

IADC Global
Supply Chain Committee



Global Supply Chain Committee
Trade Compliance Guidelines

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This document contains recommendations from an IADC Committee that developed a checklist that will be beneficial to suppliers regarding the shipping of parts and/or equipment and assist them with ensuring that the required data necessary for international shipments is provided to the drilling contractors to minimize the administrative burdens and time delays when shipping to their units outside the United States.

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Suggested revisions to the guidelines are invited and will be considered along with future changes to its content. Suggestions should be submitted to the Director-Offshore Technical and Regulatory Affairs, International Association of Drilling Contractors, 10370 Richmond Avenue, Suite 760, Houston, TX 77042. (713-292-1945)

Controlled Material

The entire contents of this document are subject to change. Please verify that you have a current copy with the most recent page version(s) available from the IADC website.

Document Change History Sheet

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Purpose and Scope

In order to ensure compliance with all applicable import/export laws and regulations, drilling contractors must have detailed information about all parts being provided by the supplier's company. The supplier must provide – the drilling contractor with the necessary import/export data associated with the hardware (parts or components). This information is necessary to ensure that all subsequent imports, exports, and re-exports of products containing the shipped parts or components are conducted in compliance with the applicable United States regulations. If the supplier does not understand what information that they are required to provide, they should contact their company's International Trade Compliance representative or a member of the IADC Supply Committee Global Logistics team for clarification.

Particular emphasis should be placed on the *Country of Origin*. Many of the products that are assembled, manufactured or produced in the United States contain parts or materials that are of foreign origin. The *Country of Origin* rules have a significant impact on how products and other higher level assemblies are labeled, advertised, marketed and sold in the United States and abroad.

Trade Compliance Checklist

- Schedule B / Harmonized Tariff System Code
- Export Control Classification Number (ECCN)
- Country of Origin* on Invoice/Packing List/Packaging and Materials
- Certificate of Origin
- Itemized - Commercial invoice-with line item values/packing list (To Include ECCN, HTS codes/ Schedule B Numbers, Country of Origin, net weight, part numbers)
- Material Safety Data Sheet (MSDS) / Safety Data Sheet (SDS)
- Hazardous (if Yes, UN Class number with Label & certificates)
- Manufacturer's Name and Address
- Serial Number (when applicable)
- Special Permits, Licenses, or Exemptions
- Technical/ Product Specification (when applicable)

Schedule B /Harmonized Tariff Schedule

All suppliers must use due diligence and reasonable efforts to provide the appropriate export classification codes (*e.g.*, the eight to ten-digit tariff codes in the country of export) for products supplied.

Schedule B Commodity Classification: means the Statistical Classification of Domestic and Foreign Commodities Exported from the United States. These 10-digit commodity classification numbers are administered by the Census Bureau and cover items such as: live animals, food products, computers, airplanes, etc.

It should also be noted that all import and export codes used by the United States are based on the Harmonized Tariff System (HTS). The HTS of the United States (HTSUS) may be used in lieu of the Schedule B commodity classification.

Export Control Classification Number (ECCN)

All suppliers must use their due diligence and reasonable efforts to provide the specific Export Control Classification Number (“ECCN”) or the EAR99 designation under the U.S. Department of Commerce regulations for products supplied. (See §738.2(b) of the EAR.)

The Commodity Controls List (CCL) is a list of items under the export control jurisdiction of the U.S. Bureau of Industry & Security (Department of Commerce), which is sub-divided into specific ECCNs. The CCL is divided into 10 categories. Each category is subdivided into five groups, which are designated by the letters A through E. They include:

(A) - Equipment, assemblies and components;

(B) - Test, inspection and production equipment;

- (C) - Materials;
- (D) - Software, and
- (E) - Technology.

Information on the Export Control Classification Numbers (ECCNs) for products exported from the U.S. can be found in the Export Administration Regulations-Parts 730 to 774.

Country of Origin

A product's country of origin (COO) is where the product is wholly manufactured or the final location where a substantial transformation occurs. A product is substantially transformed if the end product functions in a significantly different manner than the individual components. As a practical matter, Customs looks to determine whether the final assembly has a new "name, character, and use" from the component-level of the parts.

The supplier is responsible for determining the appropriate COO, whether preferential or non-preferential, for the products that it manufactures or assembles and for marking the products accordingly.

Country of Origin on Invoice/Packing List/Packaging and Materials

The COO of any item supplied is as important to know as the price, quantity, and promise date for that item.

- Reason #1- It is a legal requirement under both U.S. import and export laws to correctly declare the correct COO (manufacture) for items shipped to and from the United States.
- Reason #2- The destination country requires a COO Certificate to comply with the local import/export regulations.

- Reason # 3- Providing the COO is part of the Customer's Terms and Conditions in fulfillment of an order.
- The COO field needs to be added to each line item.
- The COO can significantly impact the cost and delivery estimates.

Duty Rate – items subject to anti-dumping, countervailing duties from certain countries can double the cost of the item. If the COO cannot be confirmed, the Importer /Exporter of Record may be unable to take advantage of Trade Preference Agreements, which can lower or eliminate duty for the Importer/Exporter of Record and/or their customers.

Restricted – Items manufactured in some countries are not eligible for import into other countries due to trade embargoes, quotas, etc.

License Requirements – Import and/or export licenses may be required and can vary based on the COO.

Itemized – Each commercial invoice must be provided with the line item values/packing list (To Include ECCN, HTS codes/ Schedule B Numbers, Country of Origin, net weight, part numbers

Certificate of Origin Free Trade Agreements

If goods will be delivered to a destination country having a trade preferential or customs union agreement ("Trade Agreement") with the Seller's country, the Seller shall cooperate with the Buyer to review the eligibility of the goods for any special program for the Buyer's benefit; and provide the Buyer with any required documentation (*e.g.*, NAFTA Certificate, EUR1 Certificate, GSP Declaration, FAD or other Certificate of Origin) to support the applicable special customs program (*e.g.*, NAFTA, EEA, Lome Convention, GSP, EU-Mexico FTA, EU/Mediterranean partnerships, etc.) to allow the duty free or reduced duty for the entry of goods into the destination country.

Department of Transportation Requirements /Safety Data Sheet (SDS)

The Seller shall comply with the U.S. Department of Transportation regulations governing the packaging, marking, shipping and documentation of hazardous materials, including the hazardous materials specified pursuant to 49 CFR, the International Maritime Organization (IMO) and the International Air Transport Association (IATA). The SDS (s), if required, must be attached to the goods and a copy included with the Seller's commercial invoice or packing list.

Hazardous Material Certificates

The Seller shall understand the proper labeling requirements for export and international transport, particularly if the seller is supplying items that fall under the Dangerous Goods (HAZMAT) regulations.

Hazardous: Yes / NO

UN Class number: _____

Hazardous Material must be packaged to meet the specific safety requirements, keeping in mind that certain classes of Hazardous Material are ineligible for some modes of transportation. The shipping costs for Hazardous Material are significantly higher than for non-hazardous items. Co-mingling of any hazardous cargo with non-hazardous cargo will result in all the cargo being classified as hazardous and therefore will significantly increase the shipping costs and could restrict the mode of transportation.

Manufacturer's Name and Address

The manufacturer's name and address is required by most World Trade Organization member countries for importation. [NOTE: This information is strictly enforced in Brazil.] Some items and certain classes of merchandise can affect the duty rate and impact the costs.

Material Serial Number

Serialization is a key component for tracking material and the utilization of trade preference programs, repairs, temporary import/export regimes, as well as for quality control purposes.

Special Permits, Licenses, or Exemptions

All suppliers shall advise the drilling contractor if (to their knowledge) any item that they are going to supply requires an export license.

NOTE: See above section Export Control Classification Number (ECCN)

Markings (PO No. & Rig Name, sequence of each package lifting certificate to include lifting points/center of gravity (when applicable))

The Seller shall include the following information on each shipment with the associated documentation to include:

- Purchase order number,
- Relevant rig name,
- Case number,
- Serial number,
- Country of origin,
- Destination shipping address,
- Gross/net weight in kilograms,
- Dimensions in meters/centimeters and feet/inches,
- Center of gravity for items greater than one (1) ton,
- Precautionary marks (e.g. fragile, glass, air ride only, do not stack, etc.), and
- Loading hook/lifting points and chain securing locations where applicable to avoid damage and improper handling.

For goods shipped by the Seller in two (2) or more packages, the Seller shall clearly mark the packages to show the sequence of each package (*i.e.*, 1 of 2, 2 of 2, etc.), and the packing list shall clearly show the contents contained in each package. The Seller shall place all marking in a conspicuous location as legibly, indelibly, and permanently as the nature of the article or container will permit. All goods shall be packed in an appropriate manner, giving due consideration to the nature of the goods with packaging suitable to protect the goods during transport from damage, and otherwise to guarantee the integrity of the goods to their destination. Goods that cannot be packed due to their size or weight shall be loaded.

Conclusion

The purpose of the IADC Supply Chain Committee is to facilitate the exchange of best practices, establish standardized performance measures for suppliers in our industry, and to assist members, suppliers, and other IADC groups through integration, knowledge sharing, and reporting. In addition, the IADC Supply Chain Committee endeavors to improve the overall performance of the global Drilling Contractors Supply chain in order to better serve their customers and key stakeholders.

The IADC community feels that this checklist will be beneficial to suppliers and assist them with ensuring that the required data necessary for international shipments is provided to their customers, especially the drilling contractors.

References

Directorate of Defense Trade Controls- U.S. Department of State

<http://pmddtc.state.gov/index.html>

Bureau of Industry and Security- U.S. Department of Commerce

<http://www.bis.doc.gov/>

The Office of Foreign Assets Control (OFAC) of the US Department of the Treasury

<http://www.treasury.gov/about/organizational-structure/offices/Pages/Office-of-Foreign-Assets-Control.aspx>

U.S. Customs and Border Protection

<http://www.cbp.gov/>