

Conditions for



Contractual conditions of Audi México with regard to Customs and Foreign Trade Law

Stand: June 2015

Contractual conditions of Audi México Non-Series Materials Equipments and tools with regard to Customs and Foreign Trade Law

Hereinafter, it is regulated in which form Customs and Foreign Trade Law related transactions have to be settled and which obligations you have towards Audi México with regard to the Customs Law and Foreign Trade and Payments Law if you sell or deliver products to Audi México.

Please read these explanations carefully and make preparatory arrangements with your competent customs authorities if necessary.

Defined this process as deliveries which will be made directly to Audi México.

A. Deliveries to sites within Mexico

1. Deliveries of Tools from a Mexican supplier.

Tools from the free circulation of Mexico have to be transported without any customs formalities within the country.

Any purchased tool from Audi México to the supplier which has reached a certain level of quality which is optimal for Audi México, will be an internal operation within Mexico which will have to be made with a commercial invoice between both Mexican companies, with its corresponding VAT Tax.

Especial Mexican Status -Deliveries of Tools from from an Immex company in Mexico.

There is another Autopart Automovil Industry Regim within Mexico, for suppliers, called IMMEX. An Immex supplier in Mexico must proceed in such way, if machinery or equipment or tools coming out of Mexico are sold to Immex Supplier, the agent is obliged to perform all tax and customs obligations within Mexico. The deliveries have to be effected with duty unpaid and untaxed, so the effective Customs Program of IMMEX for autopart industry is developed by Supplier. This will be a delivery to supplier made from outside Mexico.

The Immex company will be responsible for issuing the Import documents in order to introduce the machinery in Mexico, requesting from foreign supplier all issued documents. This Immex program will proportion benefits to supplier, which will be taken on its own. Immex supplier should not pay VAT and reduced Duty taxes to Import in Mexico.

When reached the optimal level of quality by Audi México, and Audi México decides to purchase such machinery, an internal commercial operation will be made within Mexico. To sale this machinery by the Immex supplier, this has to be nationalized within Mexico, by the payment of Duty taxes and VAT (refundable). And then a local sale, with VAT, will be made between Immex supplier and Audi México.

If the property of machinery remains in Immex supplier and there is no local sale, no payment of taxes will be made. (Immex program is thought for Suppliers, which will import the machinery to make the parts to be sold to Audi México, because any imported materials from Immex Supplier won't have to pay VAT and reduced duty taxes when this is productive material, to be sold to Audi México, to introduce it into the cars that will be exported).

Change of property within Mexico will mean internal operation, to pay VAT. And if it did not pay Duties by being imported through Immex, means that this has also to be paid. Mexican suppliers under IMMEX regim will always invoice to Audi Mexico with Local VAT and free of Custom Obligation. Virtual Pedimentos won't be admitted by Audi México

B. Deliveries from Out of Mexico:

1. Deliveries of Tools direct to Audi México.

The deliveries have to be effected with duty unpaid and untaxed, so the effective Customs Program of DEF for automotive industry is developed by Audi México. This will be a delivery to Audi México, made from outside Mexico.

Two separate flows of delivery. From one side Import flow, from another side commercial flow.

To take always profit of the DEF benefits, Audi México will issue the imports with a Proforma invoice from supplier outside from Mexico. This proforma will have a Purchase order number to link the import flow, with Commercial flow.

The commercial flow with Audi México will require Commercial invoice or Proforma and Commercial depending on the purchasing conditions).

Commercial flow, which determines transfer of property is defined between both parts. Supplier in origin will send the commercial invoice to Audi México, so the commercial flow links to all financial aspects of the transaction. The purchase order number, common on both documents

(proforma and commercial invoice) relates both operations, Import operation with commercial operation.

Partial commercial invoices are allowed, so Audi México is able to book this machinery from first time point, although there is not a final commercial invoice, until deferred time.

So the Import dispatch in Mexico always will be made by Audi México under its DEF Regime, and the export from outside of Mexico, must be determined by Supplier at origin.

DEF Regim for Automotive industry in Mexico allows that a machine which is imported under DEF Audi México, is permitted to stay by the installations of a third supplier in Mexico, whenever this third supplier, has been authorized to become an extension of DEF Audi México. The property in any case will belong to Audi México.

As long as any machinery stay into the DEF Audi México, no import obligation payments have to be made. Anyhow, Free Trade Agreement rules should be followed.

Free Trade Agreement rules of origin - Report of Origin of Contents:

If the delivered machinery is the object of Mexico Free Trade Agreements for the granting of tariff advantages, supplier is obliged to deliver the following documents.

For current deliveries, a Certificate of Origin must be sent in accordance with the respectively applicable legal regulation upon indication of the Audi México.

Europa's deliveries EUR1 or Authorized Exporter Supplier declaration on invoice, based on the emission of Long term supplier declaration. Costs, which might arise in connection with the execution of Certificates of Origin, have to be borne by the supplier. The supplier has to notify the Audi México in case of a change of origin, immediately and unrequestedly in writing.

Nafta region or Mercosur Region also Certificates of origin, as well as any other area of Free Trade Agreements signed with Mexico. Suppliers located in Brazil have to provide a Certificate of Origin ALADI. Such origin information from our suppliers will be saved by FTA area as confidential.

The Certificate of Origin is obligated to vendors establish in the European Union, Switzerland, Norway, Island, Liechtenstein, Canada, US, Brazil, Argentina, Uruguay, Paraguay, Chile, Bolivia, Colombia, Nicaragua, Costa Rica, Honduras, Guatemala, El Salvador, Israel, Japan and any other country that will sign a free trade agreement with Mexico.

A movement certificate, when applies, (EUR 1, ATR, Form A, declaration of origin on the invoice) has to be prepared in each case and submitted to the receiving works together with the goods.

If no movement certificate is submitted for a delivery or a part thereof although the legal conditions for the delivery are fulfilled, the Audi México reserves the right to pass arising customs on to the supplier.

The same applies if the preference conditions are not fulfilled and therefore, no movement certificate can be prepared.

If MEXICO under the different FTA programs, grants a release from customs or a reduction of customs because of preferential agreements with the agreed country of delivery, the agent is obliged to deliver goods, which fulfill those requirements/preferential conditions.

For the complete scope of the deliveries, the vendor is obligated to provide along with the first delivery of materials, the information that defines the origin of the each part number in order to comply with regional content requirements established in the different free trade agreements. The delivery of this information is through different documents such as the "Certificate of Origin", already mentioned above.

The supplier is liable for any damages and/or expenses (in particular punitive tariffs, costs of bringing an action, etc.), which the Audi México incurs because of incomplete and/or incorrect information in the supplier's declaration.

Upon request, the suppliers have to render evidence for their information regarding the origin of goods with an information sheet approved by the customs authority.

If additional official documents regarding the intended use of the delivered goods are required for the import or export of goods, the supplier is obliged to immediately obtain and/or provide such documents to the Audi México.

Entry Declarations and Risk management information:

The agent is obliged to give any required data (see Mexican Customs Code, and future regulations) for entry declarations or any future adaptation, to the responsible carrier or service provider.

ATTENTION: Missing data for entry declarations or possible future requested information from Authority, lead to avoidable delay on loading, penalties are possible.

C. Approvals/export control

If the agent supplies the AUDI Mexico with goods, which are subject to authorisation and/or export control, the agent obliges to provide the following information to:

Audi México

- the number of the export list (according to the foreign trade regulation) and/or the list number according to the annex of the EC Dual-Use Regulation (in their respectively valid version), if it is required.
- the following questions (or any others which in future might substitute these ones) have to be answered properly and correctly for US goods (according to US laws):
 - a) Are the goods subject to the US re-export provisions? (Subject to the EAR?)
 - b) the ECCN (Export Control Classification Number) according to the US Export Administration Regulations (EAR).
 - c) Was an "Export License" required for the export from the USA? (Conditions?).
 - d) Are these parts requiring approval?
 - e) Does the value of the US shares exceed 10% and/or 25%?
- the commercial origin of the goods and of the components of the goods, including technology and software,
- whether the goods have been transported through, produced or stored in the USA or whether they have been produced with US technology or parts,
- the statistical goods number (HS code) of the goods as well as information material for the application for approvals,
- a contact person within the supplier's company for the clarification of possible questions we might have.

This duty to inform continues to apply for the supplier even after the end of the business relations.

D. International Supply Chain Security

The contractor is obligated to:

- Goods, which are produced, stored, forwarded or carried by order of Audi México, which are delivered to Audi México or which are taken for delivery from Audi México
 - are produced, stored, prepared and loaded in secure business premises and secure loading and shipping areas
 - are protected against unauthorized interference during production, storage, preparation, loading and transport
- Reliable staff is employed for the production, storage, preparation, loading and transport of these goods
- Business partners who are acting on behalf of the contractor are informed that they also need to ensure the supply chain security as mentioned above.
- For C-TPAT and NEEC certification purposes, Audi México must confirm its safe supply chain. For this reason, suppliers must provide to Customs and FTA department, SVI number (in case of C-TPAT certification), or NEEC certification for Mexican suppliers. In case this is not hold, suppliers will provide the security questionnaires and intention letters to the same department.

In case of questions, please contact:

customs@audi.com.mx