network. Using Sourcemap's technology, we mapped the client's supply chain and screened each supplier against Sourcemap's entities list.

### Project Outcomes

- ▶ Using Sourcemap's mapping technology, the client discovered over 500 sub-suppliers within weeks.
- ▶ Through mapping its supply chain and supplier screening, the company identified an unauthorized Tier 3 supplier was on a U.S. entities list.

### Impact

The client worked with its Tier 1 and Tier 2 suppliers to remove the unauthorized supplier from its supply chain.



## CASE STUDY

# Identification of Bottlenecks & Duplicate Contracts

### Situation & Challenge

A top luxury group wanted to identify bottlenecks and consolidation opportunities within its global supply chain. The group owns multiple brands and suspected its brand sourcing teams had individual contracts with sub-suppliers, causing the group to miss out on volume-based discounts.

### Project Outcomes

- ▶ The client identified multiple instances of bottlenecks and single points of failure within the sub-tiers of its supply chain using Sourcemap's mapping technology.
- ▶ The organization was able to diversify its supplier base in the sub-tiers and begin negotiating with key vendors at the group level versus the brand-level.

### Impact

The client's enhanced visibility into its sourcing contracts and sub-suppliers is estimated to save over half a million dollars annually.



## CASE STUDY

# Forced Labor Assessment

### Situation & Challenge

An importer that sources cotton and yarn that is processed in China, wanted to trace the origin of its cotton supply in the U.S. to ensure its supply chain was free of forced labor activity. Working with a prominent Chinese law firm, BDO designed and executed an “on the ground” forced labor assessment. We also conducted a review of affidavits from yarn producers and sources of raw cotton, purchase orders and invoices, production steps, transportation documents, and related employee documents.

### Project Outcomes

- ▶ We traced the origin of the finished goods from the initial baling of the raw cotton in the U.S. through the production of the intermediate greige fabric in Xinjiang, to the finished goods in another part of China.
- ▶ Our team compiled documentation to confirm that no transshipment took place from the final factory in China to the U.S. port of import.

### Impact

The supply chain tracing and evidence gathered proved that the importer’s merchandise was not subject to the WRO on cotton products from XUAR with no disruption to its supply chain.



# The Role of Technology in Supply Chain Optimization and Regulatory Compliance

Leonardo Bonanni, Sourcemap



# Supply Chain Mapping Regulations

## 2022

- ▶ US Food Safety Modernization Act
- ▶ US Inflation Reduction Act
- ▶ US CHIPS Act
- ▶ US Uyghur Forced Labor Prevention Act (UFLPA)
- ▶ France Duty of Vigilance Law
- ▶ UK Modern Slavery Act
- ▶ Australia Modern Slavery Act

## 2023

- ▶ EU Regulation on Deforestation
- ▶ The Netherlands Child Labor Due Diligence Act
- ▶ Norway Transparency Act
- ▶ German Supply Chain Due Diligence Act
- ▶ New York Fashion Act
- ▶ US Slave Free Business Certification Act
- ▶ US SEC Climate Disclosure
- ▶ US Supply Chain Resiliency Act

## 2024

- ▶ EU Climate Law
- ▶ EU Critical Raw Materials Act
- ▶ EU Corporate Sustainability Due Diligence
- ▶ EU Forced Labor Regulation
- ▶ France Circular Economy
- ▶ Canada Forced Labor in Supply Chains Act
- ▶ Mexico Forced Labor Act

# Regulatory Compliance Impacts

CBP Importer Guidance requires end-to-end supply chain visibility and risk management



# Regulatory Compliance Impacts



## SYSTEM OF RECORD

- ▶ Maintain an up-to-date supply chain map (know your suppliers' suppliers)
- ▶ Manage first-party data collection
- ▶ Attach all further compliance information for streamlined reporting and transparency

# Regulatory Compliance Impacts



## SYSTEM OF RECORD

- ▶ Create an audit trail for the end-to-end product Chain of Custody (contracts, receipts, shipping documents, etc.)
- ▶ Account for all volumes to detect adulteration/fraud/counterfeiting

# Regulatory Compliance Impacts

CBP Importer Guidance requires end-to-end supply chain visibility and risk management



## SYSTEM OF RECORD

- ▶ Risk heat maps at regional and industry scale
- ▶ Supplier watchlists including sanctions and CBP banned entities lists

# Regulatory Compliance Impacts



## CONTINUOUS IMPROVEMENT

- ▶ Supplier scorecards
- ▶ Corrective action plan filing and completion
- ▶ Audit database

# Regulatory Compliance Impacts



## TRANSPARENCY

- ▶ Up-to-date supply chain map
- ▶ Shipment chain of custody
- ▶ Public statements

# Supply Chain Mapping

*“[Companies should] provide **supply chain maps** that specify the locations of manufacturers, factories, farms [and] processing centers”*

– US CBP FORCED LABOR DIVISION

*“Supporting documentation should **trace the supply chain** from the origin...to the production and processing of downstream products, to the merchandise imported into the United States”*

– US CBP FORCED LABOR DIVISION

*“Conduct Risk Based [assessment] of supply chain partners that outlines the supply chains in their entirety ... CBP may request unredacted proof of **supply chain mapping**”*

– 2022 C-TPAT HANDBOOK

*“Operators will be required to collect the **geographic coordinates of the land** where the commodities they place on the market were produced”*

– EU ANTI-DEFORESTATION LAW

# Using the Technology



# Best Practices & Pitfalls



## Best Practices

- ▶ Assign a function responsible for supply chain mapping within compliance/procurement/quality/risk/sustainability
- ▶ Develop a standard for Reasonable Care: implement a global result with quantifiable metrics for risk
- ▶ Ensure all data has a metadata audit trail



## Pitfalls

- ▶ System integration before mapping
- ▶ No involvement from procurement

# Benefits of Technology

## INFORMED SUPPLY CHAIN PLANNING

- ▶ Supply & demand optimization and inventory planning
- ▶ Access to AI/ML data analytics and predictive analytics
- ▶ Enhances TMS through supply chain mapping

## ENHANCED COMPLIANCE

- ▶ Increases transparency and traceability
- ▶ Enables responsible sourcing strategies and procurement
- ▶ Bolsters customs compliance
- ▶ Mitigate risk
- ▶ Enhances safety and quality

## OTHER BENEFITS

- ▶ Drives value and support decision-making, including S&OP
- ▶ Helps identify strategic sites and potential benefits to enhance supply chain resilience
- ▶ Improves supplier engagement

# Poll Question



# Poll Question



What topic(s) are you interested in for future webinars?  
(SELECT ALL THAT APPLY)

A

Supply Chain Sustainability

B

Impacts of the Inflation Reduction Act on Supply Chain

C

Cost Optimization



# Poll Question



Would you like to speak with someone about enhancing your organization's supply chain through technology?

**A**

Yes

**B**

No



# Q&A



Thank You!



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