

## Trade: Customs compliance programme summary

### General principles

It is the policy of Hexagon AB to fully comply with all applicable customs laws and regulations (“Customs Laws”). This policy applies to Hexagon AB and all of its global subsidiaries and joint ventures over which Hexagon AB exercises management control (collectively, “Hexagon” or the “Company”). Hexagon further expects its customers and other business partners to comply with these laws and regulations.

Customs Laws apply anytime products are shipped across borders. Their main purpose is the levying of duties upon importation of goods, but they also govern the avoidance of such duties under special customs procedures, such as inward processing relief, outward processing relief and bonded warehouses.

Multiple Customs Laws impact Hexagon’s everyday business. For instance, imports of raw materials into Switzerland from the EU and subsequent export of finished products from Switzerland to the US require compliance with the Customs Laws and regulations of all three jurisdictions: EU, Switzerland and the US.

These laws and regulations are complex, and complying with them requires significant expertise. Hexagon has, therefore, developed and implemented a Customs Compliance Programme (the “Programme”) including compliance procedures, training and other tools that, together with [Hexagon’s Code of Business Conduct and Ethics](#), are designed to strengthen compliance and avoid inadvertent violations of applicable Customs Laws. The Programme also covers the significant duty savings opportunities that a better understanding of Customs Laws, as well as better control over the product flows and manufacturing processes, can create for Hexagon.

The Programme applies to all personnel employed by or engaged to provide services to Hexagon, including, but not limited to, Hexagon’s employees, directors, officers, temporary employees and other individuals providing services on Hexagon’s behalf (for ease of reference throughout this summary referred to as “personnel”).

This Customs Compliance Programme Summary discusses the core elements of the Programme. It is intended to provide an overview of the Programme, and identifying transactions and activities that may potentially violate Customs Laws or be the source of duty savings. Any questions about the Programme, specific procedures or particular compliance issues should be raised to the designated Divisional Compliance Officer for customs compliance or Corporate Compliance Counsel.

### Compliance with customs rules and procedures

Any product physically cleared through customs in a country or territory must be given a customs-approved treatment. There are two main categories of customs-approved treatments:

- the release for free circulation or entry for consumption, after payment of the applicable duties; and
- the placing of the products under customs supervision, in order not to have to pay a duty, generally pending re-exportation of the product or another product made of it.



### Release for free circulation | Entry for consumption and payment of duties

Release for free circulation or entry for consumption includes the following potential compliance risks: that the products are given a wrong customs classification (under the US’s HTSUS or the EU’s TARIC for instance), a wrong origin (whether preferential or non-preferential) or a wrong customs value (this is applicable between related companies). The classification, origin and valuation will determine the duty applicable to a product. If there are errors, Hexagon may be exposed to retroactive payment of duties, increased by interest and/or penalties.

These duties and penalties can add up to significant amounts, especially where errors are not discovered immediately and discovery at a belated stage results in an investigation by the customs authorities covering several years of past imports.

The risk to Hexagon will depend in part on the difference between the applied rate and the correctly applicable one and the volume of imports covered. Of particular concern are products benefitting from especially low duty rates, for example, because preferential origin is claimed under a free trade agreement (FTA). Another major area of concern is related to instances where risks of circumvention of trade remedies (anti-dumping, countervailing or safeguard duties) are high. Products imported in large volumes are of particular concern, even if no preferential rate is sought. This also applies to products sold between related companies, which may trigger customs valuation investigations (e.g., improper use of low transfer-price customs value as opposed to an arm’s length higher one).

If the classification, origin or valuation applied by Hexagon to a product is incorrect but results in a duty higher than what it should be, Hexagon will end up paying more than is required to customs authorities and may still be subject to penalties. Such added costs can have a significant impact on Hexagon’s business and competitiveness and must be avoided wherever possible.





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### Placing imported goods under customs approved procedures

Customs Laws provide for a number of procedures enabling operators to avoid duties in cases where the goods will ultimately not end up on the domestic market, but will be exported, after storage (e.g., in bonded warehouses) or after being altered, processed, or incorporated into another product (inward processing relief, free trade zone or duty drawback). Procedures also govern the temporary export of domestic raw materials for processing outside of the territory before re-importation of the finished product for resale on the domestic market (outward processing relief).

All these customs procedures require the setting up of internal procedures, including stock entry/exit procedures and relevant accounting entries, enabling proper monitoring in regular intervals by customs authorities. Ensuring proper compliance with these rules on an on-going basis is the first compliance objective of this Programme.

### Do not make decisions concerning compliance with customs laws if you do not have the required expertise

No decisions concerning Customs Laws (for instance the declaration of imported goods or placing under customs procedure) should be made by anyone not possessing the required expertise and designated as competent under Hexagon's customs compliance policy. In cases of doubt, always consult the designated Divisional Compliance Officer for customs or Corporate Compliance Counsel.

For instance, Hexagon personnel should never ship merchandise, including spare parts, replacement parts, warranty items, software, or samples through any means of their own, such as through postal mail or courier (FedEx, DHL, UPS, etc). All imports and exports must be cleared by the designated Divisional Compliance Officer for the facility.

Hexagon personnel must notify the designated Divisional Compliance Officer for the facility of any circumstances that may impact the dutiable value of imported merchandise. For example, the Divisional Compliance Officer may not know that the invoice price is not the fair market value of the merchandise if personnel do not provide notice of applicable tolling arrangements, rebates, royalties or license fees, tools, dies, moulds, or similar items used in the production of the imported merchandise supplied by Hexagon or other circumstances that could impact the declared value of the merchandise.

Finally, Hexagon personnel should not on their own respond to requests from customers for declarations confirming that a product they buy from Hexagon is of a specific origin (such as a preferential origin under a specific free trade agreement) or other certifications. Responses to these types of inquiries can involve complex assessments, including reviews of the value added to the product concerned at a given location or the origin of parts purchased from vendors. These assessments can only be made by personnel with proper training. Hexagon personnel should always refer these questions to the designated Divisional Compliance Officer for each facility.

