



Open Members Meeting | Day 1

Call will begin at 11 am CST



Lisa Schulte | SCAN Board Chair | Target

WELCOME

Agenda

Welcome | *Lisa Schulte*

Introduction & Priorities | *Dave Blackorby*

BSI Program Updates | *Mario Donoso*

Blockchain | *Dan Purtell*

CTPAT Update | *Carlos Ochoa*

Q & A with SCAN Membership

History of SCAN Program



2015

• 744 audits

2016

• 3,326 audits

2017

• 5,035 audits

2018

• 7,562 audits

SCAN Committee Framework

Mission Statement

The Supplier Compliance Audit Network (SCAN) is an association of companies with global supply chains who collectively develop and manage supply chain security audit standards to reduce audit fatigue and redundancy by way of confidential risk management platform.

Association Pillars

Membership

Audit
Management

Service
Providers

Public
Relations

Information
Technology

Foreign Origin

Recruitment,
Onboarding,
Engagement,
Retention

Audit creation &
management, Check
the checker, Follow
up evaluation

KPI Management,
Issue Escalation,
Liaison with Program
Manager, Contracts,
Training

External
Partnerships,
Publicity, Newsletter,
Member meetings

Liaison with Tech
Partner, Identify tech
priorities, research &
development,
integration & security

Check the
checker/validation &
shadow audits, Origin
training support, 3PL
integration

SCAN Committee Involvement



Drive program
development

Directly improve
audit efficiencies
through
collaboration with
other members

Collectively
develop/manage
global security
audit standards

Network &
benchmark with
other members

Contribute to
SCAN's success

Current Board of Directors



Board Chair
Lisa Schulte | Target



Vice Chair
Jennifer Kissner | Newell Brands



Treasurer
Pat Cerisano | Husky Injection Molding



Secretary
Lesa Hubbard | JCPenney



Committee Chair: Audit
Ken McElroy | The Home Depot



Committee Chair: IT
Holly Roelofs | Meijer



Committee Chair: Marketing/PR
Open



Committee Chair: Membership
Ryan Klath | Target



Committee Chair: Service Providers
Yvette Estrada | Fossil



Member At Large
Donna Neil | Canadian Tire



Committee Chair: Foreign Origins
Negolas Xie | Newell Brands



Executive Director
Dave Blackorby

Current SCAN Members



Associated Premium	Husky Injection Molding Systems	Renfro Corporation
Barnes & Noble	Jarden	Revman International
Canadian Tire	JC Penney	RMS International
Carter's Inc.	Kohl's New 2019!	Rubbermaid
Coleman Company	Kroger	Sealock
Columbia Sportswear	Levi Strauss & Co	Sharpie
Costco	Meijer, Inc	Talbots New 2019!
Damco	Michaels	Target
Epoca	Newell Brands	The Children's Place
Ferguson New 2019!	Patagonia	The Home Depot
Hallmark Cards, Inc.	PriceSmart	Walmart
HEB Grocery	Rawlings Sporting Goods Company	Wolverine Worldwide



David Blackorby | Executive Director | SCAN

INTRODUCTION & 2019 PRIORITIES

2019 Priorities





Mario Donoso | SCAN Program Manager | BSI

BSI PROGRAM UPDATES

State of SCAN

Q4 - 2018

- Ordered audits – 977
- Canceled audits – 372
- Conducted audits – 652

2018

- Ordered audits – 4,440
- Canceled audits – 1,676
- Conducted audits – 2578

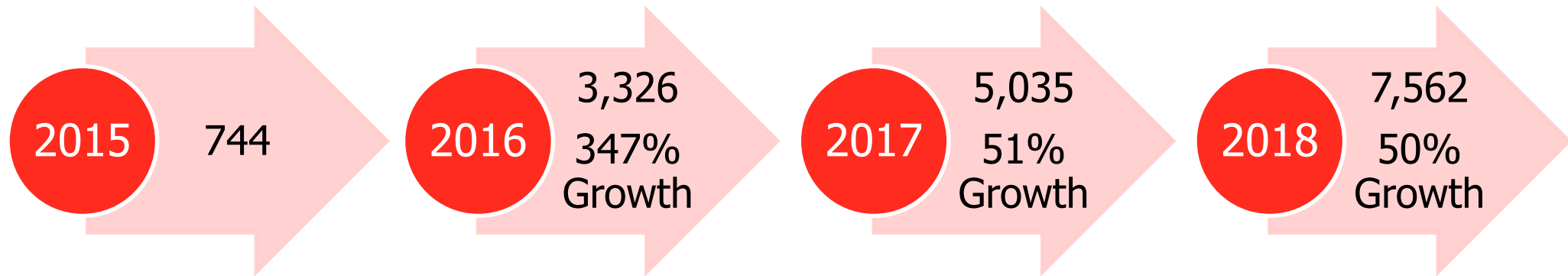
Program to date

(2015-January 2019*)

- Ordered audits – 11,464
- Canceled audits – 3,105
- Conducted audits – 7,904

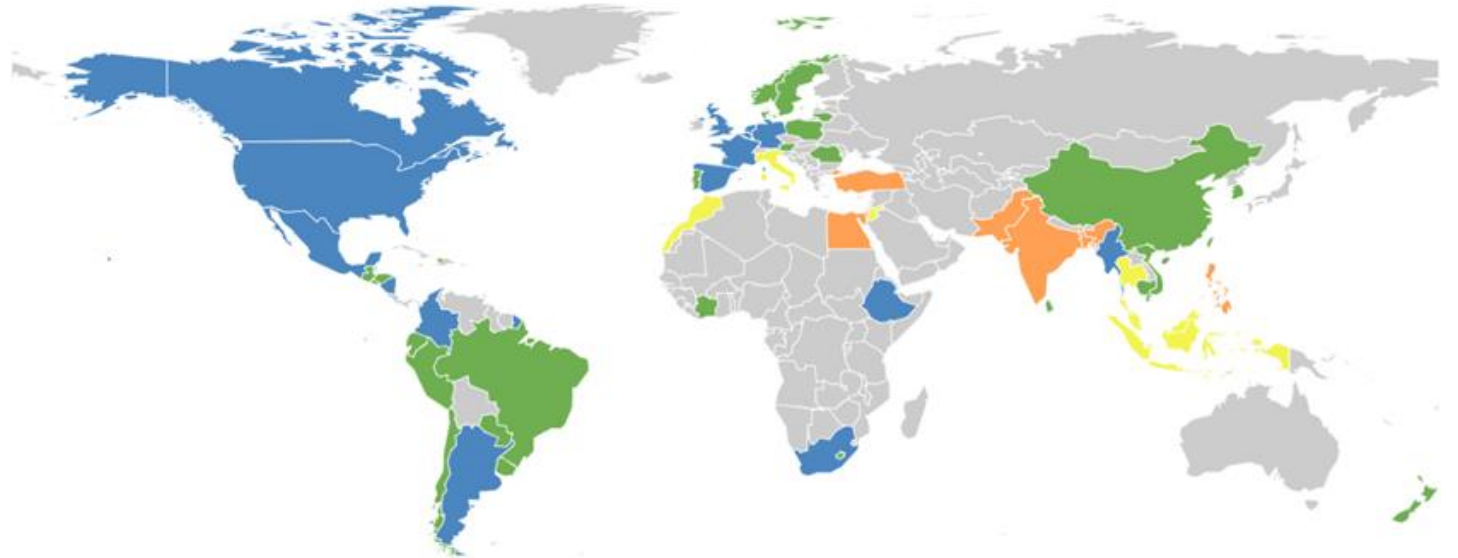
State of SCAN

- Conducted **7,562** audits since program inception to the end of 2018
- **15,625** factories in the SCAN Audit Repository
- SCAN's Audits Growth year over year:



State of SCAN

- Audits conducted in **70** countries
- Most audited countries
 - China **71%**
 - India **6%**
 - Bangladesh **4%**
 - Vietnam **4%**
 - Indonesia **2%**

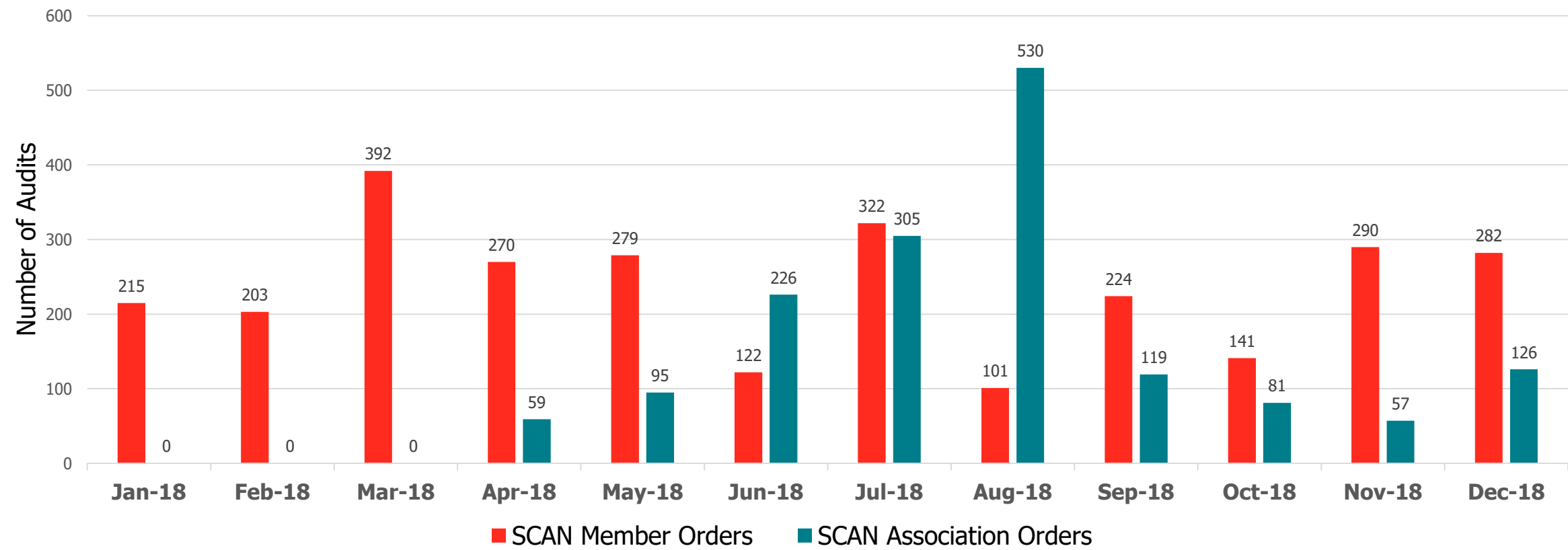


In 2018 we saw an overall decrease in the percentage of audits being conducted in China and an increase, by percentage, in the rest of the world.

In 2018 SCAN completed audits in 14 new countries

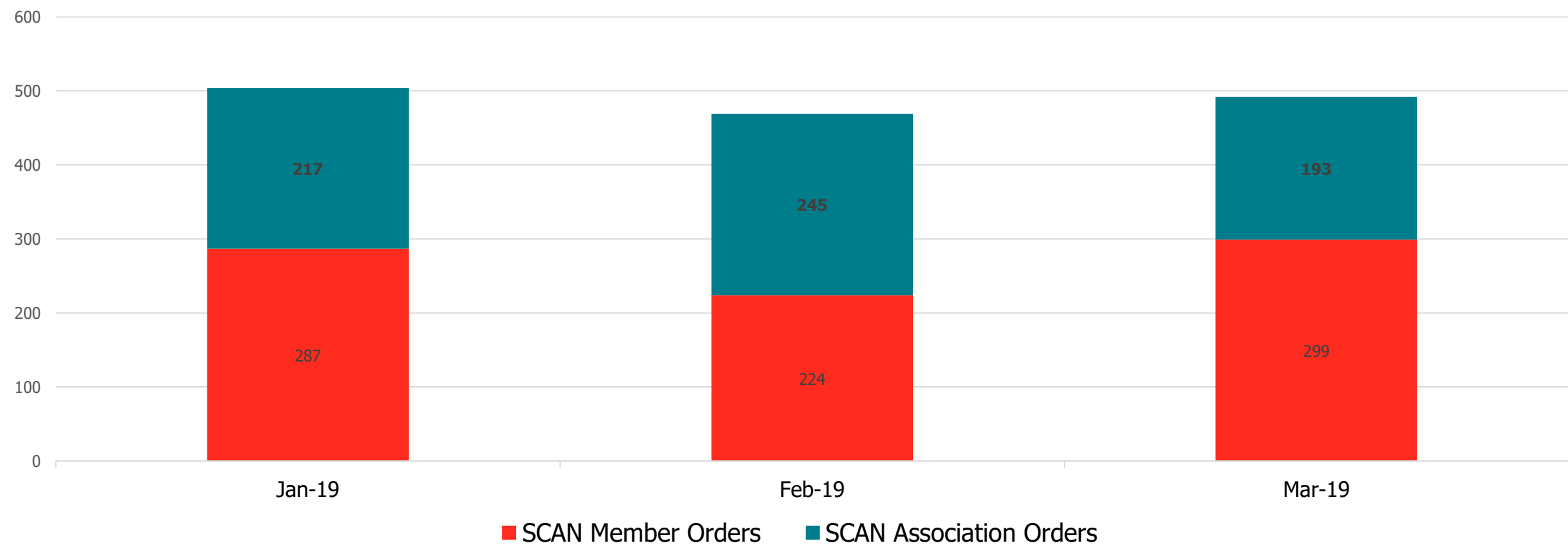
State of SCAN

2018 Audits Ordered



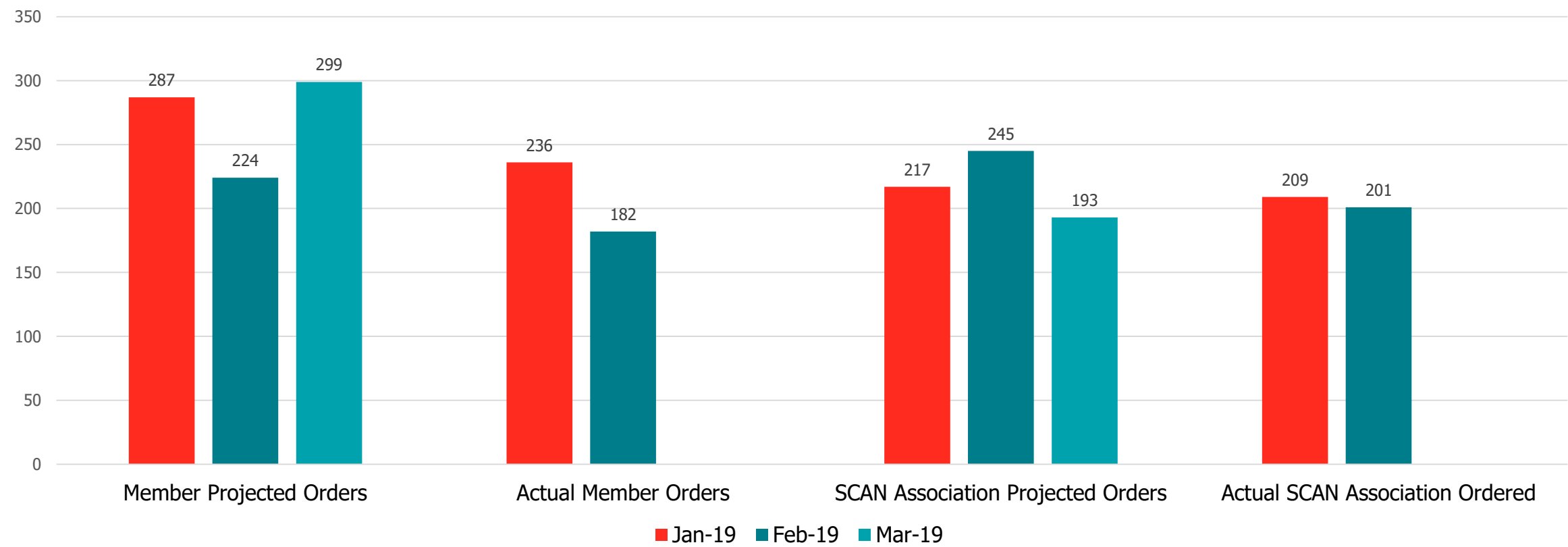
State of SCAN

SCAN Q1 2019 Audit Projections



State of SCAN

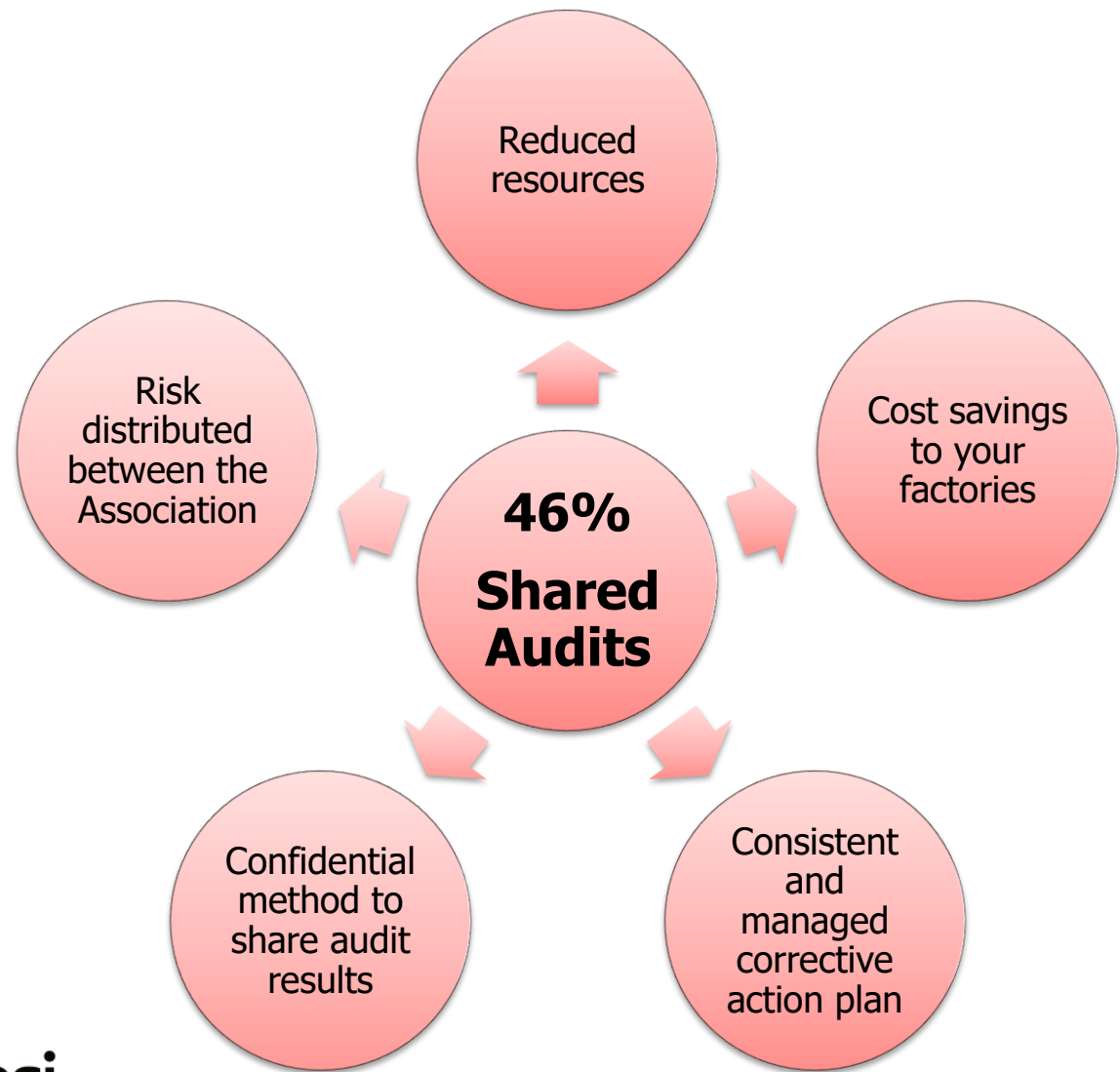
SCAN Q1 Projections and Actuals



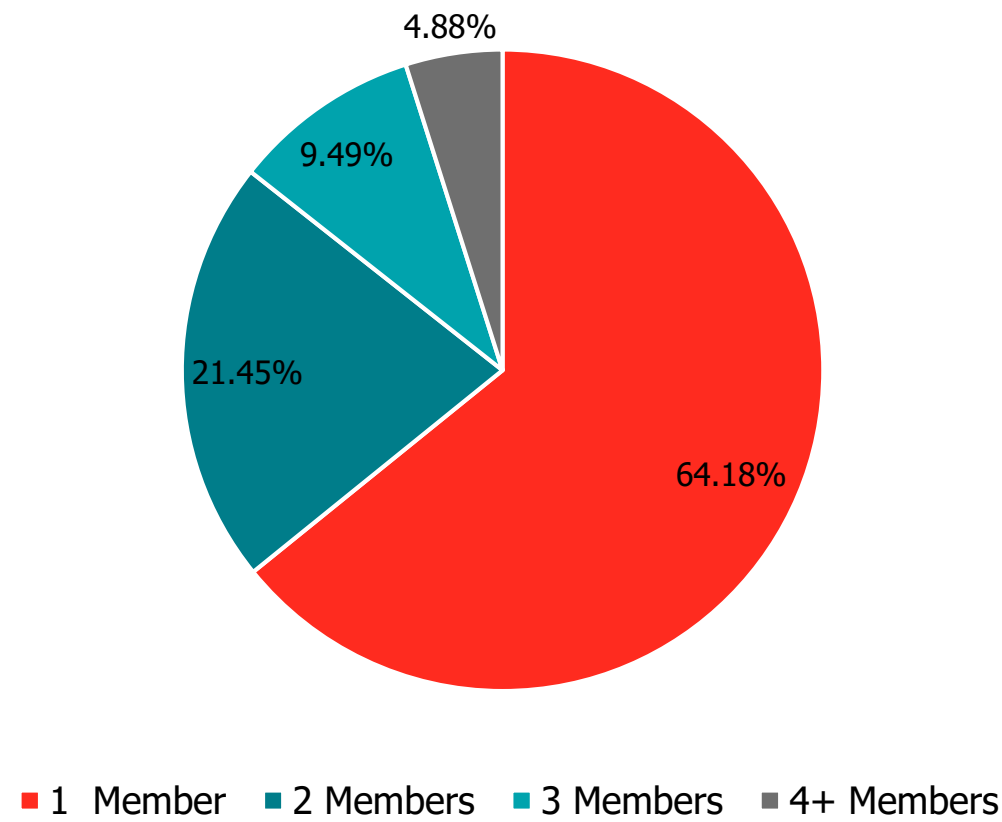
State of SCAN

- Locations in SCAN repository by the end of 2018 = 15,625
- Dormant (never initiated an audit) Locations in SCAN repository = 8,169
- Unique locations audited = 5,891
- Approximately 900+ SCAN auditors across 6 Service Providers
- Through 2018, percentage of shared audits 46%
- Through 2018, percentage of shared factories 20%

SCAN Benefits



Factory Sharing



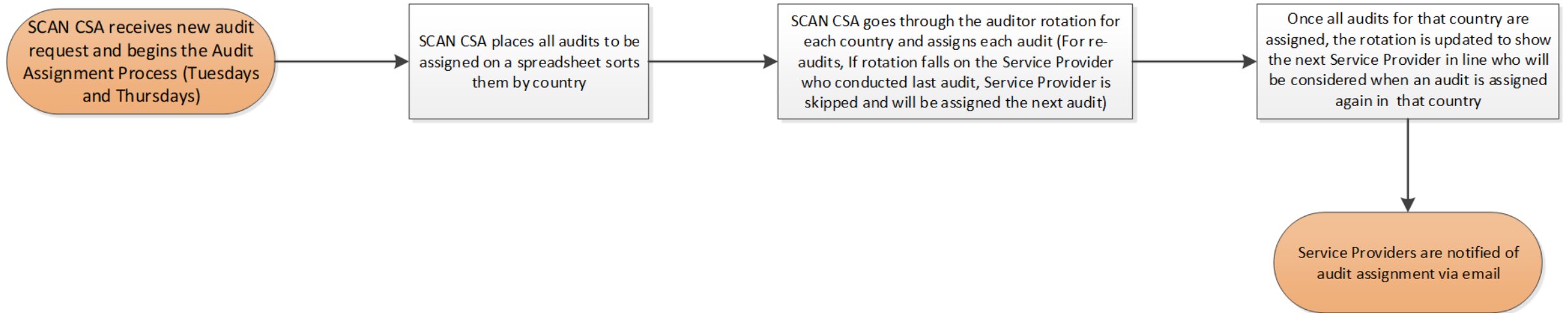
SCAN Audit Service Providers



SCAN Audit Service Providers

Auditor Rotation Workflow

Each country will have an auditor rotation which will be based off the availability indicated by each Service Provider. Note that Service Providers with more country availability will be assigned more audits. If no Service Provider is available in a country, the audit will be assigned to the first Service Provider in line.

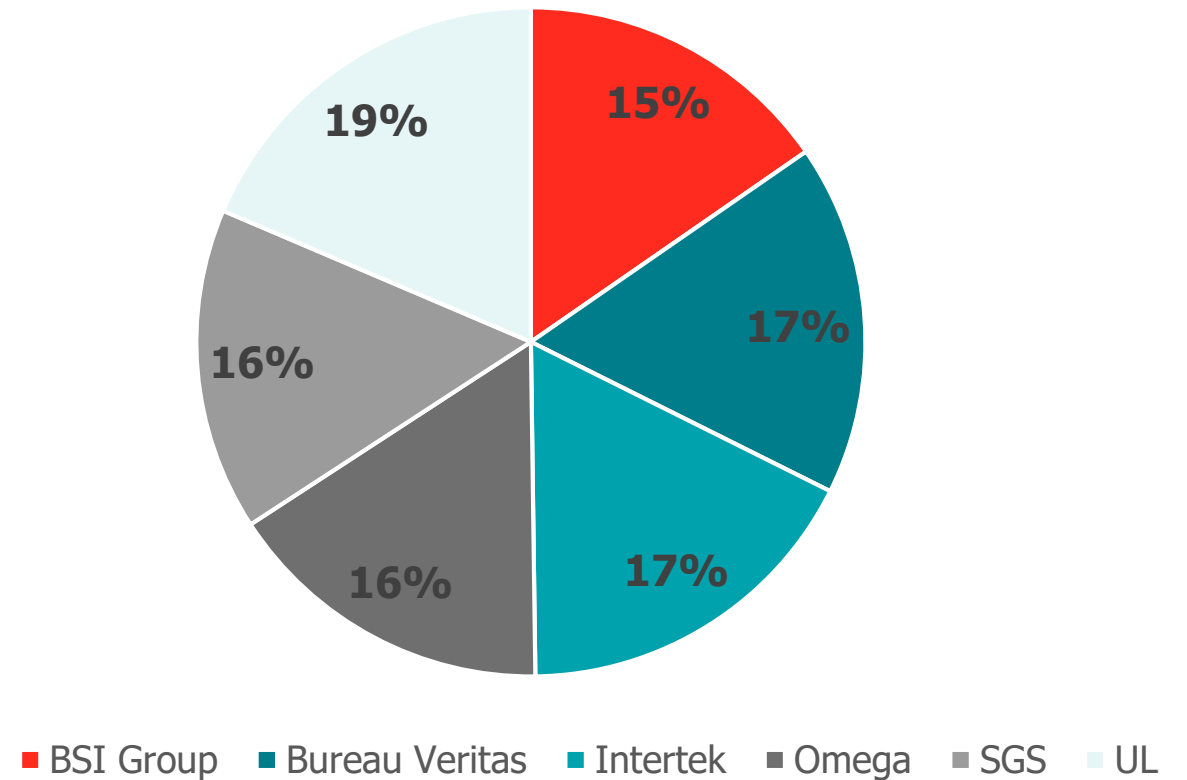


Service Providers

- Audit Delivery
 - Target to deliver audit from when the audit is assigned by BSI until the onsite audit takes place: 45 days
 - Audits delivered in 2018: 2577
 - Audits delivered in 2017: 1716

Note: The variance in percentage distribution is due to country Service Provider availability.

2018 Service Provider Distribution



Service Providers 2018 recap

- **Audit Confirmation** – Service Providers are confirming audits within **20** days (24.6 days in 2017) of the audit assigned date in 2018. Within that process, the audit service provider collects payment and confirms the scheduled audit date with the factory. The target for audit delivery is between 15 to 25 days.
- **Audit Delivery** – Service Providers are conducting audits within **34** days (41.5 days in 2017) of the audit assigned date in 2018. The target for audit delivery is 45 days.
- **Report Uploads** – Reports are being uploaded by Service Providers in SCM directly via the auditor portal. The average report delivery in 2018 was 5 days (6 days in 2017) from the audit conducted date. The target for report uploads is 7 days.

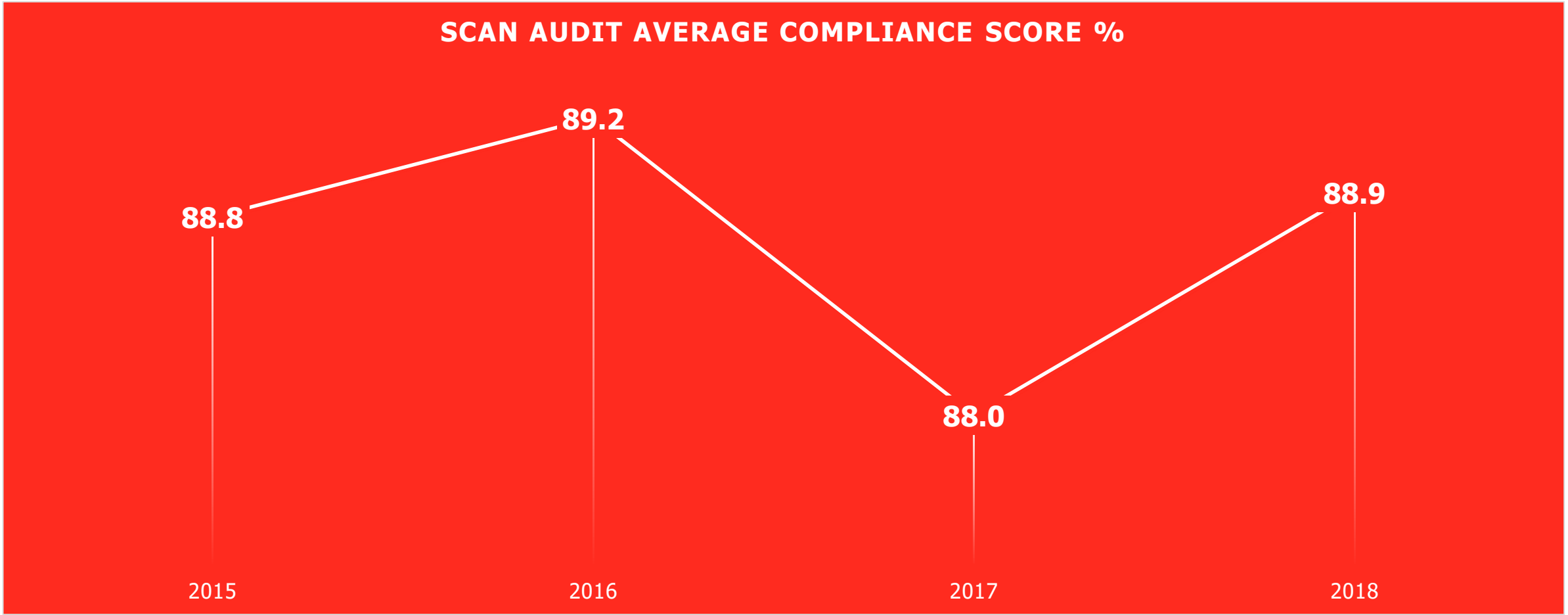




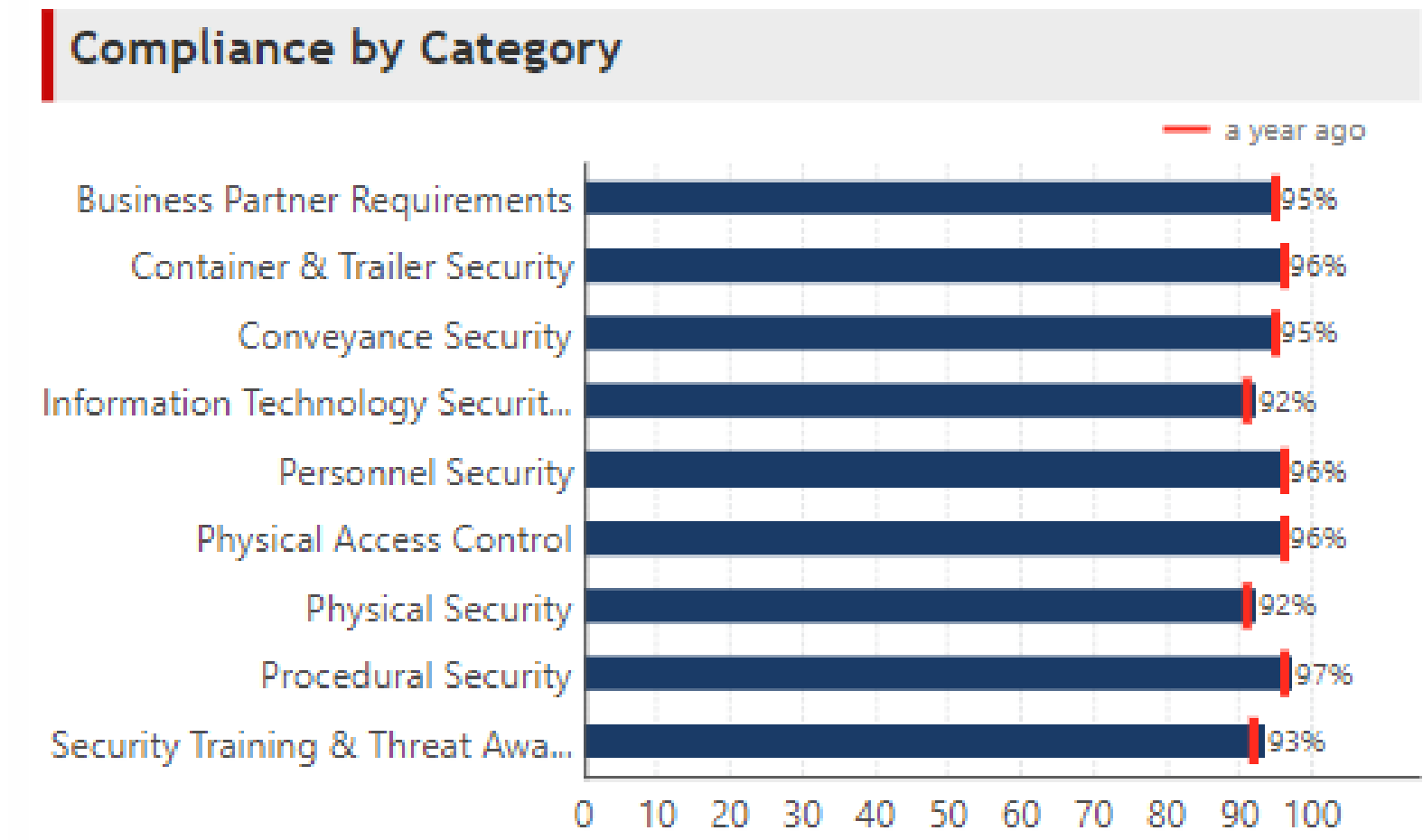
Audit Compliance

CAPAS

Audit Compliance

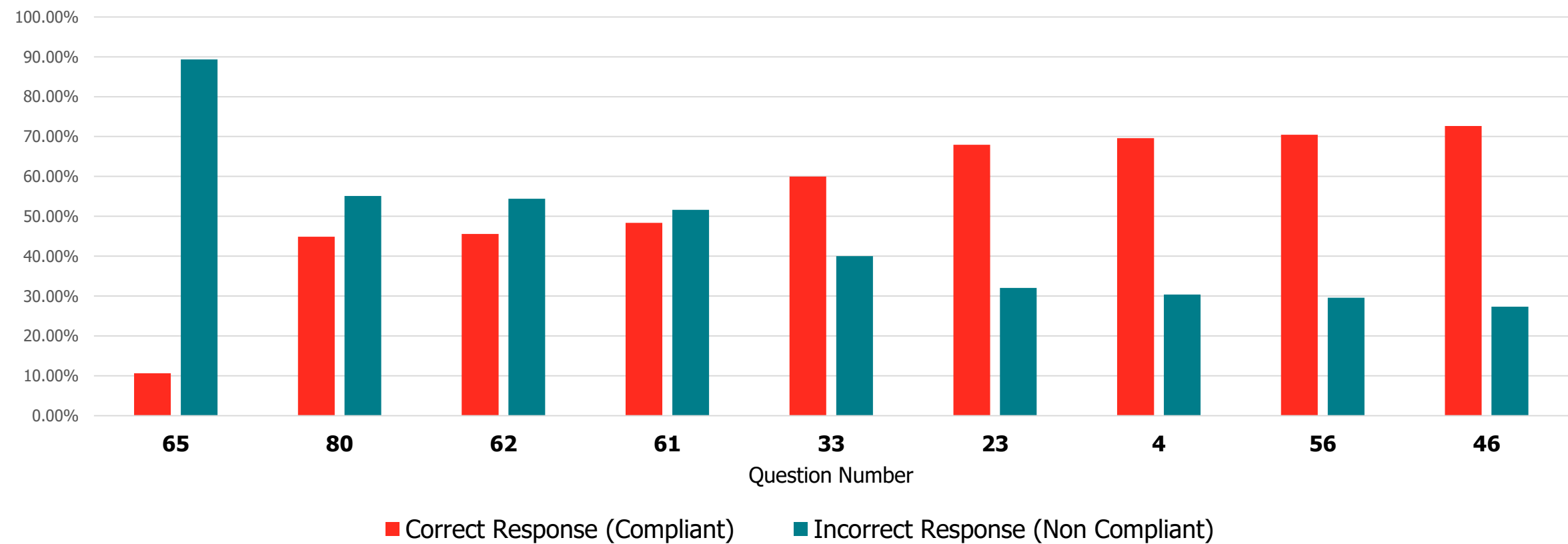


Compliance by Category (Based on most recent score Pre-post CAPA)



SCAN % Audit Non-Compliance by Question

Top Non-Compliant Questions (2018)



SCAN Top Non-Compliant Questions

- Question # 65: If used, how many days are CCTV recordings kept?
- Question # 80: Are written procedures and automated back-up capabilities in place to protect against the loss of data?
- Question # 62: Is a procedure in place to test and inspect the anti-intrusion security alarm system? Select all that apply.
- Question # 61: Does the facility have an anti-intrusion alarm system?
- Question # 33: Is a written and verifiable procedure in place to inspect a visitor's bag or package before entering and leaving the manufacturing, production or shipping area of the facility?
- Question # 23: Where possible, are transit routes from the facility to the port or next destination location randomly changed to minimize predictability.
- Question # 4: Are contracted business partners required to conduct and provide an annual security risk assessment of their operation? These business partners include any contract services, such as security, transportation provider, freight consolidation or manufacturing labor.
- Question # 56: In the event of a power outage, does the facility have an alternate electrical power system to ensure uninterrupted operation of electronic security systems?
- Question # 46: Is a written and verifiable procedure in place to communicate business information necessary for customs clearance within 24 hours of shipment departure from the facility?



Blockchain and Audit Innovation

SCAN Membership Review

Dan Purtell

BSI Director of Innovation

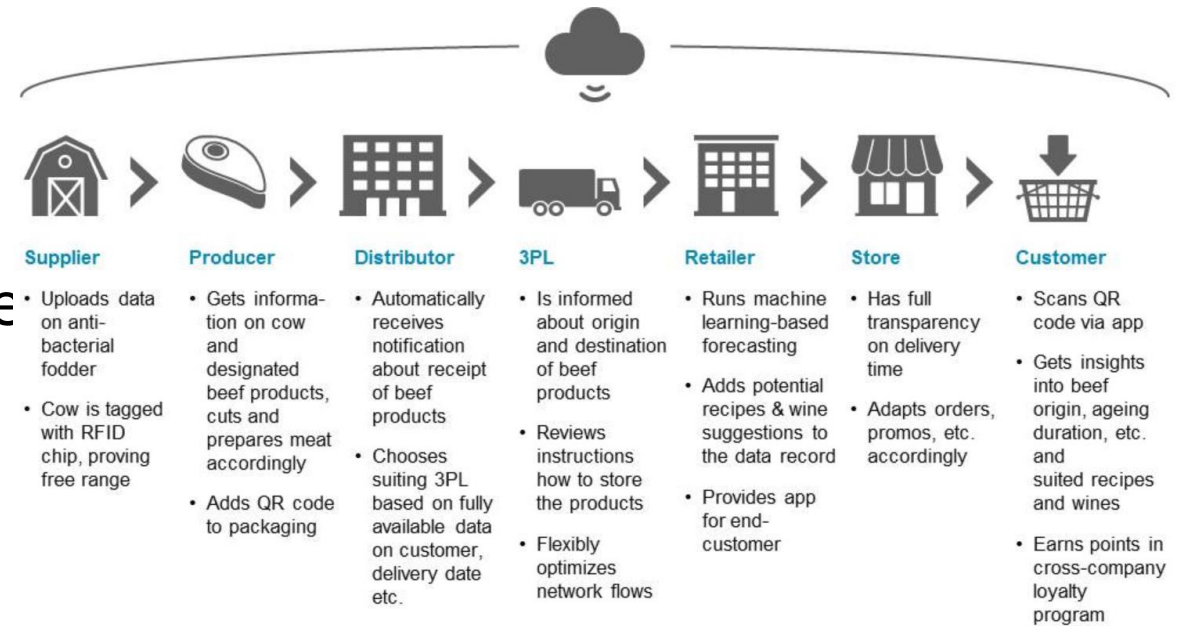
March 5, 2019



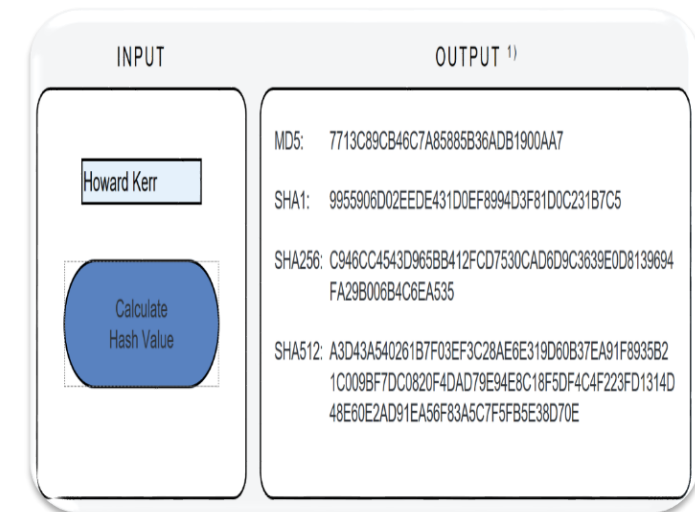
By Royal Charter

What is a Blockchain

- Blockchain is a new way of storing data in a **distributed ledger** that allows multiple stakeholders to confidently and securely share access to the same information
- Ledgers can be Private or Public and access rights and content access is strictly permissioned
- Blockchain will fuel artificial intelligence, machine learning and IoT to make everything from supply chains to **digital identity management** smarter and more secure
- Creation of a SCAN Distributer Ledger will serve as a way that we connect to agreed upon complimentary Ecosystems, Digitize our audit records and roll out our Roadmap



Blockchain Hash



Common Applications of Blockchain and Benefits

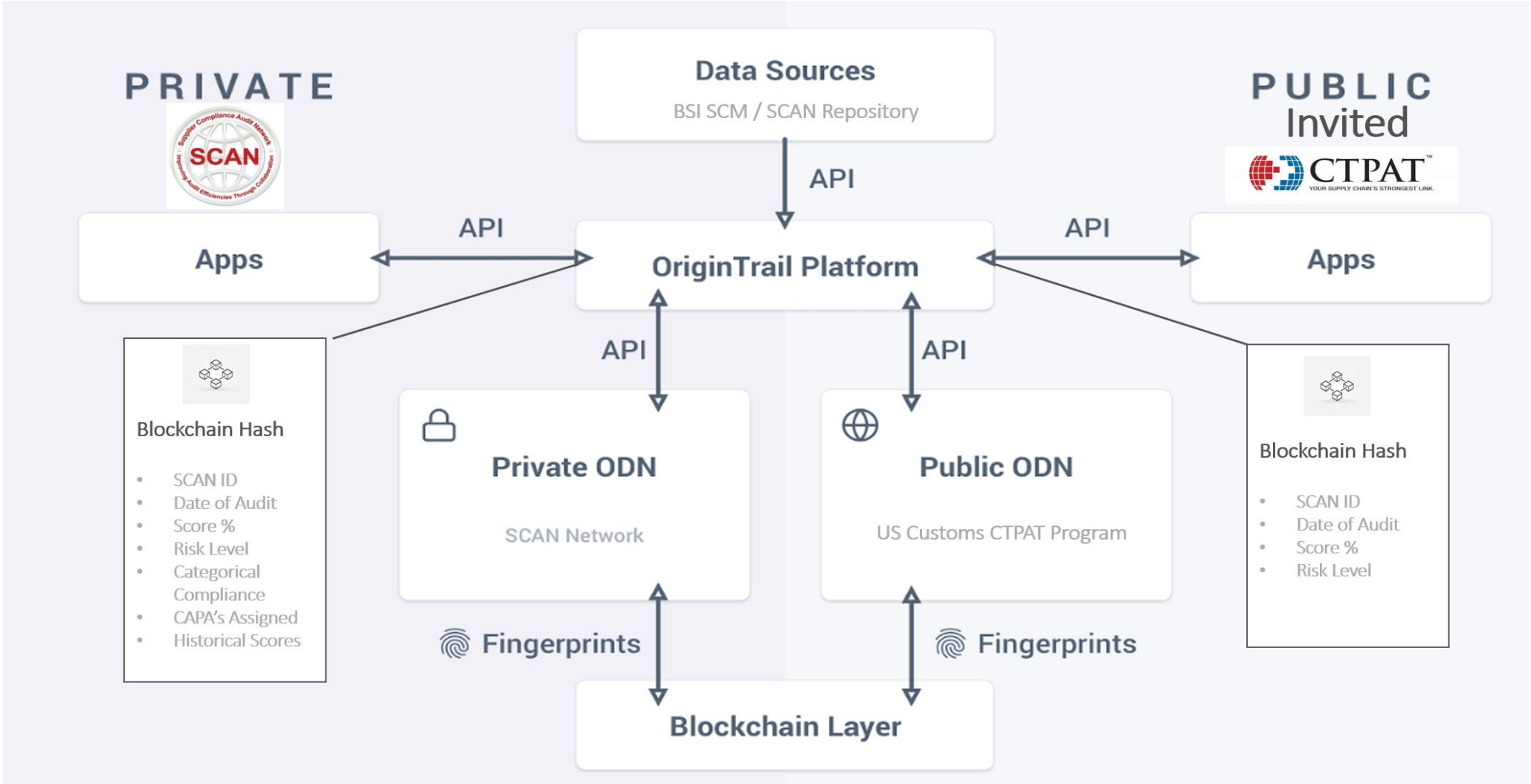
Common Use Cases:

- Traceability and precise Chain of Custody
- Digital Identity of Factories, Suppliers and Compliance / Certifications
- Connecting to Other Blockchain Ecosystems
- Connect to Existing Legacy IT systems with real-time data
- Product Authenticity

Blockchain Benefits:

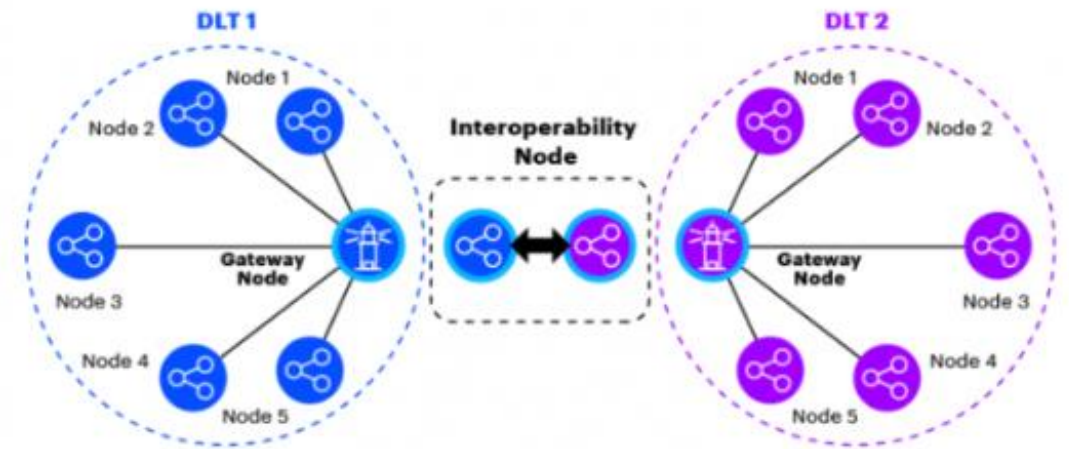
- Greater Transparency
- Security
- Connects to your systems and other SCAN desired Ecosystems
- Accuracy and Immutable
- Digitizes Supply Chain
- Traceability and Speed
- Endless Functional Roadmap possibilities

SCAN Hypothetical Blockchain and Technology Stack



Next Steps for SCAN Innovation

- Determine shared data components (audit date, score, compliance, etc)
- Consider sharing limited data with Strategic or Government partners
- Plug in a Blockchain Network Operating System (nOS) into SCAN system
- Create a blockchain working group within SCAN and develop Functional Roadmap of data components
- Pilot system
- Deploy



Contact Information

Dan Purtell

Directory of Innovation – BSI

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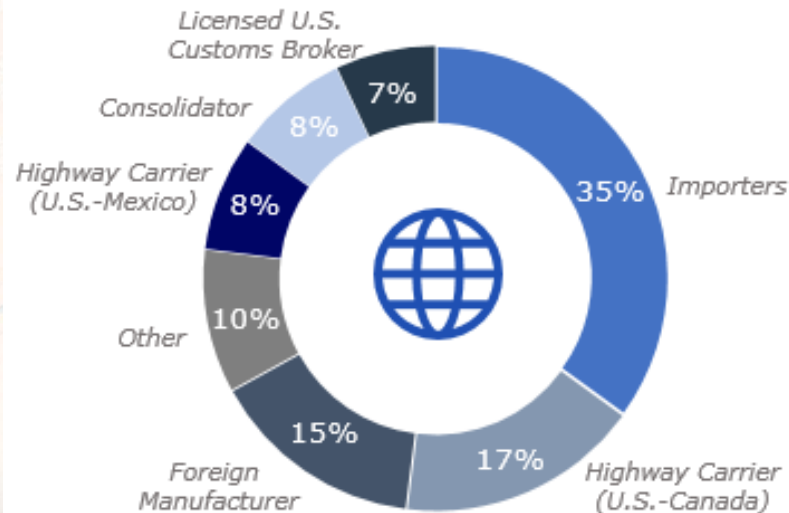


Carlos Ochoa | Customs & Border Protection (CBP)

CTPAT UPDATE



CTPAT MEMBERSHIP & SCALE



Top CTPAT Entity Groups by Number
(12 entity groups total)

11,586

Members in
CTPAT Security
Program

337

Members in CTPAT
Trade Compliance
Program

54%

Total value of U.S.
imports that are
CTPAT certified

\$1.3

TRILLION
Value of imports
from CTPAT
Members





CTPAT AT WORK



30,000
Validations conducted in
109 countries



2,255
Validations Completed
in 2018



\$595,000 Saved
by forgoing validation
trips as a result of MRAs



\$64.52M Saved
by Members through
reduced examinations



30+
New benefits identified
for Members



12
Total MRAs signed,
including Peru in 2018



3
New criteria categories
established in 2018



CTPAT Update

- New Acting Director / Furlough Impact
- Registry / MSC Booklets / CTPAT Portal Work
- Next Steps:
 - Training of SCSS
 - Trade Engagement to Socialize MSC
- CTPAT Annual Conference





SCAN Membership

Q & A

Q & A



Question 1

- Are there plans to improve the way audits are scheduled?

Question 2

- Are there any plans to share a window period instead of an exact date when scheduling an audit?

Question 3

- Is there any plan to reduce the audit lead time to speed up the process?

Question 4

- Can requests/emails be reviewed daily instead of Tuesdays and Thursdays?

Q & A



Question 5

- Can 3rd party auditors be immediately assigned and invoices be requested within 2 business days?

Question 6

- In SCM/audit repository, can members add customized/private fields for internal use?

Question 7

- Can reporting capabilities be enhanced to include stats/analytics based on categories and questions?

Question 8

- Can statistics related to SCAN audits, findings, etc be generated for specific SCAN members?

Q & A



Question 9

- Will new questions be added to the audit based on the new CTPAT requirements?

Question 10

- When will SCAN add “brand protection” requirements?

Question 11

- Can a written report be included from the auditor to the factory during the SCAN audit closure meeting?

Question 12

- Can a member “opt-out” of the SCAN re-audit process for factories where they are the only associated member?