PRACTICAL PROCUREMENT
Added Value Sourcing

SERIES 4 OF 9 · PROCUREMENT & SUPPLY CHAIN OUTLOOK 2026

China-Outside-China Due Diligence Workflow

Looking beyond country of origin to beneficial ownership

A practical tool from the Practical Procurement resource library.

Use it standalone, or alongside the nine domains of the Collaborative Procurement Operating Model.

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THE HIDDEN RISK

What looks like supply chain diversification — factories moving to Vietnam, Mexico, or India — is often Chinese capital, equipment, and management moving with them. Country of origin is no longer sufficient for due diligence. This workflow guides you through beneficial ownership analysis.

STEP-BY-STEP DUE DILIGENCE PROCESS

1	Flag all suppliers in SE Asia, India, Mexico, and other “China-alternative” geographies for enhanced review.
2	Request full beneficial ownership disclosure: ultimate parent entity, capital structure, board composition.
3	Cross-reference ownership data against Chinese state-owned enterprise lists and strategic investor databases.
4	Assess Chinese ecosystem dependency: components, tooling, IP, technical management, and financing sources.
5	Classify the supplier into the risk tier framework below.
6	Apply the appropriate sourcing policy for that risk tier.
7	Update contracts to include regulatory flexibility clauses and country-of-control change notification requirements.
8	Schedule re-verification: annually minimum, or immediately upon any reported ownership change.

SUPPLIER RISK TIER CLASSIFICATION

Risk tier	Criteria	Sourcing policy
TIER 1 — Independent	No Chinese capital linkage. Ultimate parent in non-strategic geography. No Chinese management dependency.	Standard onboarding. Normal approval pathway. Verify at annual review.
TIER 2 — Influenced	Minority Chinese capital (<50%). Some component or technology dependency. Management partly Chinese-sourced.	Conditional approval. Enhanced monitoring. Dual-source strategy required for critical categories.
TIER 3 — Controlled	Majority Chinese ownership (>50%) or de facto control. Heavy ecosystem dependency. Chinese management control.	Restricted. Requires executive sign-off. Exit strategy required for strategic categories.

THREE ADAPTIVE RESPONSES

Response	What good looks like
Boost Visibility	Full end-to-end supply chain mapping including sub-tier suppliers. Beneficial ownership verified for all Tier 2 and 3 suppliers.
Diversify Supply	Dual or multi-source strategy in place for all categories with Tier 2/3 supplier concentration. Alternatives qualified and tested.
Redesign Contracts	All contracts include country-of-control change notification (30 days), regulatory adjustment clauses, and exit provisions with defined transition periods.

KEY PRINCIPLE

In 2026, resilience will depend less on how many borders a shipment crosses and more on how deeply your organisation understands the network of ownership behind every component it buys.

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Insights drawn from the GEP Procurement & Supply Chain Outlook Report 2026