Methodology selection

Step 1: Assess if pragmatic approach may be applied

VTTI has made a practical arrangement with the Customs Authorities to apply a pragmatic customs valuation methodology in situations where the customs value has no impact on the amount of duties payable. First step in the valuation procedure is to determine whether this pragmatic approach can be applied.

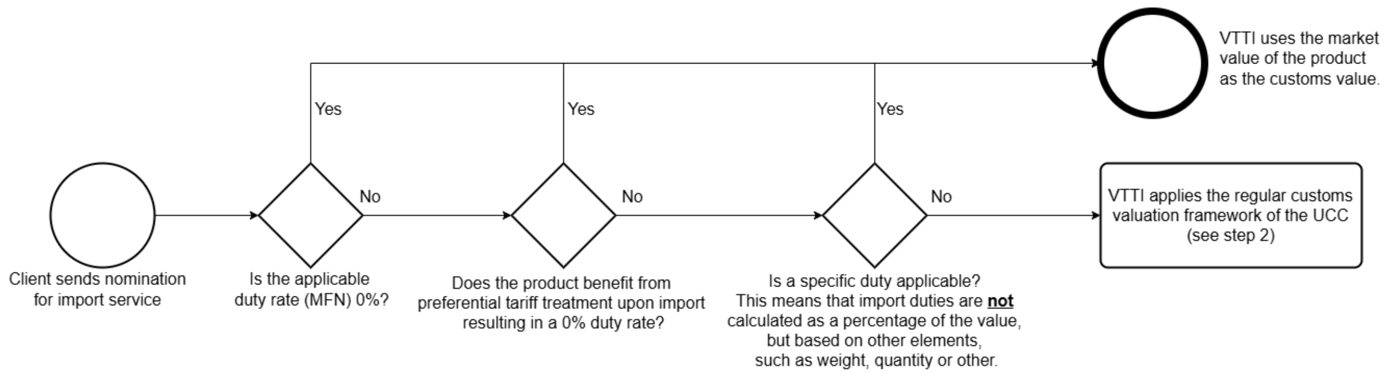
When a product arrives at the terminal and a parcel is registered in ERP, the value of the product is recorded by CS in line with the market value at the time of registration. The market value is usually provided by the customer, or otherwise obtained by CS from publicly available market data sources, such as Platts Market Data from S&P.

When the customer sends a nomination to bring the product into free circulation, CS registers an import service in ERP. The import service requires a value, which is used in the import declaration.

Where the applicable import duty rate is 0%, the goods qualify for preferential treatment upon import, or where a specific duty applies (i.e., duties are not calculated over the value but over another factor such as weight), the customs value declared serves a purely statistical purpose and has no financial impact. In such cases, VTTI has agreed with the customs authorities to apply the “reasonable means” method as an alternative method of customs valuation, in accordance with Article 74(3) of the UCC. More specifically, the market value that was registered at the time the parcel was created is used as the customs value in the import declaration.

If the import duty rate exceeds 0%, no preferential treatment applies and customs duties due are calculated on an ad valorem basis, the regular customs valuation framework of the UCC will be applied to determine the customs value.

This approach can be schematically displayed as follows:



Step 2: Assess applicability of transaction value method

Once it is clear that the customs value must be determined in line with the regular customs valuation framework of the UCC, next step is to assess whether the transaction value method can be applied, as this is the primary method for customs valuation. A step-by-step approach is included below.

Step 2.1: Identification of a qualifying sales transaction
The transaction value method can only be applied if the goods are sold for export to the EU. This means that ownership of the goods is transferred from the seller to the buyer, and that, at the time of the sale, it is clear that the goods are intended for export to the EU.

Any sale concluded prior to the physical entry of the product into the EU may qualify for the application of the transaction value method, including sales concluded on high seas (i.e. after export from the country of export but prior to import in the EU). The location of the parties is not relevant in this regard; for example, a sale between two non-EU established entities may also qualify.

If the product is not sold prior to its physical entry into the EU, but while in temporary storage, under external transit, in a customs warehouse or under inward processing, such a sale may also qualify as a "sale for export" on which the transaction value can be based.

The customer indicates whether a sale for export exists and provides CS with the relevant information regarding that sale, including the commercial invoice. CS conducts a sanity check based on the information available.

If no sale for export exists, the value must be determined in line with one of the secondary valuation methods. See step 3.

Step 2.2: Selection of the right sales transaction in case of a series of transactions
If the product is sold multiple times prior to its arrival in the EU, the transaction value must be based on the last sale concluded immediately before the goods enter the EU.

In such situations, the customer indicates which sale qualifies as the last sale for export, and provides CS with the commercial invoice relating to that sale. CS conducts a sanity check based on the information available.

Step 2.3: Review of the commercial invoice
The commercial invoice which relates to the declared transaction value is required as a supporting document. It is the responsibility of the customer to provide CS with a valid commercial invoice.

CS performs a sanity check, specifically:

- Whether the document is a genuine commercial invoice (i.e. not a pro forma invoice);
- Whether the invoice clearly identifies the buyer and seller;
- Whether the invoice includes a clear and unambiguous description of the goods;
- Whether the invoice includes a clear and unambiguous price and currency;
- Whether the invoice details such as quantities, product descriptions are as expected and in line with other data and documentation;
- Whether the invoice date makes sense (e.g. not too long ago or no future date).

In case the invoice appears valid based on the above checks, CS will proceed to step 2.4 as described below. Otherwise, CS will reach out to the customer to discuss findings. If it appears that no valid invoice is available, and will also not become available in the future, the transaction value method cannot be applied. CS will then proceed to step 3.

Step 2.4: Assessment whether the transaction value method can be applied
Once the relevant sales transaction has been identified, CS will assess whether it constitutes a valid sale for customs valuation purposes. CS will base this assessment on all information available to it, including the commercial invoice relating to the transaction, which must always be provided by the customer. The invoice must be a genuine commercial invoice; pro forma invoices or similar will not be accepted by CS.

If CS has no access to the commercial invoice relating to the transaction, and the customer can also not provide that invoice at a later stage, the transaction value method cannot be applied and a secondary valuation method must be selected (see step 3).

If CS does not have access to the commercial invoice relating to the transaction, but the customer is able to provide this invoice at a later stage, CS will submit a simplified customs declaration in accordance with Article 166 UCC. CS will subsequently determine the customs value once the invoice becomes available and submit this value through a supplementary declaration in accordance with Article 167 UCC.

A sale <u>cannot</u> be considered a valid transaction for valuation purposes in the following situations::

- Restrictions on use or resale
  If the buyer is restricted in how they can use or resell the goods, except for standard restrictions (e.g. legal requirements, geographical resale limits, or restrictions that do not affect the value of the goods).

- Price depends on unclear conditions
  If the agreed price is influenced by conditions or arrangements for which no clear value can be determined (for example: bundled deals, unknown future compensations, or non-quantifiable obligations).
- Proceeds flow back to the seller
  If the seller receives (directly or indirectly) part of the proceeds from the buyer’s resale or use of the goods, and this cannot be properly adjusted in the customs value.
- Relationship influences the price
  If the buyer and seller are related and there are indications that this relationship has affected the agreed price.

The primary responsibility for assessing whether a transaction is valid for valuation purposes lies with the customer. However, CS performs a reasonableness check, based on all available information, to identify any indications that the above conditions may apply. This check includes, for example, the following elements:

- Whether the invoice contains a clear price;
- Whether there are any indications that the price may be adjusted at a later stage;
- Whether the buyer and the seller are related. Buyer and seller are "related" if they belong to the same group. Article 127 of the UCC Implementing Act provides further guidance on when parties are considered related.

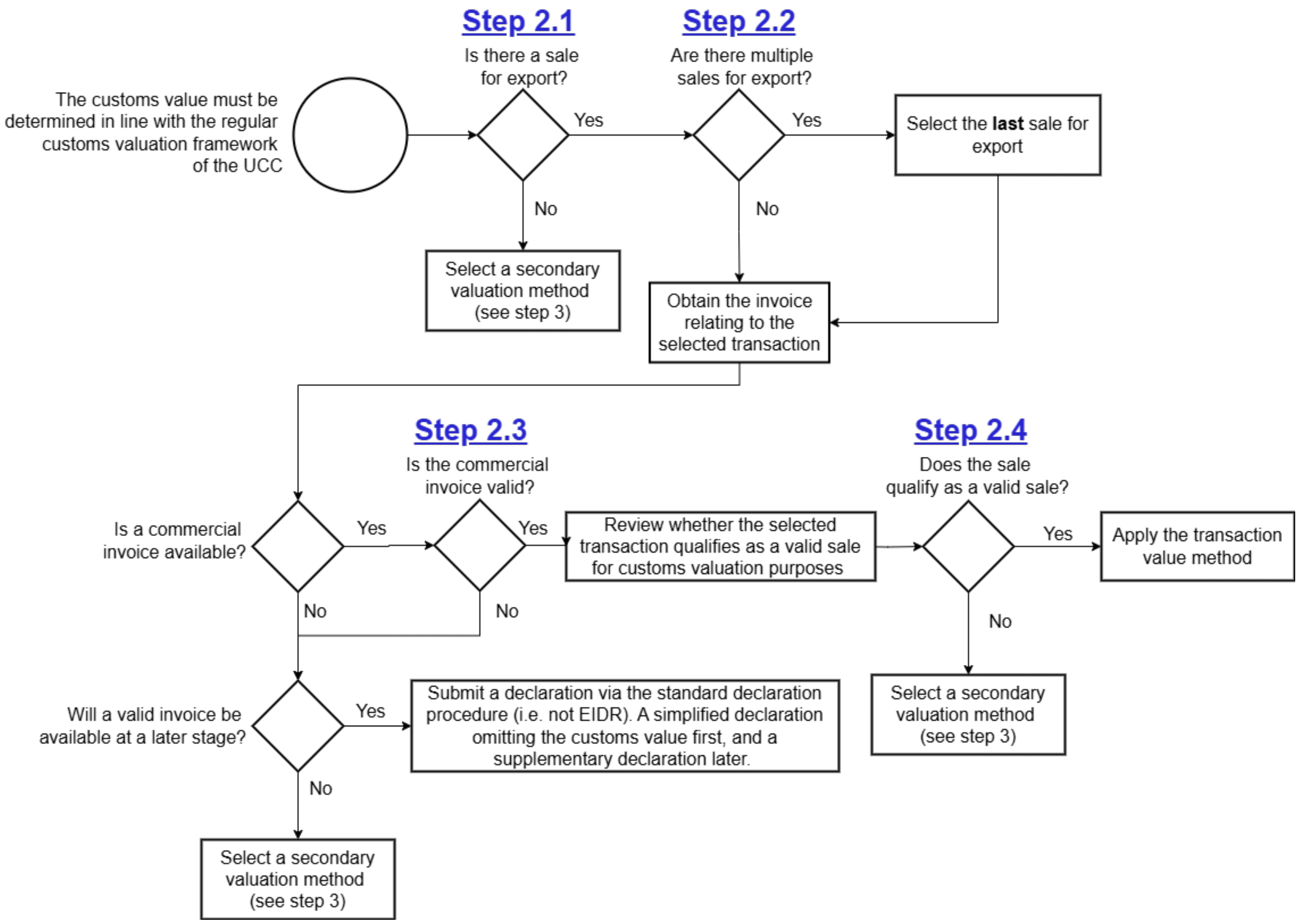
If these checks raise any doubt regarding the acceptability of the invoice price, CS will contact the customer to obtain clarification.

In addition, CS may compare the invoice price with the current market price. If the deviation exceeds 5%, CS will contact the customer to discuss the discrepancy.

CS will only use the commercial invoice and the provided value if the customer is able to provide a reasonable explanation for any findings. CS will archive the findings and relating correspondence with the customer.

If it appears that the relevant sale does not constitute a valid sale, the customs value must be determined in line with a secondary valuation method (see step 3).

Step 2 can be schematically displayed as follows:



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