

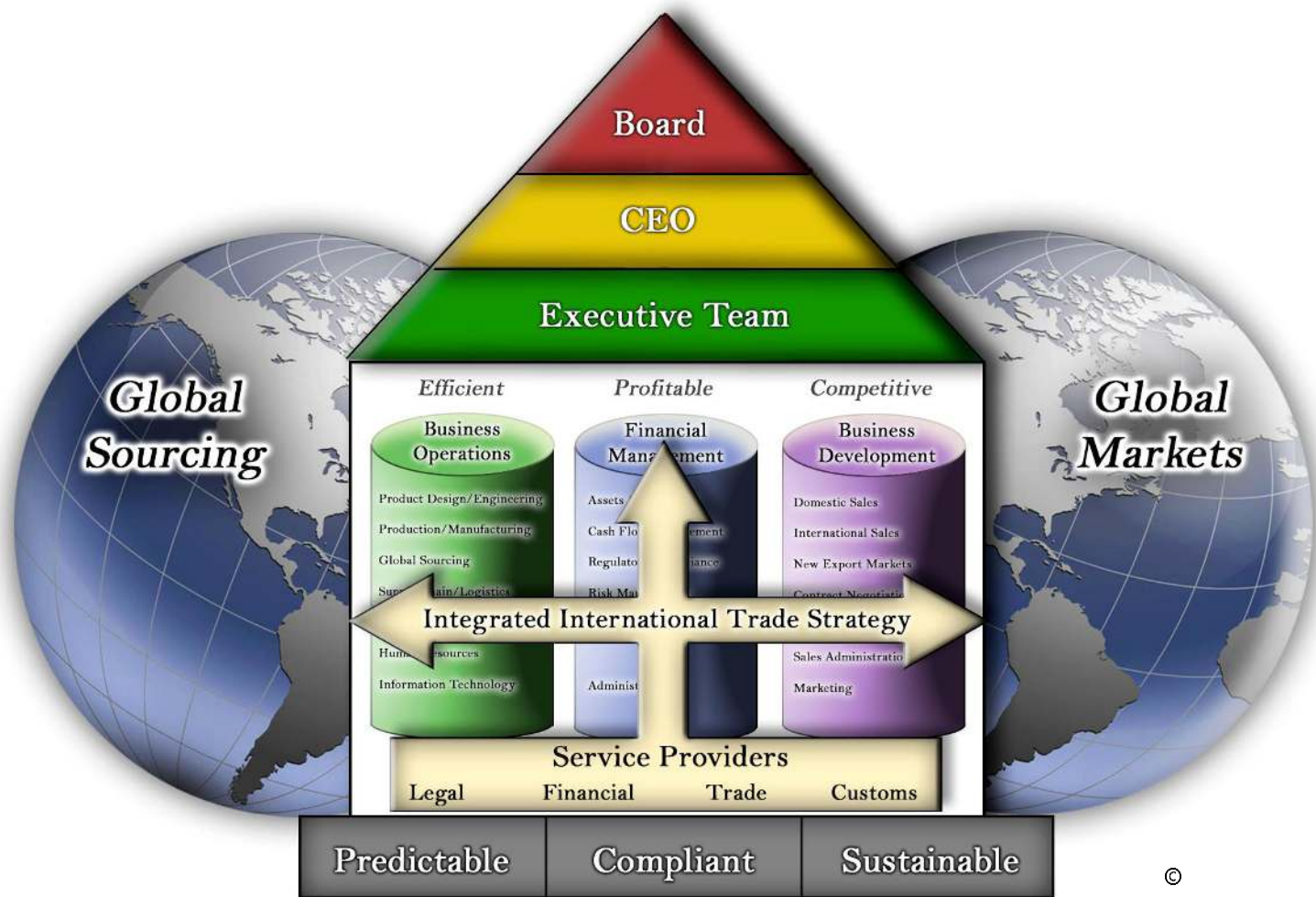
# INTEGRATED TRADE COMPLIANCE STRATEGIES: THE ROLE OF A TRADE CHAMPION ©



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REYNOLD MARTENS  
Managing Partner | GHY International

# INTEGRATED TRADE COMPLIANCE MODEL





# INTRODUCTION

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In a world of increasingly complex supply chains and rapidly evolving new markets for North American importers and exporters, trade compliance obligations and expectations have never been higher.

This is being driven by the proliferation of Free Trade Agreements that are opening up new markets and inviting increased foreign competition for domestic and global market share.

Compounding this dynamic is the emergence of increasingly demanding customers, who want more value: innovative solutions, lower prices, better service, and speedier delivery.

This is resulting in a new commercial reality for Canadian and US companies, requiring bold thinking and sophisticated strategies in order to maintain and build competitive advantage, including:

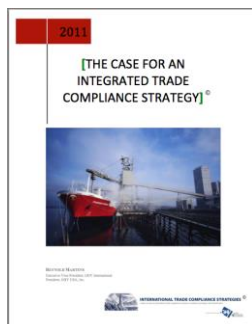
- ❖ Global expansion of supply chains for components, subassemblies, finished goods,
- ❖ Diversification of markets beyond North America into the Eurozone, Asia, South America,
- ❖ Evolution of hybrid manufacturing platforms for domestic and global production,
- ❖ Globally diverse strategic partnerships for manufacturing, marketing, licensing,
- ❖ Increased leveraging of intellectual property to partners and third parties

GHY's White paper series is designed to assist global traders by identifying where trade compliance fits within the context of these new realities; offering insight into why and where global strategies may be compromised by non-compliance; and providing ideas to turn trade compliance and risk mitigation into competitive advantage.

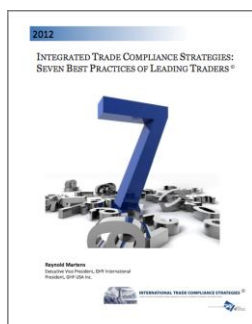


# BACKGROUND

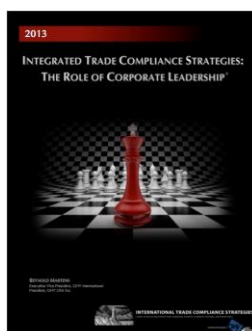
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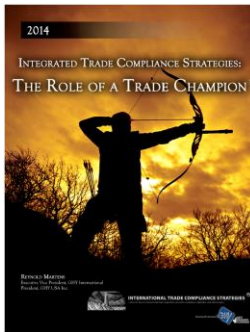
In our first white paper, “*The Case For An Integrated Trade Compliance Strategy*,” which formed the foundation of the series, we outlined key reasons why companies need to adopt a holistic organizational approach to deal more effectively with their burgeoning global scope, and the growing demands of international regulators on critical sales and sourcing activities.



Our second white paper, “*The Seven Best Practices of Leading Traders*,” unpacked best business approaches utilized by proactive companies to successfully navigate their regulatory compliance challenges.



Our third white paper, “*The Role of Corporate Leadership*.” expanded on the foremost best practice of the 7 identified, which is the indispensable role of corporate leadership in making international trade compliance a vitally critical issue throughout the organization.



The fourth white paper in this series examines in more depth the second best practice of leading international traders, which is the appointment of a champion or team to oversee compliance priorities across business functions, and throughout the business cycle, from strategic planning through to business plan execution, and ongoing vigilance.

## EXECUTIVE SUMMARY

The board of directors and senior leadership are ultimately responsible for enterprise success, and those at the forefront of adapting to global trade have identified trade compliance as a priority that links to the organization's strategic plans, risk management framework, and protection of the brand's integrity.

Because of the complexity and diversity of the trade compliance agenda, beyond high-level oversight, it is not realistic or practical for senior leadership to take a hands-on role to ensuring all of the compliance components are identified and managed on a day-to-day basis.

The appointment of a champion to be individually responsible, or as the leader of a compliance team, becomes the vehicle by which the organization can connect the *intention* of being compliant with the *reality* of living it out across all the business units and functional areas.

At a macro level, this would include involvement in the "big decisions," like manufacturing location selection, a merger with another firm or an acquisition, choice of strategic partners, and outsourcing options.

Once decisions are made and become operational, the trade champion or team is responsible for managing the trade compliance "intersections" at every stage of the business cycle, and across all functions, from design through manufacturing to final sale, including those contracted out to third parties.

As companies evolve the complexity of their supply chains and expand their global manufacturing and sales channels, the level of vigilance and due diligence must be increased to match the scope and scale of the enterprise's global footprint.

We provide examples of how companies of various sizes have chosen to address trade compliance as a corporate priority, and finally, pose several critical questions that can be used to benchmark your company's relative position to best practices.



# WHY IS A TRADE CHAMPION NECESSARY?

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**“For many middle market companies, international sourcing, sales, and expansion may be crucial to future growth. These objectives rely heavily on the trade function in most companies. Many business leaders are seeing trade management as a competitive area that merits additional resources.”**

*— KPMG Global Enterprise Institute, Trade & Customs Compliance, Strategic Planning For Global Growth*

There is a maxim in business that to be successful there must be clear ownership of specific priorities in order to ensure accountability for performance in pursuit of the desired outcomes.

That is in fact what we found to be true when we surveyed leading traders as part of our research for our second white paper, “The 7 Best Practices of Leading Traders.”

These companies were unequivocal about the important role of corporate leadership in driving the implementation of compliance-related priorities across the organization.

Why?

## **1. Compliance Links With Corporate Philosophy**

The board of directors and senior management are ultimately responsible for the “tone at the top,” and more specifically the mission, vision, and values of the organization.

Globally active firms understand that compliance with international and domestic regulations at all levels needs to be part of the corporate doctrine of expected behaviour. This is not only because it is a legal requirement-it is the right thing to do, and links directly with brand integrity and the promises made to all stakeholders.

## **2. Compliance Links To Corporate Strategy**

Boards and senior leaders of companies at the forefront of adapting to global trade have identified trade compliance as a priority that links to the organization’s strategic plans, risk management framework, and protection of the brand’s integrity.

Strategy by its very nature involves a clear understanding of the trade-offs between investment and return, risk and reward.

Viewed as an integral component of the company's strategic direction and overall plan, boards and senior leadership must be keenly aware not only of the manifold exposure to new risks posed by global trade, but likewise appreciative of how the complex array of challenges has the potential to create distinct competitive advantage.

Compliance-savvy organizations anticipate compliance consequences and outcomes as part of the strategic planning process, so there is clear visibility to current and emerging risks and opportunities that could compromise or support targeted outcomes.

### **3. Compliance Priorities Require Ownership**

Because of the complexity and diversity of the trade compliance agenda, beyond high-level oversight, it is not realistic or practical for senior leadership to take a hands-on role to ensuring all of the compliance components are identified and managed on a day-to-day basis.

There needs to be a direct reporting link to senior management on specific trade compliance performance indicators, and clear visibility to current and emerging risks that may compromise financial results, or cause damage to the enterprise's reputation.

Unfortunately, trade compliance is often exclusively attached to the supply chain or logistics silos of the company from a functional perspective. As a result risk mitigation strategies are largely reactive-addressing issues after they have become a reality, or when there is a threat of a clear and evident consequence.

The firms we surveyed who are successfully navigating global trade appoint an individual or team to own this important priority, and to work across business functions.

Their involvement spans the full business cycle from the strategic planning or scenario assessment stages, through to full operational implementation, and ongoing vigilance.





# WHAT IS THE TRADE CHAMPION'S ROLE?

Our research and experience in working with importers and exporters of all sizes and across industry sectors, points to a trade compliance role that is a composite of responsibilities reflective of both the bigger picture or macro perspective, and the more operational micro view.

In fact, if one were to look at the overall continuum of risk within the context of the global trade business cycle, trade compliance, as both a risk mitigation and opportunity assessment competence, would be woven throughout all the various stages, and across all timelines.

## THE MACRO STRATEGIC VIEW

**“Some boards maintain a list of the top issues that could potentially impact their company, suppliers, customers, business partners, and associated entities. They monitor global legislative and regulatory agendas around those issues, and develop different scenarios to assess, in advance, the impact these changes may have on their operations, including looking at how regulatory changes may create opportunities and not compliance needs.”**

*-- Deloitte Directors Alert 2013, Time To Take Advantage Of The New Business Reality.*

The traditional view of the trade compliance professional's core responsibilities is that of an administrator who monitors the process and “paperwork” relating to a company's imports of components and finished goods in the supply chain, and exports of finished goods to distributors or ultimate customers.

But the evolution of global trade with its accompanying complexity of variables has increased the demands on trade compliance professionals well beyond the role of a “trade traffic cop” focused on operational details, to include the full commercial universe of enterprise activities.



# THE MACRO STRATEGIC VIEW



Ultimately, the trade champion works with senior leadership to integrate compliance into strategic planning where *any type* of global trade compliance consequence is triggered.

This can include the strategic priorities that cover the global commercial landscape, including:

- ❖ Manufacturing locations
- ❖ Mergers and Acquisitions
- ❖ Strategic Partnerships
- ❖ New Markets
- ❖ Global Outsourcing
- ❖ Supply Chain

**“Maturity in risk management is when the company does its risk assessment at the project kickoff, rather than at the end.”**

— Harvard Business Review, “Risk Management in a Time of Global Uncertainty.”

Strategic initiatives are the domain of the board and senior leadership, with a focus on the commercial opportunities or risks involved. This is precisely where the trade champion can and must play an integral role: at the various stages of the discovery process including initial exploration; strategic planning; operational scenario scoping; implementation; and ongoing assessment.

More specifically, areas of scrutiny at a macro level that require direct oversight and a channel of visibility to senior leadership include such elements as:

- ❖ Trade Eligibility/Restrictions
- ❖ Valuation/Taxation Implications
- ❖ Free Trade Agreement Eligibility
- ❖ Duty/Tariff Exposure
- ❖ Intellectual Property/Patent Protection
- ❖ Liability Exposure
- ❖ Brand Degradation Risk
- ❖ Black Swan Risk

For every initiative, and at every stage from initial exploration to full implementation, the trade champion must benchmark international compliance implications to the company's corporate risk appetite, profitability targets, service and quality standards, how the brand promise to clients is impacted, and ultimately, whether the brand's integrity is being advanced or diminished globally.

Examples abound in the news recently of companies who forged ahead without this level of oversight, and found out after the fact that improper business practices had been engaged in that became public, severely compromising the company's stock price, costing senior executives their jobs, and throwing doubt on the board of director's framework for due diligence.

Less publicly humiliating but equally as damaging are the stories that aren't told about private companies purchasing offshore companies, or setting up strategic partnerships with foreign firms that did not perform well, and ended up being wound up or sold off. Increasingly, the complexity posed by such arrangements is a result of encountering unanticipated costs, or missed "red flags" that involved some type of compliance-related issue.

It has been our observation that companies who take the long view and maintain a strong macro perspective on their global trade compliance priorities are striking, not because they lack the potential for problems or setbacks, but because there is a noted absence of drama despite that potential.

In a nutshell, risks that are anticipated can be mitigated, opportunities that are planned for can be harvested, and targets can be achieved, with the appropriate level of oversight and diligence at the highest levels, at every stage of the business cycle.

**"It is surprising that only 5 percent of Canadian companies use simulations/scenario planning/impact assessments to address aspects of their risk management planning, especially given the impacts of the Japanese earthquake, tsunami and nuclear crisis had on Canadian-and indeed, global-manufacturing in 2011. Also surprising is the 17 percent of Canadian respondents who "do not know" how they will identify risk in their supply chains over the next one to two years. Smaller niche players can-and must invest in their risk management processes to help ensure the effectiveness of the supply chain, and indeed, the entire organization."**

*-- KPMG Canadian Manufacturing Outlook, 2012*



## THE MICRO COMMERCIAL VIEW

At a macro level the trade champion's focus is on the strategic and architectural elements of the organization's global scope.

But at a more practical or micro level, this shifts to working across the company's functional units and locations to map and track compliance variables.

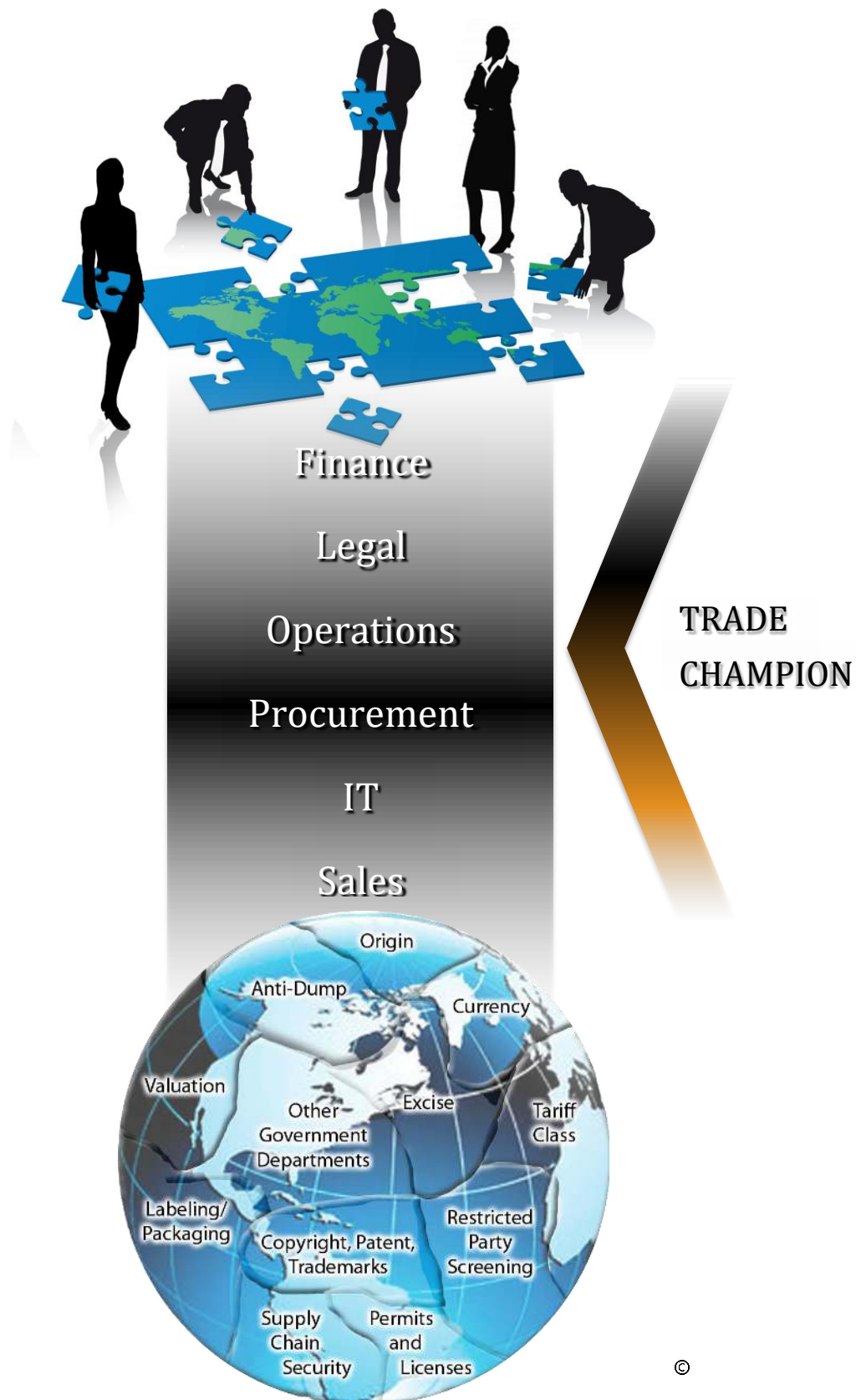
A comprehensive glossary is included in Appendix A that identifies specific areas of oversight across the span of the company's operations, including:

- ❖ Finance
- ❖ Legal/Regulatory Affairs
- ❖ Sales and Marketing
- ❖ Procurement
- ❖ Supply Chain
- ❖ Manufacturing
- ❖ Information Technology
- ❖ Supply Chain Partners/Third Parties

In reviewing the list of trade compliance – related variables in each of these functional areas – it can be noted that:

- a) There are far more potential “touch points” than may be visible without a closer look
- b) It is a significant undertaking to monitor all of these variables without a well thought out plan
- c) Successful implementation depends on a cooperative and collaborative approach
- d) The trade champion must be empowered and equipped by senior leadership for the task
- e) A full understanding of the company's global trade profile is necessary to map the touch points

# THE MICRO COMMERCIAL VIEW



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If we take the Finance area as an example, following is a summary of several major trade compliance-related touch points that the Trade Champion and Vice President or Controller would need to have visibility to, and the discipline of an intentional framework to work within:

- ❖ Financial terms and instruments on imports and exports;
- ❖ Regulatory audits, fines, penalties, interventions by global customs agencies;
- ❖ Valuation –related and non-related party transactions;
- ❖ Free trade eligibility verification;
- ❖ International currency fluctuation implications on financial forecasts;
- ❖ Currency hedging and forward contracts;
- ❖ Duty paid and saved assessments;
- ❖ Duty drawback opportunities; and
- ❖ Insurance on supply chain imports and export sales.

Each of the areas listed has a direct link to a compliance trigger, which if effectively managed, can ensure cost certainty and risk containment.

Conversely, a reactive or passive approach can create significant consequential impact downstream, which will involve time, energy, and intellectual capacity to sort through after the fact.

Regulatory audits, fines, penalties, and interventions by global customs agencies are obvious areas of impact where it is non-negotiable that the Finance leader and Trade Compliance leader work collaboratively together.



But what about a more innocuous area such as duty drawback, which essentially is an opportunity to recover one layer of duties paid on goods that are imported, and then subsequently exported internationally.

Without an understanding of the concept, and intentional tracking of duties through the supply and sales chain, the opportunity for cost savings will be lost, and unnecessary costs assumed that could compromise price competitiveness of the product at final sale.

Or take the even more vague connection that international currency fluctuation presents as an area that may have a potential commercial consequence.

Most, if not, all contracts with foreign suppliers, or customers are costed on the basis of a foreign currency exchange rate versus the Canadian or US Dollar. International contract pricing and costing formulae must take foreign currency volatility into consideration, with some allowance for fluctuations reflective of recent trend lines.

The Trade and Finance leaders can play a key role in working with Procurement and Sales functions, to ensure anticipated margins are realized.

These examples based on intersections in the Finance area only point to the diversity of the challenge across the various functional silos of the company, where a commercial or compliance-related consequence can be triggered requiring oversight and intentional vigilance to manage consistently.





# TRADE COMPLIANCE MODELS TO CONSIDER

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Our experience as a trade compliance service provider has included working with Canadian and US companies of all sizes, ranging from publically held Fortune 500 level corporations, to North America-based manufacturers and distributors, and privately owned small and medium sizes enterprises. (SME's)

Various organizational models are utilized to manage and monitor compliance based on size of the enterprise, scope and scale of international manufacturing operations, global supply chain complexity, diversity of markets, and most importantly, the level of compliance awareness and focus.

We offer four general models that cover the landscape and are actually in place with companies that would be considered best practice leaders in effectively managing global regulatory compliance.

A basic global trade compliance checklist is included per Appendix B, which can act as a starting point to map your company's global trade compliance footprint, and identify areas of priority that best practice leaders in the field focus on.

## 1. MULTI-COUNTRY TRADE COMPLIANCE TEAM

### **(Global Corporation)**

This approach is favoured by multi-national and globally active enterprises with decentralized operational entities, and in the case of public companies, linked to the overall corporate compliance mandate of their charter.

The global compliance quarterback is often a senior "C" Suite Executive from Corporate Finance, Legal, or the Global Logistics group, who heads up a team comprised of members from each country or major region the company operates in.

The team is responsible for successfully implementing the global compliance strategy with oversight and centralized reporting on key performance indicators (KPI's) that link directly to strategic objectives and targets.



At a macro level, the team takes responsibility for oversight of trade activity tracking between corporate entities:

- ❖ Free Trade Agreement application
- ❖ Cost reduction opportunity maximization
- ❖ Oversight of a consistent contract framework for suppliers worldwide
- ❖ Global oversight of third party providers

At a more micro level, team members own:

- ❖ The oversight of regulatory compliance audits
- ❖ Cohesive application of tombstone trade information (tariff, origin, valuation) across all trading jurisdictions
- ❖ Country-specific compliance nuances, such as special permits, licenses, excise taxes, and customs requirements

Reporting to a common senior executive bonds the team, and cohesiveness is achieved by an intentional communication structure, which includes regular meetings, conference calls, and inter-company communication protocols that foster transparency and accountability.



## 2. INTERNATIONAL TRADE COMPLIANCE DEPARTMENT

### (Large Canadian/US Company)

Internationally active companies, primarily in the North American theatre, with centralized corporate functions, utilize this model. A Vice President or Director of Regulatory Affairs reports directly to the Chief Executive Officer, Chief Financial Officer, or Chief Operating Officer, and oversees responsibility for trade compliance.

The department is responsible for international supply chain and export sales compliance with Canadian and US Customs, including all OGD's (Other Government Departments) that may have regulatory oversight.

Ideally they are engaged in the strategic planning process including expansion or acquisition, but they are most often viewed primarily as a cost containment and liability management center.

The team is linked with the procurement, logistics, and sales areas internally, and has direct involvement to appoint and work with third party providers for customs, logistics, transportation, and distribution.

Team members are specialists in trade compliance and logistics, and directly involved in:

- ❖ Regulatory projects,
- ❖ Audits,
- ❖ Origin verifications,
- ❖ Customs or OGD interventions where the entity is the "importer of record."

Because the team is centrally located at the corporate head office in Canada or the US, there is a relatively close working arrangement on a day to day basis, augmented by regularly scheduled meetings, quarterly reporting, and monitoring of key performance variables linked to strategic corporate objectives.



### 3. TRADE COMPLIANCE CHAMPION

#### **(Mid-Sized International Company)**

Small and medium sized companies operating as the importer of record in Canada and the US often employ an individual to focus on the trade compliance role, who is viewed as a “catch all” for regulatory issues.

The Trade Champion reports to the VP/Director of Purchasing, Operations, or Logistics, with responsibilities weighted toward more micro than macro responsibilities.

Primary roles include:

- ❖ Oversight and direct management of third party service providers for customs
- ❖ Quarterback of tariff classification, origin determination, and valuation data used by suppliers, carriers, and customs brokerage service providers
- ❖ Direct responsibility for micro compliance integrity-fines, penalties, storage, and demurrage

The Trade Champion is engaged cross-functionally, mostly with procurement and sales, where the majority of trade compliance intersections occur.

Ideally, the Champion is brought into strategic initiatives involving new markets or manufacturing locations, and is part of the Senior Management Team, or Operations Management Team.





## 4. CROSS FUNCTIONAL TEAM (SME)

Most of the smaller-sized companies do not have the financial resources to hire an individual to be dedicated to trade compliance.

As an alternative, a cross functional team is appointed to be the collective champion of the compliance cause, reporting to either the Vice President of Operations, or the CFO, who is ultimately responsible for enterprise risk mitigation.

Key players on the team will include the managers of procurement, sales, finance, and possibly logistics or shipping.

The team places a heavy reliance on third party service providers for regulatory integrity, especially Canadian and US Customs Brokers.

In smaller firms, there tends to be a more organic approach to managing regulatory issues on the fly, although the best practice we have observed is based on the cross functional team taking a proactive stance to anticipating compliance issues at all stages of the business continuum.

This would include:

- ❖ Assessments of new international suppliers
- ❖ Export contracts from the RFP stage through to fulfillment
- ❖ Strategic planning where international variables are in play

Pragmatically, the team works together via a combination of itinerate communication as needed, regularly scheduled meetings, and annual strategic or business planning sessions.



# CASE STUDIES

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**"I see it as my responsibility to ensure that all of our legal and fiscal responsibilities, in the declaration of goods to government agencies are met, as well as facilitating the movement of cargo crossing international borders.**

**I work to ensure the global supply chain is not interrupted due to careless mistakes with Customs or other federal organizations where Customs acts as the policing agent.**

**I assist in managing risk by reviewing and focusing on identifiable situations for mis-steps throughout the company. My team and I ensure we communicate, educate, and develop processes that help diminish those risk as we grow in international sales."**

Mary Palmer  
Senior Manager International Trade Compliance  
MasterBrand Cabinets, Inc.

**"Put simply, my role is to ensure the integrity of the supply chain from the inception or design stage through to the exportation of the finished product to the end user, verifying that due diligence was applied at all stages for a truly compliant product.**

**Part of my role is to ensure that all personnel in our company are aware of the regulatory requirements for each country of export. We also verify that our vendors are able to maintain our requirements as they pertain to safety and the workplace, along with criteria for all the security initiatives we adhere to.**

**The most important contribution I can make to our company's success is to communicate to all personnel the importance of following standard operating procedures, which will ensure customer satisfaction with a quality product, delivered in a timely fashion. This also ensures prices are not inflated due to unforeseen costs caused by failure to achieve due diligence and maintain the integrity of the supply chain."**

Maryanne McGibney  
Trade Compliance Manager  
Richlu Manufacturing

# SUMMARY

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In this, the fourth white paper in our series around the theme of integrated trade compliance strategies, we have attempted to unpack the second best practice of leading international traders, which is the appointment of a champion or team to oversee compliance priorities across business functions and throughout the business cycle, from strategic planning through to business plan execution, and ongoing vigilance.

Best practice leaders have established several critical tenets by which their trade compliance objectives are successfully achieved.

Firstly, the “why” of trade compliance as a priority is linked with the company’s overall philosophy, as stated in its vision, mission, and values. The latter includes an intention to act and operate ethically in all the jurisdictions the company is active in, which inherently includes the commitment to be in compliance with international rules and regulations.

Secondly, trade compliance is connected to the enterprise’s strategic plan, risk management framework, and protection of the brand’s integrity. Leadership is keenly aware of the manifold potential for exposure to business risks posed by global trade, but likewise appreciative that those very complexities have the potential to create distinct competitive advantage.

Thirdly, there is an understanding amongst leading traders that a clear owner needs to be in place in order for the intention of being globally compliant to become reality. The trade champion, whether a singular person or a team led by the champion, is empowered and accountable for establishing a clear framework within which to track and measure compliance variables. Further, there is a direct reporting link to senior management, and clear visibility to current and emerging risks that may compromise successful execution of the company’s business plan.

Lastly, the champion or team leader is responsible for oversight of priorities reflective of both the bigger picture or macro strategic perspective, and the operational micro view.

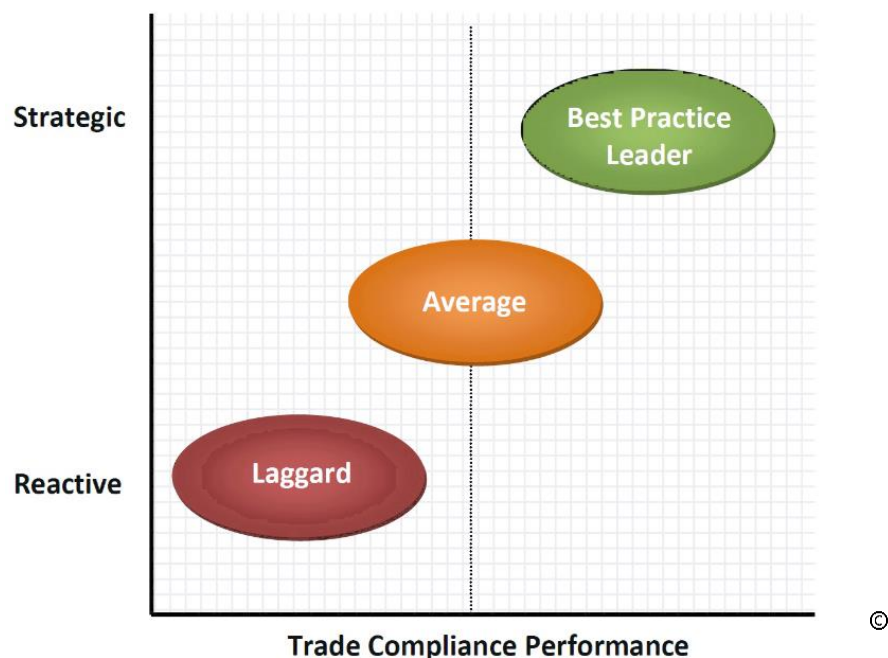
In a world of increasingly complex supply chains and rapidly emerging new markets for North American importers and exporters, trade compliance expectations have never been higher. Companies who are able to navigate successfully through the dynamic challenges posed by globalization place a priority on ensuring that risks are mitigated, and opportunities maximized.

This is best accomplished through ownership and accountability, and the Trade Champion plays a crucial role in bringing focus, due diligence, and ultimately successful outcomes, to this evolving challenge.

## 6 BENCHMARKING QUESTIONS

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1. Is global trade compliance a significant priority for your company?
2. Is your board and senior management aware of the implications of your international trade activities at all levels?
3. Do your strategic plans incorporate risks and opportunities associated with international and global trade activity?
4. Has a qualified individual or team been charged with overseeing trade compliance with respect to your company's global sourcing, export market development, and international manufacturing operations or partnerships?
5. Is there a process in place to analyze strategies to expand into new markets and evaluate potential trade compliance risk *prior* to decisions being made?
6. Are procedures and communication channels in place to track, monitor, and report trade compliance variables at the management level of your company?





## ABOUT THE AUTHOR

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Reynold Martens graduated from the University of Winnipeg with a degree in history in 1979. He has been involved in the trade services industry since 1985 and in leadership at GHY international since 1991, where he holds the positions of Board Secretary, Executive Vice President, and President and co-founder of the firm's US subsidiary, GHY USA Inc.

He is the architect of GHY's thought leadership platform, author of the firm's published white papers, and a regular speaker at national trade conferences.

Reynold is active in various industry and community leadership roles, including involvement in the Institute of Corporate Directors, and national board directorships with the Canadian Manufacturers and Exporters Association (CME), World Trade Centre Winnipeg, and the Canadian Association of Importers and Exporters (IE Canada).

Founded in 1901, GHY International is one of the oldest customs brokerage houses in North America, and has been recognized in 2008, 2009, 2010, 2011, and 2012 as one of Canada's 50 Best Managed Companies.



# APPENDIX A

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## TRADE COMPLIANCE ACROSS COMPANY FUNCTIONS

### Finance

- Financial terms and instruments on imports and exports
- Regulatory audits, fines, penalties, interventions by global customs agencies
- Valuation – related and non-related party transactions
- Free trade eligibility verification
- International currency fluctuation implications on financial forecasts
- Currency hedging and forward contracts
- Duty paid and saved assessments
- Duty drawback opportunities
- Insurance on supply chain imports and export sales

### Legal

- Regulatory audits, fines, penalties, interventions by global customs agencies
- Current and emerging trade compliance or risk scenarios
- Current and emerging liability issues for the corporation and directors
- Statements of claim by foreign vendors or customers
- Intellectual property, trademark, copyright, and brand protection
- Trade compliance implications of mergers, acquisitions, partnerships

### Sales and Marketing

- Export terms of sale to foreign customers
- Restricted party assessment on export sales
- Labelling and packaging compliance
- Export permits and licenses
- Foreign exchange and F/X risk or opportunity
- Accounts receivable insurance
- Logistics and transportation contracts
- Domestic and foreign customs documentation
- Free trade agreement eligibility and verification

## **Procurement**

- Import purchase agreements from foreign suppliers
- Restricted party assessment of foreign vendors
- Free trade agreement eligibility and verification
- Duty paid and saved assessments
- Compliance with domestic customs regulations
- Customs clearance and documentation
- Import permits and licenses
- Vendor relationship impact on valuation
- Logistics and transportation

## **Supply Chain**

- Transportation terms and delivery conditions
- Insurance
- Supply chain security
- Customs clearance documentation
- Special permits and licenses

## **Manufacturing**

- Free Trade Agreement eligibility assessment-materials and labour
- Packaging and labelling compliance on export sales
- Compliance with international performance standards
- Supply chain security certification requirements

## **IT**

- Systems compliance with customs certifications of CSA, ISA
- EDI capability with foreign vendors or clients
- EDI capability with trade services providers to accommodate expedited customs clearance
- Security protocols in compliance with supply chain security certification requirements
- Custom programming to manage global trade compliance variables via key performance indicators (KPI's)

## **Supply Chain Partners**

- Liaison with customs and trade services provider(s)
- Liaison with legal, finance, transportation, logistics, providers

# APPENDIX B: TRADE COMPLIANCE CHECKLIST

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## A STARTING POINT

1. Review the corporation's geographic footprint (manufacturing locations, vendors, markets)
2. Map the flow of imports and exports into and out of each manufacturing location by dollar value annually
3. Prioritize geographic areas from highest to lowest value for both imports and exports
4. Identify specific products by dollar value imported into each region.
5. Identify specific products by dollar value exported from each region.
6. Perform a trade compliance analysis (see questions below)
7. Evaluate your company's strategic plans for the future

## QUESTIONS TO CONSIDER ALONG THE WAY

- Are any of your vendors or clients related to your company by equity ownership?
- Is there a Free Trade Agreement between the regions imported from, and exported to?
- Is your industry or your product suite subject to special government regulation in the countries your import from or export to?
- Do your product costings and sales contracts factor all regulatory requirements?
- Is your company considering new manufacturing locations, markets, acquisitions, or foreign supply chain partners?
- Has a regulatory impact analysis been completed on each new international region?

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