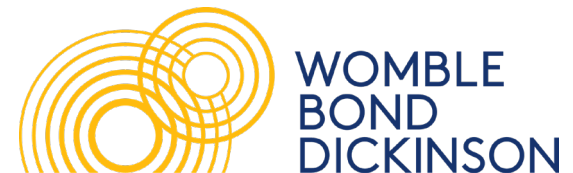




Supply Chain Compliance Strategies for Effective Managing Risk

Michael Sullivan

August 17, 2022



With teams located across the US and the UK we bring an **international perspective** and **extended jurisdictional reach** to a wide range of client needs



US

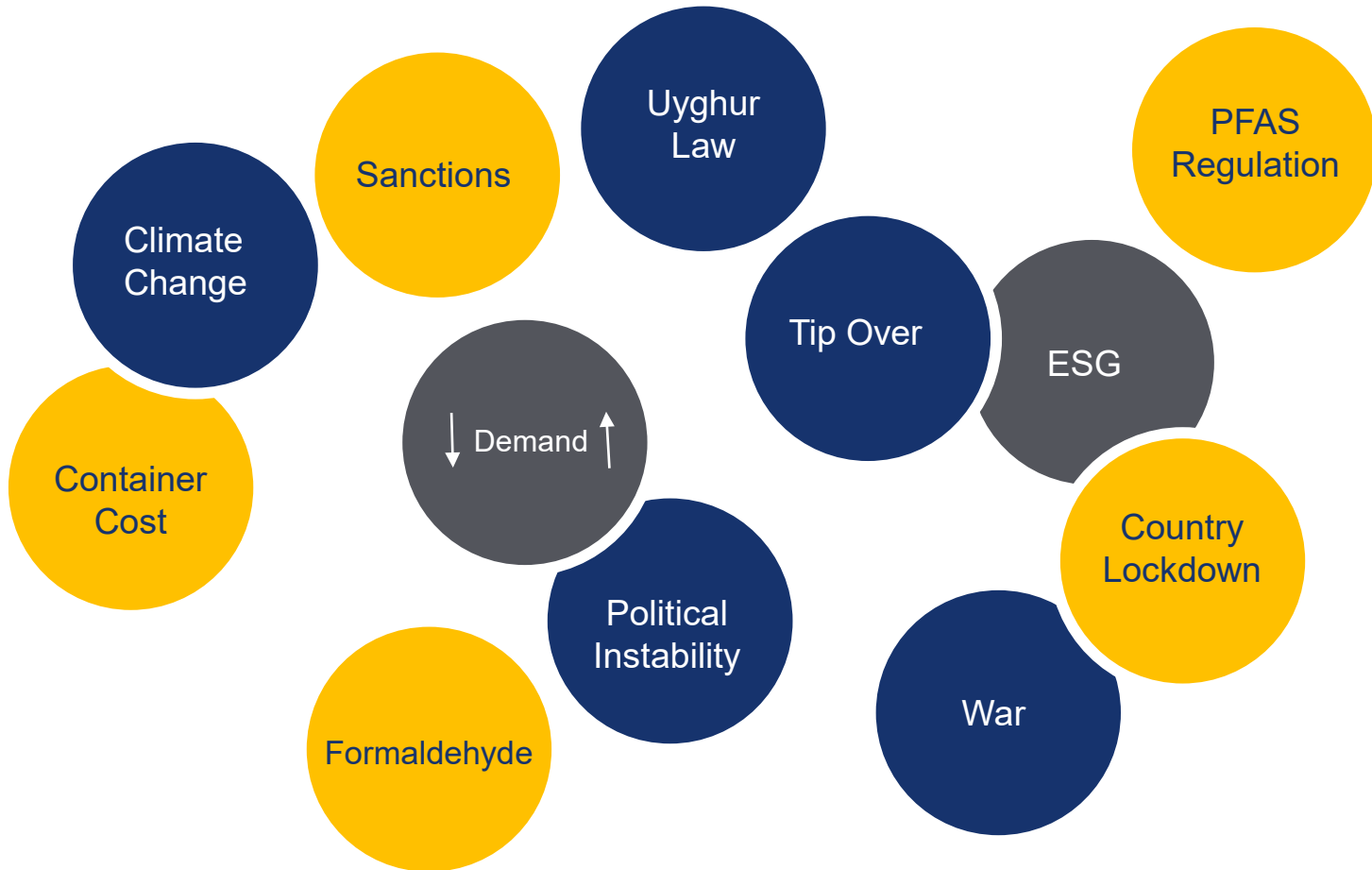
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San Francisco
Silicon Valley
Tysons
Washington, D.C.
Wilmington
Winston-Salem

UK

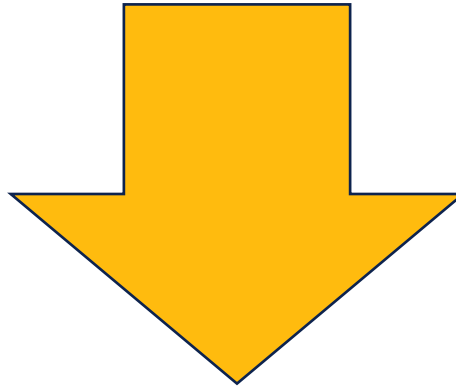
Bristol
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Southampton



Compliance in Post? Pandemic Normality



Overwhelmed



In Control



Let's Talk

- **Structure**

1

- **Strategies**

2

- **Ownership**

3

- **Updates**

- PFAS Litigation
- Formaldehyde

4



Can We Just Get Back to Normal?

- Traditional supply chain practices came up short in the recent past
 - Not robust enough to keep up
- Challenge: How to quickly understand rapidly changing demands and information



Greater Flexibility – Plan Ahead

- Set short term and long-term goals
- Incorporate new digital tools
 - Market trends
 - Communications process / social media
 - External factors such as weather and political crises

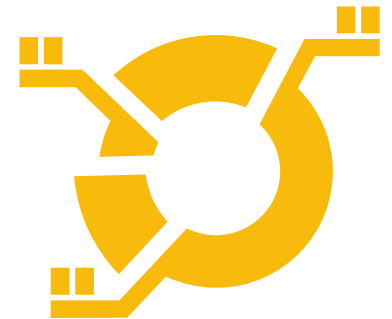


Improve Visibility into Supply Chain

- Vet supply chain beyond primary vendors
- Reassess business continuation plan
 - Alternative sources
 - Secondary or even third sources
 - Is your secondary source up to snuff
 - Modern Supply Chain is more nimble and will reduce risk through greater visibility

Capture Data / Document

- Increased knowledge = increased insight
- Data = Increased knowledge
- Document regulatory requirements
 - Make everyone in supply chain aware
- Document regulatory compliance



Top Down Approach

- Supply chain and compliance programs need to provide information directly to the top of the House
 - Create escalation systems



Escalate to Who?

- Top of the House needs to know
 - Conveys responsibility and importance
- Single point of ownership
 - Individual or small team
 - Full faith and credit of leadership
 - Visible throughout organization



Increase Collaboration

- Among business stakeholders, compliance team and supply chain
- Cross-functional planning, management teams
 - Executives, compliance managers, production managers, investors, customer relations, IT, legal
 - Common understanding of risks to overall supply chain
 - Collective mitigation of risk



Example: Independent Council that Focuses on Enterprise Risk Management

- Assess exposure with each supplier
- Perform sustainability review
- Keep executives on top of regulatory changes
- Express to entire organization

Adopt a Long-Term Perspective

- Re-evaluate each component of the supply chain
 - Demand planning
 - Multiple tiers in supply chain
- Raise the profile of supply chain issues in long range planning
- Re-evaluate organization structure
- Close supplier relationships – implementation of digital tools

Use the “Crisis” to Unfreeze Your Routine

- Winning organizations use crisis to drive change
- Sober assessment of systems strengths, weaknesses & need
- Open up organization to new methodologies
 - Adopt new digital tools
- Automate reporting on product and supply chain issues



Re-Evaluate the Third Party Team Support

- Who do you reach out to for regulatory change and compliance knowledge
- How do you insure your risk
- Who do you call when crisis hits
 - Software / technology consultant
 - Legal team
 - Customers

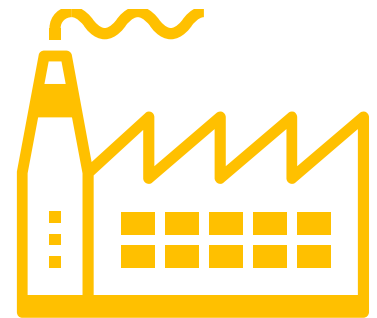


**... And Now it is Time for a
Couple of Updates**



UPDATE #1 -- PFAS Litigation

Manufacturers of consumer products which applied soil and stain resistant chemicals to products may see environmental and personal injury claims for decisions made decades ago.



Consumer Product Manufacturer Litigation

Case Study: Carpet Industry

1. *The Water Works & Sewer Board of the City of Gadsden v. 3M Company, et al.*; Circuit Court of Etowah County, AL; Case No. CV-2016-900676.00
2. *The Water Works & Sewer Board of the City of Centre v. 3M Company, et al.*; Circuit Court of Cherokee County, AL; Case No. 13-CV-2017-900049.00
3. *The City of Rome, Georgia v. 3M Company, et al.*; Superior Court of Floyd County, Georgia; Case No. 19CV02405
4. *Jarrod Johnson v. 3M Company, et al.*; United States District Court, Northern District of Georgia; Case No. 4:20-cv-0008-AT

Carpet Manufacturers

1. Aladdin Manufacturing Corporation
2. Arrowstar, LLC
3. Chem Tech Finishers, Inc.
4. DyStar, L.P.
5. Engineered Floors, LLC
6. Lexmark
7. Milliken & Company
8. Mohawk Carpet, LLC
9. Mohawk Industries, Inc.
10. Oriental Weavers USA, Inc.
11. Shaw Industries, Inc.
12. Shaw Industries Group, Inc.
13. Tarkett USA, Inc.
14. The Dixie Group, Inc.



Exposure: Water is Not the Only Source of PFAS Exposure

We breathe them.

“PFAS are highly mobile. Walking on Carpet containing PFAS or wearing treated clothing causes PFAS to become airborne and settle in dust which we then breathe.”

Safer States



North Carolina Develops Action Strategy for PFAS Regulation

North Carolina Develops Action Strategy for PFAS Regulation

Jul 12 2022 •

Last week, we informed you about new federal efforts to measure and reduce PFAS contamination levels in drinking water. But there also are significant efforts to increase PFAS regulatory requirements at the state level, including in North Carolina.



- <https://www.womblebond dickinson.com/us/insights/alerts/north-carolina-develops-action-strategy-pfas-regulation>
- <https://www.womblebond dickinson.com/us/insights/alerts/colorado-pfas-act-likely-just-beginning-new-pfas-chemical-regulation>

UPDATE #2

Formaldehyde Emission Standards for Composite Wood Products

40 C.F.R. Part 770



Formaldehyde

On March 22, 2024 laminated product producers will be defined as hardwood panel producers and will be subject to the applicable Formaldehyde Emissions Standards Requirements.



Formaldehyde

Stakeholders (laminated product producers) can apply for an exemption from the definition of Hardwood Plywood



Formaldehyde

AHFA has put together a team to prepare and file a Petition

Team:

- Volunteer manufacturers
- UL and Benchmark



Status

- ✓ Assemble Team
- ✓ Study Design
- ✓ Study Process
- Results
- Petition



Questions?

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Michael Sullivan



- Clients turn to Michael Sullivan for senior-level strategic guidance in mass tort product liability litigation and other large-scale commercial litigation
- Michael brings nearly three decades of experience in “bet-the-company” cases
 - National Mass Tort Litigation
 - Federal and State Regulatory Strategies
 - Product Defect Disputes
 - Environmental Contamination
 - Trade Secrets
 - Complex Business Disputes

