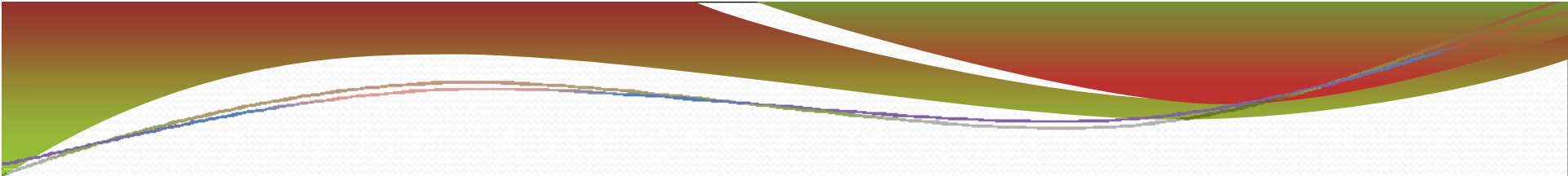




***CORPORATE CUSTOMS
COMPLIANCE***

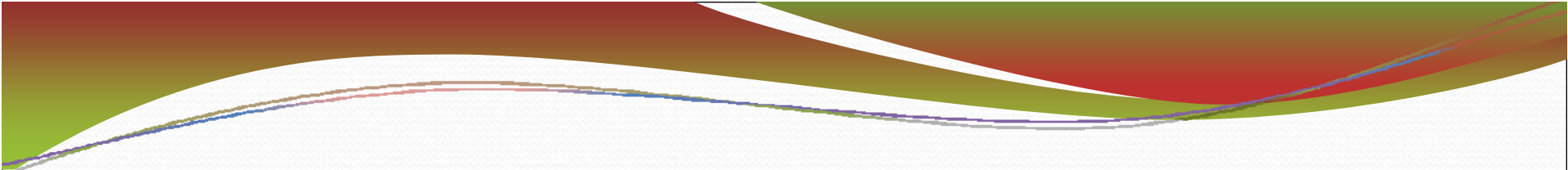
OUR MISSION IS:

- To ensure that all concerned parties are kept informed of the rules and regulations as mandated by Customs and all other government agencies such as Fish & Wildlife Service, USDA, FDA, etc. To ensure proper classification of commodities by reviewing all commodities and applying the proper tariff number and duty rate using Customs Explanatory Notes and General Rules of Interpretation.
- To ensure that our company's compliance policies and procedures are adhered to, to ensure that the proper values are declared at time of entry, to audit and submit any necessary amendments to Customs, to service each division and ensure that their shipments are not delayed and/or incur additional charges at time of entry, to monitor and avoid any fines/penalties and to educate internal customers as well as external customers through workshops, seminars, etc.

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- The Corporate ***Customs Compliance Department*** monitors *Pre-Entry* documentation for any discrepancies which may detain the clearance of a shipment or otherwise make an entry subject to inspection, detentions, or penalties by Customs.
 - It is the responsibility of the ***Corporate Customs Compliance Specialist*** to ensure adherence to Customs' laws and regulations as it relates to the importation of merchandise, including, but not limited to entry documentation, audit, post entry reporting, and record retention maintenance.

INVOICING

- Foreign sellers or shippers must exercise care in preparing invoices and other documents used to enter goods into all destinations.
- Each document must contain all information required by Customs laws and regulations. Every statement of fact contained in the documents must be true and accurate.

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- It is particularly important that all statements relating to merchandise description, price or value, and amounts of discounts, charges, and commissions be truthfully and accurately set forth.
 - Any inaccurate or misleading statement of fact in a document presented to a Customs in connection with an entry, or the omission from the document of required information, may result in delays in merchandise release, the detention of the goods, or a monetary fine/penalty against the importer may be imposed.



- **Examples of omissions and inaccuracies to be avoided are:**

- Illegible information on commercial invoice
- Consignee/Buyer/Importer (Name & Address)
- Manufacturer Name & Address (Manufacturer of Goods)
- Complete Description of the Garment
- Knit or Woven
- % of Fiber Content for each style
- Gender
- Cost of Hangers must be disclosed
- Country of Origin
- Quantity & Unit Price
- Total Value
- Provide requirements for all Other Government Agencies (F&W, USDA, FDA, etc.)
- Provide documents required for all applicable Trade Preference Programs (Ex. NAFTA, GSP, AGOA, QIZ, CAFTA, ATPDEA, etc.)
- Fish & Wildlife information (If applicable) must be declared on the commercial invoice. As per example:
 - Common Name & Scientific Name
 - Country of Origin of the Animal
 - If Farmed Raised or Taken from the Wild
 - Cost Breakdown

ASSISTS

- Assists are goods and services which are:
 - supplied directly or indirectly by the buyer free of charge or at reduced cost;
 - for use in connection with the production and sale for export of the imported goods;
 - to the extent that such value has not been included in the price actually paid or payable.
- Assists include:
 - materials, components, parts and similar items incorporated in the imported goods;
 - tools, dies, molds and similar items used in the production of the imported goods;
 - materials consumed in the production of the imported goods;
 - engineering, development, artwork, design work, and plans and sketches undertaken elsewhere than in the U.S. and necessary for the production of the imported goods

Assist Examples

- Managerial and supervisory services performed abroad that relate to the direction and management of overall plant operations = **not an assist**
- Confirm specifications, evaluate trial samples, evaluate the final sample of the merchandise to be produced by the manufacturers = **assist**
- Design services performed in U.S. and given to manufacturer = **not an assist**
- Actual designs created by foreign subsidiary and given to foreign manufacturers for production = **an assist**
- **Cost of assist = salaries of foreign designers plus expenses to transmit designs to manufacturers divided by proportion of production sent to U.S.**

Incoterms 2010 (TAKE EFFECT JAN. 1ST, 2011)

There are a total of 11 terms

Applicable for all modes of transport:

1. EXW
2. FCA
3. CPT
4. CIP
5. DAT
6. DAP
7. DDP

Applicable for sea & inland waterway transport only:

1. FAS
2. FOB
3. CFR
4. CIF

● What are Incoterms?

- Incoterms are a set of rules for the interpretation of the most commonly used trade terms in international trade – International commercial Terms.
- The basic purpose of each Incoterm is to clarify how functions, costs and risks are split between the buyer and seller in connection with the delivery of the goods as required by the sales contract.
- Each term clearly specifies the responsibilities of the seller and the buyer. The terms range from a situation in which everything is fundamentally the responsibility of the buyer to the other extreme where everything is fundamentally the responsibility of the seller.

KNOW YOUR INCOTERMS

- **FOB** – Free On Board (...named port of shipment)
 - The Seller/Exporter is responsible for delivering the goods, export cleared, on board a ship, and does not bear risk or costs afterwards.
 - Once goods are turned over at the port, then the risk is turned over to the buyer.

Seller's Responsibilities

1. Goods
2. Licenses & Customs Formalities
3. Carriage & Insurance
4. Delivery
5. Risk Transfer
6. Costs
7. Notice to the Buyer
8. Proof of Delivery, Transport Document
9. Checking, Packing, Marking

Buyer's Responsibilities

1. Payment
2. Licenses & Customs Formalities
3. Carriage & Insurance
4. Taking Delivery
5. Risk Transfer
6. Costs
7. Notice to Seller
8. Proof of Delivery, Transport Document
9. Inspections

LDP – Landed Duty Paid

The Seller or Exporter is responsible for delivering from their warehouse to the airport or seaport.

- Responsibilities include:
 - Clearing customs in the exporting country
 - International Transport
 - Customs Clearance in the Import Country
- The Buyer is responsible for the inland transportation from the port to the final destination.

DDP – Delivery Duty Paid

- The Seller is responsible for all costs associated with delivering the goods to the named point and place of destination.
- In Delivery Duty Paid:
The Seller/Exporter/Manufacturer clears the goods for export and is responsible for making them available to the buyer at the named place of destination, cleared for import, but not unloaded from the transport vehicle.

The Seller, therefore, assumes all responsibilities for delivering the goods to the named place of destination, including all responsibility for import clearance, duties, and other costs payable upon import.

CMT – (Cut-Make-Trim)

- **CMT** = If only fabric is provided as an assist as vendor used their own trim
 - If the Manufacturer is charging you CMT, then the “paid to contractor” should state only that price and the fabric should be listed as an assist on the cost sheet as indicated below:
 - Paid to Contractor \$80.00 + Assist (fabric) \$20.00 = \$100.00
- **C&M** = Trim & Fabric are provided as an assist
 - If the Manufacturer is charging you only C&M, then the “paid to contractor” should state only that price and the fabric & trim should be listed as an assist on the cost sheet as indicated below:
 - Paid to Contractor \$70.00 + Assist (fabric & trim) \$30.00 = \$100.00

Free Trade Agreements (FTA)

Agreement
between
two or
more
countries:

- Reduces or eliminate duties
- Special certification or documentation required
- Special Program Indicator “SPI”

FTA in place or being negotiated



Australia Free Trade Agreement (AFTA)



Chile Free Trade Agreement (CFTA)



Central America – Dominican Republic free Trade Agreement (CAFTA)



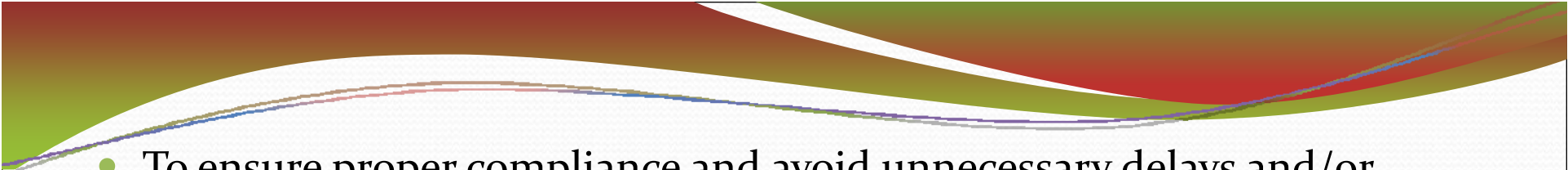
North American Free Trade Agreement (NAFTA)

NAFTA – North America Free Trade Agreement

- The NAFTA eliminates tariffs on most goods originating in **Canada, Mexico, and the United States** over a maximum transition period of 15 years.
- Generally tariffs will only be eliminated on goods that “**originate**” as defined in Article 401 of the NAFTA.
- Article 401 of the Agreement defines “**originating**” in four ways:
 - Goods wholly obtained or produced entirely in the NAFTA region
 - Goods produced entirely in the NAFTA region exclusively from originating materials
 - Goods meeting a specific Annex 401 origin rule
 - Unassembled goods and goods classified with their parts which do not meet the Annex 401 rule of origin but contain (60% regional value content) using the transaction method (50% using the net cost method)

NAFTA Certificate of Origin

- *Article 502 of the NAFTA requires that an importer base his claims on the exporter's written certificate of origin.*
- *Documents requirements:*
 - *Uniform document*
 - *Legally binding*
 - *Completed and signed by exporter or producer*
 - *May cover single or multiple shipments*
 - *Blanket certificate may not exceed one year*
 - *Required for all goods originating under NAFTA*

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- To ensure proper compliance and avoid unnecessary delays and/or possible fines/penalties, below are recommendations:

1. Include all information required on your customs invoices.
2. Prepare your invoices carefully. Type them clearly.
3. Make sure that your invoices contain the information that would be shown on a well prepared packing list.
4. Mark and number each package so it can be identified with the corresponding marks and numbers appearing on your invoice.
5. Show a detailed description on your invoice of each item of merchandise contained in each individual package.
6. Mark your goods legibly and conspicuously with the country of origin unless they are specifically exempted from country of origin marking requirements.
7. Comply with the provisions of any special laws that may apply to your goods.
8. Observe the instructions closely with respect to invoicing, packaging, marking, labeling, etc., sent to you by your customer.

NON-COMPLIANCE VENDORS

- Kate Spade & Company's Corporate Compliance Department monitors and records all discrepancies on a monthly basis. All vendors that are found to be non-compliant, are issued a "warning message" for the first offense. Subsequently, a \$150.00 chargeback is issued for any repetitive errors.