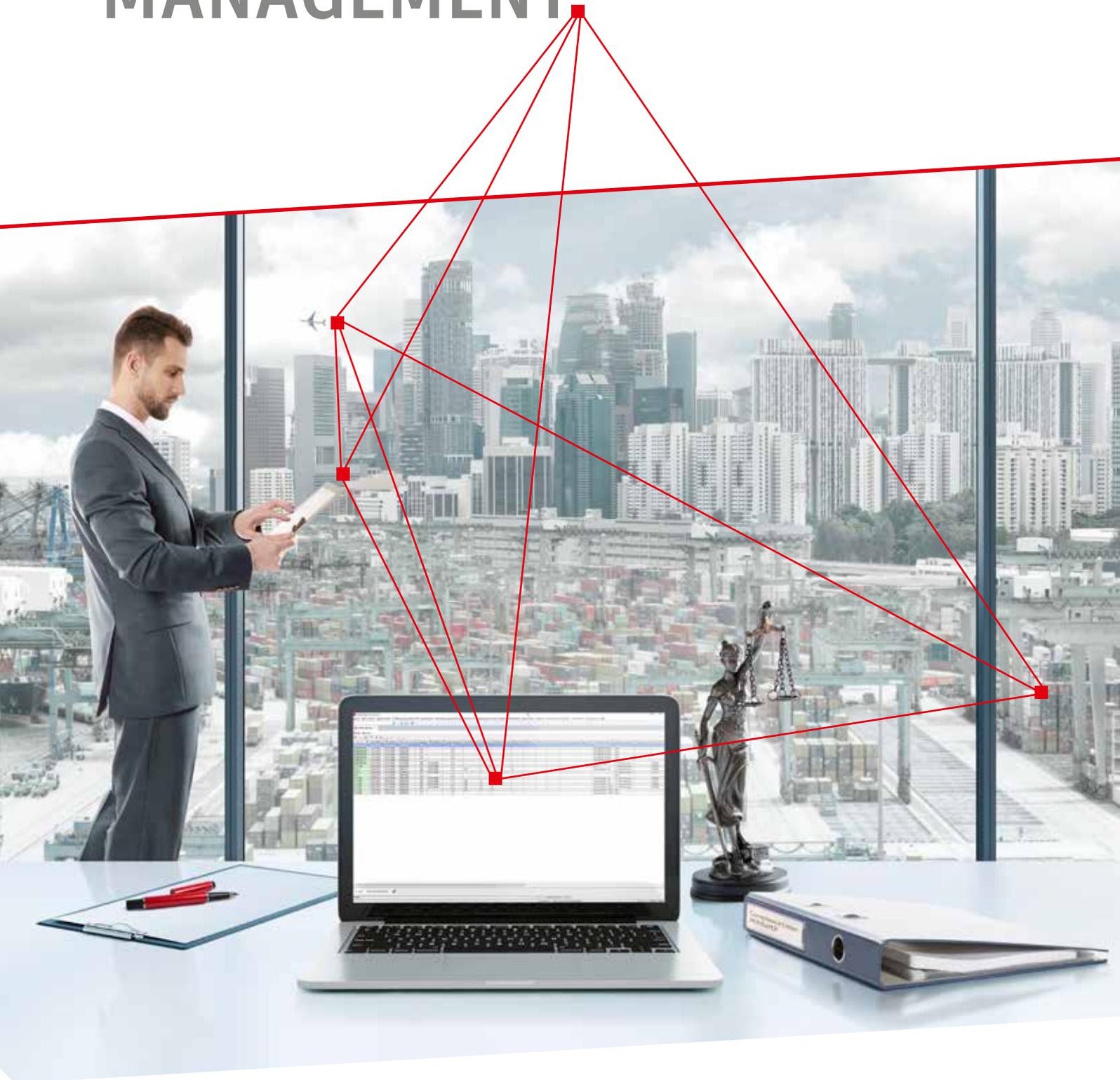


ENSURE YOUR GLOBAL OPERATIONS ARE LEGALLY COMPLIANT
WITH **ADVANTAGE COMPLIANCE**

SECURE COMPLIANCE MANAGEMENT



ADVANTAGE COMPLIANCE: FULFILLING GLOBAL REQUIREMENTS

ALWAYS PLAY IT SAFE IN BUSINESS RELATIONSHIPS

Security and operating in a legally compliant manner are becoming more and more important in national and international trade. Legislative authorities implement regulations, directives, bans and restrictions, and all parties involved in economic trade are obliged to adhere to them. The provisions are anchored within various different laws and directives, in part within EU law, German law and US law.

Not only are these regulations numerous but they are also subject to regular amendments. Important to know: All foreign trade transactions and all other business transactions and business contacts of a company are affected by the regulations.

Two factors are responsible for this development: advancing globalisation has led to an increase in cross-border exchange of goods, technology and services, and the threat of international terrorism which has reached a previously unknown level.

Both factors make more intensive checks and restrictions in trade relationships absolutely necessary and businesses must adapt their behaviour to meet national and international requirements.

THE RIGHT SOFTWARE IS VITAL

Without software that automates these processes and facilitates checks, it is difficult, if not impossible to consistently handle international processes in a legally compliant and responsible manner. dbh Logistics IT AG offers the requisite software – Advantage Compliance.

Advantage Compliance includes the modules “Sanction List Checks” to check individuals and organisations against current legal provisions, “Tariff classification” to support the classification of goods according to the customs tariff and last but

not least “Export control” for the implementation of the embargo as well as dual-use checks aimed at critical countries and goods. Due to up to date content from TARIFE made available by the Bundesanzeiger Verlag (Federal Gazette Publishing House) and the EZT-Online (Online electronic customs tariffs) published by the German Customs department, the route to compliance management has been paved.

All modules are also available as a SAP plug-in and can be implemented in existing SAP systems in the blink of an eye.



ADVANTAGE COMPLIANCE Key elements at a glance

- Sanctions list checking
- Goods classification according to customs tariffs
- Export control
- Content updated on a daily basis
- Automated procedures

WITH THE RIGHT SOFTWARE: STAY ON TOP OF TRADE RESTRICTIONS

A fundamental distinction is made between trade restrictions, bans and embargoes which involve individuals and countries. These measures affect goods, software and technology (grouped under the term “goods”) as well as trade and brokering transactions (referred to as “brokering”).

PERSONAL CHECKS

Since the terrorist attacks of 11 September 2001, businesses are legally obliged to carry out a sanctions list screening for all of their business contacts, regardless of the country in which the business contact is based. Companies based within Germany are also affected, and employees, suppliers and haulage companies must also be checked.

In Europe, the sanction lists (anti-terrorism lists) are published pursuant to the relevant EU regulation and updated at irregular intervals. They distinguish between a set of regulations which specifically target the al-Qaida network and one which affects international terrorism in general. The USA's anti-terrorism lists differ widely and are also utilised outside the United States. Even non-American companies and individuals may therefore be in breach of the USA's export control laws.

CHECKS ON COUNTRIES

Embargoes on countries involve economic sanctions which are imposed on a specific country or a specific group of individuals in a country.

Depending on the scope of restrictions, a distinction is made between three types of embargo: a total embargo, a partial embargo and an arms embargo. The content and scope of embargoes can vary greatly and can affect both the export and import and transit of goods, the provision of services and investments as well as the movement of money (financial sanctions).

Goods, too, which are normally not subject to export controls can also fall within the scope of particular embargoes. If a trade transaction or exchange of goods takes place with a trade partner who is affected by an embargo, this must therefore always be checked very carefully.

The German Federal Office for Economic Affairs and Export Control (BAFA) provides an overview of the embargoes involving countries on www.ausfuhrkontrolle.info.

CHECKS ON GOODS

The classification and evaluation of goods can become a complex process depending on the scope of the product range, the target country and the purpose the goods serve. In order to carry out these checks, a description of goods which is as detailed as possible is required—meaning a precise analysis of the origin of materials. The decisive factor is what type of goods are involved and what end purpose they serve.



SANCTIONS LIST SCREENING

INDISPENSABLE AND IMPORTANT FOR YOUR COMPANY

Companies are legally obliged to carry out a sanctions list screening for every business contact. This duty exists regardless of which country the business contact is in – it also includes companies in Germany, and even employees, suppliers and service providers must be checked.

AEOS AND AUTHORISED EXPORTERS

Authorised Exporters who have been approved by Customs must demonstrate that employees and business contacts have been checked against applicable sanctions lists.

Authorised Economic Operators (AEO) also undertake to operate in a legally compliant manner. This includes adherence to anti-terrorism directives for individuals with AEO F and AEO S status.

SEVERE PENALTIES

Contraventions against the applicable EU anti-terror laws are dealt with in Germany under the German Federal Act on Foreign Trade (AWG) as criminal acts, not trivial offences.

THE PROCESS WITH ADVANTAGE COMPLIANCE

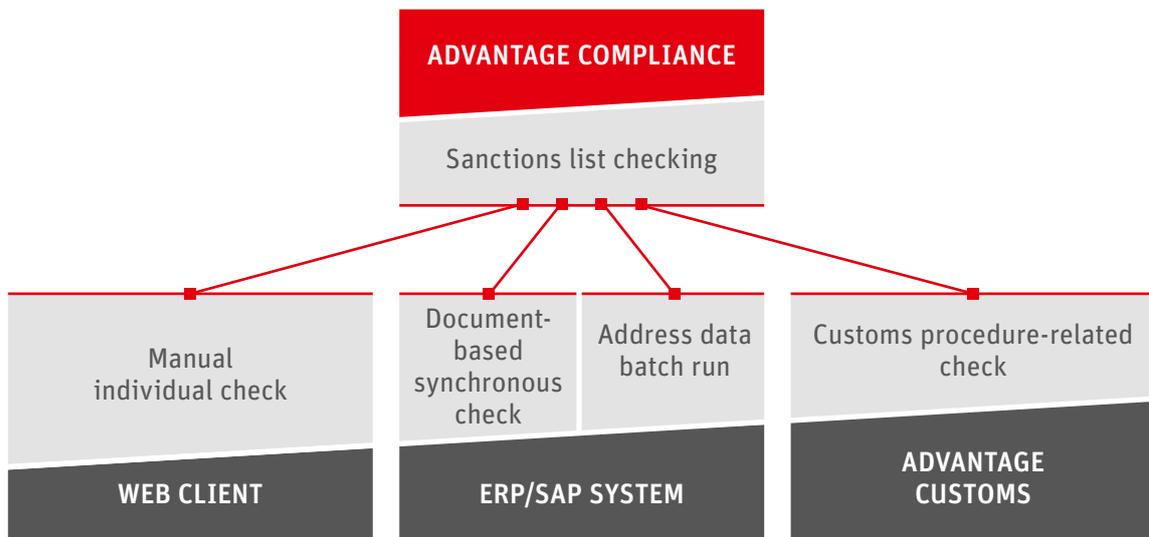
Checks of the master data and processes are configured according to specific customer requirements. There is a choice between:

- Individual checks using a Web Client
- Synchronous checks of addresses, documentation or during the customs clearance process
- Regular batch checks

Addresses which have already been checked should be incorporated into what is referred to as a delta check. This ensures seamless checks of all addresses as these are proactively rechecked against one another when the sanctions lists are updated.

INITIAL BATCH RUN

Batch checks generally take place on a one-off basis at the beginning of regular sanctions list checks. The data is transmitted in an agreed format and checked against current sanctions lists. The results are made available by email or as a file. Regular checks of new addresses take place according to one of the aforementioned options or as a Delta check.



Simple integration of the sanctions list screening in logistic processes

TARIFF CLASSIFICATION

GOODS CLASSIFICATION IN CUSTOMS OPERATIONS

BASIC PRINCIPLES OF THE CUSTOMS TARIFF

Companies which operate internationally must heed legal provisions and regulations. An important element of this is the classification of goods in the customs tariff – tariff classification – for smooth, standardised processing in cross-border trade movement.

The basis for the EU customs tariff and therefore the tariff classification is formed by the Harmonised System (HS nomenclature). This encompasses approximately 5000 categories of goods. This fact alone makes clear the extent of the challenges faced by companies.

THE NECESSITY OF ACCURATE GOODS CLASSIFICATION

Incorrect tariff classification can have both financial and legal implications. Digital company audits under the new amendment of § 147, para. 6 of the German Tax Code play a decisive role concerning the necessity of the correct classification of goods. In addition to customs audits, other financial and legal aspects are significant:

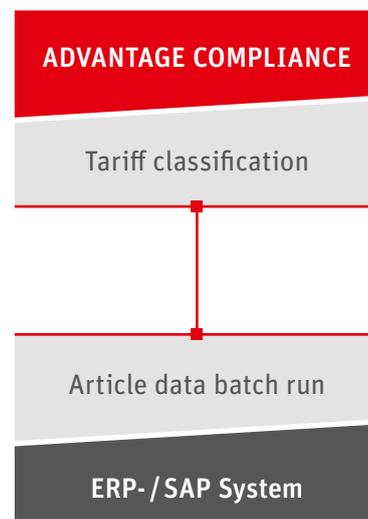
- Can preferences be granted?
- Are the correct taxes and contributions being paid?
- Are there any bans and/or restrictions?
- Is additional documentation necessary?
- Is a permit or licence required for imports and exports?
- Are the goods subject to the anti-dumping regulation?

TARIFF CLASSIFICATION WITH THE dbh SOLUTION

This module provides lasting documentation of the correctly determined customs tariff numbers. Article data can be read using the interface and immediately classified; the article master data can be set up internationally. The contents (EZT Online and the EU commodity codes) guarantee that up-to-date information is always available and changes are always taken into account.

A processing assistant helps to set up and classify new articles and offers support when searching for existing binding tariff information (BTA) in the EU database. Articles which are part of a range or a set can also be effortlessly classified and administered. When classifying comparable articles, the module will display suggestions. Tariff classification offers several methods of determining the correct customs tariff number: direct searching in the goods nomenclature, browsing the keyword directory and going through articles which have already been classified. Using a self-created matrix based on certain characteristics, this can be a rapid and convenient proposal method for similar items and can be built up for the purposes of mass tariff classification.

The goods classification also has a data exchange function with other dbh modules, as well as the obligatory rear interfaces to ERP systems. In this way, classified articles can be transferred to the export control or the customs system Advantage Customs.



*Support in goods classification
in the customs tariff*



EXPORT CONTROL REQUIREMENT FOR ALL EXPORTERS

Any export entity – even if only within the European Union – is faced with a complex export control procedure. There are many more regulations and laws to comply with than is immediately apparent. In addition to this, having analysed these numerous laws, these export control decisions for later external foreign trade audits must be centrally documented.

GOODS CONTROL – NOT ONLY FOR WEAPONS

An exemption from goods control is not granted simply because no weapons are being supplied. The potential usability of goods for military purposes is decisive. This becomes critical for goods within the category of “Dual Use Goods”. These are goods which in addition to their original purpose could serve a “critical end use”, i.e. military purposes. This is often the case for replacement parts such as special seals, pumps or hydraulic parts, and so the risk of error in this area is particularly high.

For this reason, export control for companies, which are supposedly transporting simple goods or are expanding their field of business, can become a time-consuming challenge.

LOCATION OF GOODS IS CRUCIAL

Foreign trade within Europe is fundamentally free from restrictions. Nonetheless, the state may make exceptions via the German Federal Act on Foreign Trade (AWG) for the purposes of safeguarding higher-ranking protective goods, in order to

- guarantee significant security interests of the state,
- safeguard public security and order,
- prevent disruption to the peaceful cohabitation of people and to relationships with foreign countries.

If the recipient of the goods is supplying them to another country outside the EU, this becomes tricky. For onward export, for example from Italy to Iran, there may be restrictions or in this case an embargo.

SIMPLY GET DOWN TO BUSINESS WITH dbh

The Advantage Compliance Export Control Module is configured so that compliance checks can be carried out immediately after installation.

Users who already operate Advantage Customs, the dbh software solution for international customs clearance, have an additional advantage: Using the interface, enquiries can quickly and easily be launched for all articles against the content, which is updated daily. It is therefore absolutely clear which articles should be processed as a priority.

BLANKET DEFINITION

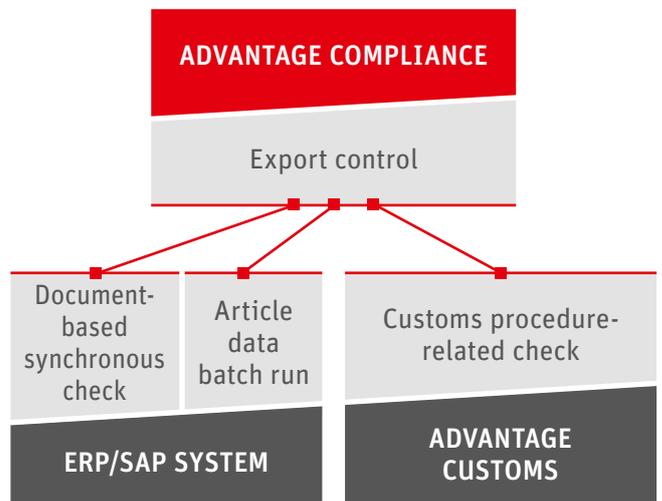
Blanket criteria can be determined which are always valid for specific export processes. This may include exclusion criteria if goods should never be delivered to states subject to embargo. This blanket definition will be used if, for example, goods with Iran as a country of destination are requested. As a matter of principle, because there are no trade relations with Iran, the software will give a notification that the business transaction is not permissible. Other consequences may occur as a result, such as a warning notification to the next-in-command within the company.

INTEGRATION OF EXPORT CONTROL AND EXPORT OPERATION CHECKS

The larger the article stocklist, the more the dual-use analysis of relevant goods resembles a search for a needle in the haystack. Advantage Compliance filters potential articles which should be processed as a priority as part of a process-supported checking procedure.

To efficiently process export notifications in ATLAS, part of the process is allocating the relevant measures and national documentation codes. These include for example the Taric documentation coding Y901 and the national documentation code 3 LNA51. Additional codes can also be maintained within the module, and bans and restrictions can also be taken into account.

Export control with Advantage Compliance also offers the option of checking supporting documents as well as export procedures, based on the statistical goods numbers, the country of destination as well as the recipient and end user for possible bans and/or authorisation requirements and to check for necessary documentation coding and to document the result. The enquiry can also take place via an interface when logging the export procedures in Advantage Customs.



Optional integration of the export control from the ERP system or Advantage Customs

US RE-EXPORT CONTROL

ADHERING TO AMERICAN EXPORT REGULATIONS

German products and articles often contain components of American origin which may still be subject to American export control. Any party which does not adhere to American export regulations risks the imposition of stringent penalties and of being placed on the US government's "blacklist" – in the worst case scenario, a contravention can lead to exclusion from trading with American products!

WHICH GOODS ARE SUBJECT TO THE REGULATIONS?

The following goods are subject to US export regulations within the meaning of the US re-export control law:

- Goods in or being transported via the US
- Goods which originate in the US
- Goods produced overseas (e.g. in Germany) with content originating from the US of 25% or 10% for shipments to states where terrorism is supported (de minimis threshold)
- Goods produced overseas which have been bundled with US software ("bundle") (if the de minimis threshold has been exceeded)

The US re-export control not only takes into account the EARs (Export Administration Regulations) of the BIS (Bureau of Industry and Security), but also the regulations of the OFAC (Office of Foreign Assets Control) and the controls of the DDTC (Directorate of Defense Trade Controls) along with the ITAR (International Traffic in Arms Regulations) and the USML (US Munitions List).

PROCESS FLOW TO DETERMINE AUTHORISATION REQUIREMENT

The US re-export control module supports the user in administering relevant US re-export information, such as the ECCN and the percentage-based content of an article originating from the US (de minimis threshold). With the help of a process flow, it takes the user through the analysis of the article (see diagram).

In this way it can be ensured that American regulations are adhered to. The aim is to determine whether a licence is required for compliance with the BIS, OFAC and DDTC regulations.

The individual process steps are complemented by links and references. In this way, they make analysis easier and permit more in-depth research to be carried out. In order to take into account specific company requirements, the decision diagram can be individually adapted.

What is re-exported?

The decision concerning whether a product should be researched is not only dependent on the presence of an ECCN. From an American point of view and depending on the regulatory authorities, there can be several reasons for this.

To which locations are goods re-exported?

The authorisation requirement depends strongly on which country the delivery is being made to. This can be determined by referring to the Commerce Country Chart (CCC). If there is an authorisation requirement, this may in certain circumstances be cancelled if a License Exemption (§740 EAR) can be applied.

Who receives the re-exported goods?

Checking of the end user – is the end user listed on US sanctions lists?

What is the re-export article used for?

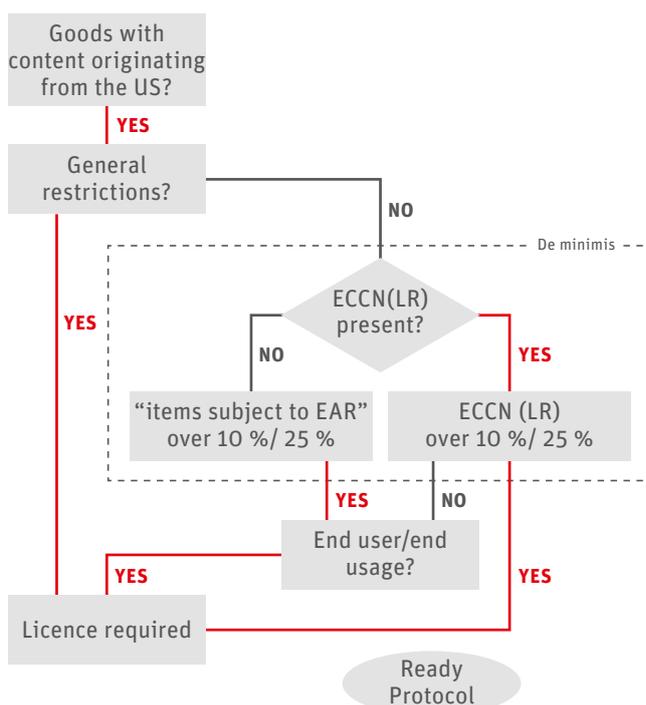
Check of the end usage – is the end usage subject to a written authorisation requirement? (Keyword: Red Flag check-list)

COMPLETE DOCUMENTATION

Regardless of the licence, every step of the analysis process is documented in Advantage Compliance. This means that all process steps can be annotated with comments. In addition, a great range of documents can be appended to the analysis, meaning that the full documentation can be found in a centralised location. A summarising protocol can be used for archiving purposes but also as a working document within the process.

CENTRAL SAFEGUARDING

The analysis for the US re-export control are used to complement the national export control processes in the analysis of the articles, whereby a complete picture of the activities for an article can be found in one place in the application.



Targeted guidance through the US re-export control process



MANAGE YOUR GLOBAL LOGISTICS PROCESSES EVEN MORE EFFICIENTLY

dbh Logistics IT AG is one of the leading software and consulting companies in the areas of

**CUSTOMS AND FOREIGN TRADE ■ COMPLIANCE ■ TRANSPORT MANAGEMENT
PORT OPERATION ■ SAP ■ CLOUD SERVICES**

With our solutions, we reliably break down barriers within global supply chains with a future-oriented perspective. Efficiency of all commodity flows is focused, thus they arrive as quickly, securely and cost-effectively as possible.

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AT HOME IN BREMEN – OPERATING WORLDWIDE

Our software is built on over 40 years of experience and competence. Our headquarters is located in Bremen, Germany. In addition to that, we are represented all over Germany for you. With 180 members of staff, we develop products that make your company even more competitive. Our portfolio ranges from consulting, development and implementation to support and hosting in our ISO/IEC27001 certified data centres.

Each solution is worked out in collaboration with you to perfectly match your logistics, processes. **We will gladly advise you personally.**

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