

## Improving Global Trade Controls: Stage I EXPORT RISK ASSESSMENT

### Why do you need an Assessment?

A compliance assessment makes good business sense! Inadequate internal controls lead to inefficiencies and increases exposure to potential fines and penalties. Improvements to these controls will increase the efficiency and effectiveness of your organization by saving your organization time, money and minimizing the risk of non-compliance.

However, before an organization can improve and restructure internal trade controls, it must first understand the current condition of its compliance system and the effectiveness of its policies and procedures. Arriving at this critical understanding is the function of the export risk assessment. Once an assessment has mapped your organization's gaps and inefficiencies, effective solutions that are compliant with applicable laws, regulations and best practices can be designed and effectively implemented.

Jackson Meade specializes in assessing your core business operations for the effectiveness, efficiency and legal requirements of your internal export controls and operational practices. We have a detailed methodology to review and examine operational and regulatory aspects of any organization in order to determine existing compliance gaps and the root causes of those gaps.

### What do we review?

We review the people, processes and tools of your organization from an operational aspect by interviewing key functional groups and reviewing trade data and documentation:

- ▶ Internal processes and operations
- ▶ Export controls and best practices (ITAR, EAR, OFAC, NISPOM, NRC, Anti-Boycott)
- ▶ Staffing of compliance functions
- ▶ Internal contract provisions and clauses
- ▶ ERP Systems
- ▶ Global trade flows
- ▶ Facility and Industrial Security

We offer two forms of assessments: an in-depth Comprehensive Assessment and our high-level Snapshot Assessment.

### The Export Management Cycle

#### Stage 1: Assessment



#### Stage 2: Design Compliance Improvements



#### Stage 3: Implement Compliance Improvements



#### Stage 4: Verification and Audits

### Export Risk Assessment Summary:

- ▶ Review of export compliance controls and best practices
- ▶ Internal processes
- ▶ Third party contractual provisions and controls
- ▶ ERP systems analysis
- ▶ Supply chain /procurement trade flows
- ▶ Documentation and record keeping

## Analysis and Methodology

Jackson Meade experts utilize a detailed methodology to locate potential compliance gaps and inefficient processes. We conduct interviews with all functional groups directly connected with export activities, including legal, export compliance, engineering, research and development, shipping, purchasing, accounting, marketing, and customer service. We gather and analyze trade documents such as invoices, AES records, and export licenses as well as documented internal controls.

Step	Activity	Time	Notes
Preparation	Organize project plan with management and prepare assessment materials	1-2 days	Finalize project plan details; prepare interview guides; schedule site visits and interviews; prepare kickoff presentation
Step 1	Houston Assessment	5 days (3 for assessment, 2 for travel)	Travel to sites; kick off presentation; interviews and data collection; trade lanes map and draft process flows
Step 1	Virginia Assessment	3 days	Interviews and data collection
Step 2	Data Analysis	5 days	Analyze data; draft gap analysis; develop recommendations
Step 3	Preparation of Deliverables	5 days	Finalization of report and presentation of results and recommendations

## Assessment Deliverables

After the interview data and documentation has been analyzed, we use the results to produce a comprehensive deliverable report showing the current state of internal trade controls and business processes, the regulatory and best practices gaps, and a road map for future corrections.

## The Scorecard

Essential to the deliverable report is the Compliance Scorecard. The Scorecard is organized by eight overall compliance principles that originate from regulatory requirements, legal guidelines and industry best practices standards. Each principle area has sub-components corresponding to specific export activities, processes and functions and which are measured by specific metrics. The scorecard is also used in Stage 3 (CEP Implementation) to measure the progress of improvements.

Corporate Commitment	Export Resources	Published Controls	Cradle - to - Grave System	Administrative Controls	Risk Controls	Third Party Management	Continuous Improvement
Policy Statement	Organization Chart	Documented Policy Manual	Product Tracking	License Management	Escalation Policy	Distributor Management	Audits
Board Awareness	Education and Training	Documented Procedures	Jurisdiction Analysis	IT Infrastructure	Board Involvement	Agent Management	Metrics
Reasonable Oversight	Adequate Number of Staff	Work Instructions and Forms	Classification Analysis	Facility Security	Reporting	Subsidiary Management	Policy Review
Regulatory Knowledge	Defined Positions	Tailored Processes	Screening	Product Identification	Identification	Outside Contractors	Managing Corrections
Information Nexus and Sharing	Redundancy (Knowledge and Talent)	Export Policy	License Determination	Record Keeping	Investigations	Outsourced Functions	Analysis of Unique Risks
Awareness of Senior Mgmt	ERP Systems and IT	FCPA policy	Export Authorization	Export Marking	Corrective Actions	Deemed Exports	Tailored Response
Penalties and Ramifications		OFAC Policy	Re-Export Controls	Foreign Nationals	Escalation		Screening

## Using the Assessment Results

Using the Assessment findings we provide a list of immediate corrective actions and a road map for future compliance improvements. This road map is used in Stage 2 to a blueprint to build the Compliance Enhancement Plan, a project plan for moving ahead with organization-wide improvements.