Summary of Low-tier/Complex Supply Chain webinar - focus on XUAR

December 2024

Bendi – company that analyses global supply chains https://bendi.ai/

- Undertake mapping using trade data to get deep knowledge of tiers
- Have risk screening for over 100 ESG indicators
- Understand geographical risk and alert businesses to short and long-term risks that lead to commercial disruption
- Presentation slides "Assessing exposure to Xinjiang"

Case study: XUAR

Located in NW China, landlocked region and produces many different things: walnuts, tomatoes, tomato paste, dates, grapes, marigolds, black pepper, capsicum, paprika, caustic soda, food dyes

Bendi's approach to analysing exposure to risk in XUAR

1) Programatically assessing different data sets to identify existing connections
2) Cross referencing company information
3) Analysing likelihood
4) Human review

Datasets

Use different sets compiled by different organisations e.g. C4ADS, US Government (Uyghur Forced Labor Prevention Act information), Research from Sheffield Hallam Forced Labor Lab

These have different focuses and sources so won't be applicable to everything.

Process

1) Used a supplier list and cross referenced against anything listed in the above peer-reviewed data sets.
2) Looked at company information e.g. ownership of subsidiaries etc to understand if it is a direct or indirect link to XUAR
3) Analysing likelihood – US UFLPA Labor Ban - 3 biggest countries currently affected are Malaysia, Vietnam and Thailand, not China so need to understand the shipping "material" flows via
   - Sub-tier suppliers
   - Integrated supply chains
   - Labour practices
   - Goods routed through intermediaries
4) Human review – need to cross reference the data to identify possible sibling businesses that could be e.g. on the US banned list

Case study

Looked at one specific supplier and did a tier 1 and 2 mapping – some information came from the business, and also via the trade data mapping to build a picture of the whole supply chain.

Some suppliers had nothing associated with China, and also identified 36 new suppliers and within that found some direct and indirect links to XUAR.

What is a Direct link? (Bendi definitions)

- Companies have operations listed in XUAR
- Ownership of more than 50% of a subsidiary in XUAR
- Companies speak about specific XUAR related development i.e. investment in a certain crop

Found 2 examples of 2 direct links (one through subsidiary, and one that had a production base in XUAR). Neither of these sites were used for products in the UK

Indirect links

More difficult to find

- Through contextual information e.g. company name (many Chinese names use the geographical location in their name)
- Some sectors and regions have greater links with XUAR e.g. labour transfer schemes and poverty alleviation schemes linking regions with XUAR
- Holding groups or conglomerates and links that exist - but are not 50% owned subsidiaries
- Sibling company relationships

Indirect links that were found e.g.

- Parent company linked to 35% subsidiaries in XUAR, or other parent-company related info.
- State-owned company with links to labour initiatives in XUAR

Inference is sometimes required to interpret the data and analyse likelihood

Horizon scanning & current context

19th November 2024 EU Council has adopted EU Forced Labour Product Ban – seafood from China could fall under that ban

22nd Nov 2024 – 29 more Chinese companies fall under the US Forced Labor ban - 23 are engaged in the production and sale of agricultural products including tomato paste & tomato products, walnuts, red dates, raisins and other products. 24 of these companies are not in Xinjiang, but located in other regions of China.

Beyond technology

US Customs & Boarder Protection Agency requires proof that forced labour is not being used and they use a variety of evidence requests e.g. worker contracts, worker recruitment evidence by factory, worker residency status, wage slips and salary records, audit findings, worker interviews (off site away from management), factory capacity evidence e.g. production orders. This list is not exhaustive.

Regulatory changes

Tariffs and potential trade wars may change things between China and USA – might be operating in a very different environment in a year.

Regulatory changes – UK. Signs from UK parliament that they might revise the UK Modern Slavery Act, and rumours that HRDD regulations in Europe will encourage a UK version.

Case study & group discussion

Collaboration was about mapping risk quickly for multi-component products and it was done within a couple of weeks. Don't have the technology or capacity to do this in-house so helpful to work with Bendi.

Clarity for action for direct links, but less clear around indirect links and implications about sourcing from specific geographies.

Question: How does the US Forced Labor Ban trace the actual connection with a product (i.e. the company could be producing for various products). In the US – the requirement on the company is to prove that forced labour has not been used, and it refers to the product actually being shipped. "Admissibility requests" can ask for up to around 40 pieces of evidence that are requested at random so it's hard to predict what the evidence request will be because it changes with every shipment. As a minimum, companies should ensure they can produce transactional trade documentation (e.g. invoices, shipping records, certificates of origin, etc).

Bendi can also assess risk of North Korean forced labour in China.

Comment: Currently in the UK, beyond requirements of existing legislation such as the UK Modern Slavery Act, there are not specific regulatory actions targeting exposure to Xinjiang or mandating the exclusion of XUAR in UK supply chains.

Likely that the EU Forced Labour Product Ban will be more stringent than the US UFLPA. The EU Forced Labour Product Ban will also be global in focus. Both the EU and US forced labour bans are evidence-based, so it will be about proving the details of that specific supply chain but stringency of EU requirements are yet to be determined (expected to come into force 2027).

What to do with data when you have it

- Direct links - the actions are clear.
- Indirect links can be very tricky and currently lots of questions and lack of clarity e.g. if the supplier of a raw material is owned by a parent company that has another company based in XUAR that supplies the same raw material. This will depend on each company's risk appetite.
- State-owned raw material production that has a base in XUAR – what can be done?
- What do you do when there has been evidence in the past of concern - potentially treat in the same way as other human rights risks – need to see improvement.
- Communications with customers around indirect links and the complexity is understood. Taking a risk-based approach is sensible and being live to upcoming legislation is important. UK risk of dumping ground unless there isn't regulation.
- Are there some additional data points that can be collected to assist a more general risk assessment? And is this feasible/practical?
- Benefit of a follow-up session to develop guidance/collective approach? Option to discuss in the retailer alignment forum.

US Department of Labor - [Some information on risk assessment](#)