The case for a single global customs solution

The case for a single global customs solution is compelling. The outcomes are wide ranging and substantial for both the business and its customers, and solve a range of perennial problems, risks, and limitations, many of which have previously been ignored or assumed to be unsolvable.

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The traditional approach – the perennial problem

Until now, customs processing in any large global forwarder or integrated logistics provider has been accomplished with a multitude of local customs systems and vendors, typically one per country. The decisions to acquire these software solutions is driven by the availability of a small number of local providers and the local relationship between the local personnel and the vendor, and a very localized view of needs that ignore the many hard to solve problems.

Solve the problem for the enterprise and their largest customers

These local decisions, and the local solutions they select, even if vetted or governed by head office or the global IT team, ignore many factors including the limited benefits, complexity, risks, lost opportunities, loss of productivity, real cost of ownership, and many other factors that should be considered critical for the global business. Once these larger considerations are really understood — in the context of having to cover 20, 50 or 100 countries, vendors, systems, contracts, hardware and software architectures, data interfaces, languages, user interfaces, master data problems, cyber risks, and many otherwise invisible but perennial problems — this large number of local solutions becomes increasingly unacceptable.

There was no other way... until now!

Until recently, there was no viable, comprehensive, and truly single global solution for global forwarders and integrated logistics providers to consider. Despite many vendors in the customs processing space attempting to build a comprehensive global customs solution, all previous attempts to build a truly global and widely deployed customs solution have failed, often resulting in financial losses or failure, due to the complexity, cost, and comparative low "cost of acquisition" of a small local system. The complexity of many systems being built in many countries, in different languages – often with their own very different approach to customs procedures – has been an insurmountable barrier, until now!

A deeply productive, highly integrated, global, powerful, complete solution

In an attempt to tap part of the potential global market, many customs vendors have built a small portion of customs requirements. These typically cover export procedures only, or export and very basic import procedures, across a limited number of markets, in a limited way, targeting global trade management customers who manage their own export and/or import processes and procedures. These solutions lack the completeness needed to be considered a professional solution for the highly competitive and deeply complex logistics industry.

The industry needs a truly global, deeply capable, fully functional set of customs procedures, suitable to operate fully in each country, built with coverage of the entire logistics and supply chain processes and procedures. This deeply rich set of functionalities include preload, export, import, eCommerce, manifesting, duty calculations smoothly integrated with first class landed costing, order management, forwarding and short and–long–term bonded warehouse components that allow for straight through processing as well as high–quality control and visibility. The solution also needs to solve all customs obligations of the shipping line, airline, road and rail carriers, terminal operators, forwarder, short– and long–term bonded warehouse and the many related service providers that are often required participants in customs procedures.

The world is different now, the solution must be too

Logistics service providers are operating in what is an increasingly complex legal and commercial environment, all while having to remain highly productive, commercially competitive, and customer service focused. A complete solution must operate to the highest standards expected by multiple governments and logistics professionals working to ensure compliance with the law, while also protecting their employer, and their employers' customers (BCOs, importers, exporters, and other key participants), from the many obligations, risks and penalties these complicated transactions create, in what is an increasingly complex legal

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and commercial environment, all the while remaining highly productive, commercially competitive and customer service focused.

To make this even more important and certainly more complex, in recent years, the world has changed in significant ways. Almost all customs/border authorities have moved, or are planning to move, to what is called a "single window for trade" that connects all major branches of government to the international trade flows, instead of just to the customs authority. This raises the ability of government to require compliance and detect breaches when obligations are not met or are treated without due diligence.

Additionally, we are faced with increased international complexity, such as the war in Ukraine and various embargoed and pariah state actors, trying to circumvent sanctions, embargoes, the Wassenaar arrangement, dual use goods, military and strategic goods, export licensing, and various other international trade controls. All this has added to the workload, and the risks associated with the increasingly complex environment of international trade.

Directors, and officers' obligations, substantial fines, penalties, jail

More worryingly, accidental, or intentional breaches of these controls now regularly result in multi-million-dollar fines, penalties, and bans, and have included actual or suspended jail time for knowing or deliberate offenders. These are now ever-present risks. Directors, officers, managers, and anyone who 'facilitates' illegal trade

are increasingly being held accountable by governments, to crack down on a lack of diligence, close the loopholes and prevent illegal trade. Many government agencies including US OFAC and BIS, are acting extraterritorially to audit and detect breaches and enforce legal penalties. See the list in Appendix A of just some of the penalties received.

WiseTech Global has solved this global customs problem

Despite other vendors failing or not even attempting to solve such a complex and substantial problem, WiseTech Global has been, since 2017, working hard to extend our single Global Customs Solution such that it is now available in:

— all major English-speaking economies
— the largest European economies
— the largest Asian export markets, and
— the largest LATAM economy, Brazil.

Work continues at pace on the rest of the world, executed by the single largest group of product and development professionals within WiseTech, which we continue to invest in and grow. The focus for this group is continuing, on an international trade volume basis, to build out:

— the remaining European economies, focusing first on the Nordics, BENELUX and Switzerland with others to follow shortly after
— NAFTA by bringing in Mexico alongside the existing US and Canadian releases.

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- LATAM, focusing on the largest remaining economies after Brazil's completion.
- the remaining Asian economies in order of size and customer need, having completed China and Taiwan
- the Middle East
- the rest of the world, being any other countries with significant trading volume and customer demand.

Additionally, work is being done on a continuous basis to enhance our ability to execute our Single Global Customs mission, by:

- maintaining and enhancing the countries already released
- enhancing and deepening the Universal Customs Engine, the underlying architecture that supports this project, to provide further acceleration
- new and enhanced productivity measures, labor reduction tools and techniques, including workflow, automation, machine learning and AI
- better risk management tools and techniques, including workflow, automation, machine learning and AI, that will further enhance the safe processing of customs procedures locally and globally
- ensuring cross border reuse of data, from export to import, across many economies, including customs procedure and harmonized commodity code data to the greatest extent possible.

With a project of this scale, complexity, and depth, WiseTech will continue, as planned, to accelerate both scaling the teams, and increasing the technology investment, to build out further and faster, to cover the remainder of the world's most important economies. Our goal is to provide coverage of 90% of the world's international manufactured trade flows with our Single Global Customs Solution.

This is a watershed moment, but we are not done yet

There are many more important economies to tackle, but most of the major economies are completed, or nearing completion. We continue to scale our teams as the work broadens and the Universal Customs Engine architecture is further enhanced. The model is clearly proven and already being deployed with very large global freight forwarders and integrated logistics providers, with more to come.

The depth of this problem requires a detailed understanding

As always, the devil is in the detail, so to aid a full understanding of the legacy problem and the CargoWise solution and the value it creates, we have provided a comparison of old vs new approach, and the impacts of each facet of the solution, shown side by side.

This causes a series of critical problems:

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	Legacy approach aspect	Problem this causes	CargoWise Global Customs	CargoWise outcome created
	Operational labor costs, poor customer service, unable to follow the sun or use shared services			
1	Many different user interfaces, workflows and conceptual models. Each country/vendor/application has a unique and different user interface (GUI), work process flows and widely different concepts	Each system requires knowledge specific to that country: The ability to reuse staff across countries or create a shared service center is low	Regardless of local customs, the user interface is highly standardized: Provides a single highly standardized user interface, across all countries with minimal localizations to meet each country's requirements, all global workstreams are similar	Knowledge of any CargoWise customs module is applicable to all modules in all countries: Staff can be trained once to easily understand the work processes. Staff can be shared across locales and a shared services center is easily able to work across all global workstreams
2	Systems training may be in local language and limited: Each customs solution has different level and quality of documentation, often in only the local language. In many cases the training documentation is missing, out of date, low quality or incomplete	Required knowledge may not be available via documentation or training materials: Training staff is often poor or difficult, or delivered face to face by the vendor. Often the local unit has to hire from a limited set of people experienced in that local product	High quality digitally delivered training: WiseTech provides sophisticated and comprehensive online training and user certification for its customers, staff, and to the CargoWise Partner Network	Staff can be trained comprehensively in any location: Your staff are easily able to learn the core global customs system and the small localizations required in country
3	Only available in local language: Each custom solution is likely only available in a single language and often not in English (outside of the main English-speaking economies)	Local Staff must do the work: The ability to reuse staff in other locations (demand leveling or follow the sun) or create a shared service center is low	Always available in the local language and in English: The language is set by the user's preference in local language or English regardless of which country, region or local language	Demand leveling, follow the sun and shared service center are supported: Work can be shared across countries and time zones. Staff in any locale and/or a shared service center are able to service work regardless of local language of that customs system
4	Each local application is unique: In the way it operates, its structure, user interface, local language and its processes	Local staff must do the work: Each application must have its own locally trained staff, in the interface language of the system and knowledgeable about that individual systems capabilities and processes	Always available in the local language and in English: The language is set by the users preference in local language or English regardless of which country, region or local language	Demand leveling, follow the sun and shared service center are supported: Work can be shared across countries and time zones. Staff in any locale and/or a shared service center are able to service work regardless of local language of that customs system

Legacy approach aspect	Problem this causes	CargoWise Global Customs	CargoWise outcome created
Internal IT costs, maintenance, support cost, technical complexity, risk, upgrades, patches, regression test			
5 **Support arrangements:** Each local vendor has their own local support hours and local teams in local language and time zone	**Global work patterns are often not supported:** Support for shift work, weekend work, demand sharing across offices, follow the sun and shared service center operations is often not supported	**Support is 24x7 and highly automated:** The system is integrated with customer incident management and automated error reporting and analysis and released after high levels of unit testing, product testing, and defect containment	**System uptime is high and error management is sophisticated:** Resulting in high levels of continuity, reliability and deep incident response
6 **Maintenance cycles:** Each local vendor has its own maintenance, patch and bug fix processes, cycle and requirements	**Global maintenance requirements are often not easily supported:** Each local vendor has its own maintenance, patch and bug fix processes, cycle and requirements that may not be compatible with a global business	**System has built-in, sophisticated automated upgrades:** Upgrades can be scheduled at a time of the customer's choosing and upgrades proceed automatically and roll back and report any issues if a (rare) problem is encountered	**System uptime is high and error management is sophisticated:** Resulting in high levels of continuity, reliability and deep incident response
7 **Many different architectures:** Each local application has its own architecture, technology set and platform requirements	**Specialized skills and resources required:** Many different architectures require unique hosting, support, hardware, operating systems, servers, specialized staff for each architecture	**Requires only a single instance, single architecture, hosted on CargoWise Cloud or on a customer private cloud:** Architecture is well defined, and easy to manage, patch, upgrade and understand	**Cost of IT management is low, talent is easy to hire:** System architecture is easy to understand, well defined, modern and well documented. IT workers are familiar with the architecture and its components
Master data management, cost of developing and maintaining interfaces			
8 **Many masters:** Master data bi-directional synchronization (customer, organization, contacts, product/SKU) is impossible to manage without replication errors and data conflicts due to so many non-live links to local system	**Data errors and conflicts:** In most cases operators and high cost customs staff are left to manage master data errors. Data errors are often visible or discovered by the customer. Data errors can affect compliance obligations	**Single master data set:** Master data is singular, live and no synchronization or replication is required	**Master data is always consistent and up to date:** No staff are required to manage replication or sync errors

	Legacy approach aspect	Problem this causes	CargoWise Global Customs	CargoWise outcome created
	Master data management, cost of developing and maintaining interfaces			
9	**Many interfaces to build and maintain:** For each of the many local customs solutions, multiple data interfaces need to be designed, built and maintained between the main system and each local customs system, to allow the commercial invoice, the product master data, the customer master data and the duties, taxes and fees to be transferred	**Data interfaces are unable to provide tight integration:** Due to the complexity, maintainability and incompleteness of these interfaces, IT costs and labor costs are incurred on an ongoing basis. Most interfaces are incomplete and imperfect leading to data loss and incorrect and incomplete data transfers, especially around master data	**No data interfaces are required:** The system is highly integrated and data flows instantly between organization and product master, and between modules instantly. Events flow across the system and create automations, alerts and other productive outcomes	**Data is live and real time through the system and does not require checking, rekeying or rework:** Labor costs are much lower, rekey errors do not occur, visibility and management are easy and fast, and all staff and management can see and interact with the workflow from any location, provided security allows
10	**Every local system requires multiple data interfaces:** Each data interface is complex, and results in a very large set of technically complex interfaces that rely on the stability and consistency of the local system. Customs authorities update their requirements on a regular timetable and this will often require changes to the local system and subsequent changes to the data interfaces	**Existence of such a large set of custom built interfaces:** Creates a number of ongoing costs, change control, reliability and stability, and complexity issues. Direct experience shows that the management of such a large number of custom interfaces creates a fragile system and comes at a high cost to maintain.	**No data interfaces are required:** The system is highly integrated and data flows between organization and product master and between modules instantly. Events flow across the system and create automations, alerts and other productive outcomes	**No costs are incurred for data integration:** All maintenance of integrations are covered by WiseTech and no effort is required by IT or anyone else to maintain any product capability
11	**Product master/classification are local:** Product (SKU) master data from each local system is different in each system and is impossible to store in the central system	**Each product master is held locally:** Therefore not available to the importer, exporter or customs clearance staff in other local systems. Product/SKU/classification data reuse and visibility is poor for any customer that exports or imports to/from many locales	**There is a single product master/classification record:** Containing all classification information for any product or SKU imported or exported, and held live and globally in one place for all locales	**Classification data from one locale can be use to accelerate the entries in another locale:** Due to the WCO Harmonized System and the six digit code plus, the research done in any one import or export entry, the information in one customs entry is helpful for any other customs entry

Legacy approach aspect	Problem this causes	CargoWise Global Customs	CargoWise outcome created
Legal complexity, financial risk, supplier business stability risk			
12	**Legacy architecture:** Many local applications are on older, sometimes much older, legacy technology, languages, databases, and architectures. Many technical components may no longer be supported by the manufacturer	**Long term support of the application is unlikely:** If the vendor can update to newer technology, there is a high likelihood of a replacement application with entirely new GUI and processes, requirement reinstallation, data conversion, staff retraining and new data interfaces needing to be built	**CargoWise is committed to ensuring that user interfaces and data sets will be supported long term:** Supported in any future releases, regardless of new product releases, upgrades of technology changes. The user interfaces and data structures have been similar for the last 20 years, despite dramatic technology changes and many enhancements and new product features	**Staff training is never lost, and application data is retained:** Despite technology change, new customs requirements and general enhancements to capability, staff training and data retention is conserved
13	**Supplier financial/lifecycle risk:** Many smaller local vendors have marginal business models, very low growth or profit, some are actually unprofitable or break even. The industry is increasingly complex and investment is required to keep up with competitive requirements and customs, modernization, and system rewrites	**There is a likelihood that some of these vendors' businesses cannot continue:** When presented with a required rewrite, as the technology or customs requirement landscape changes and becomes more complex and costly. Pressure to update aging tech, comply with new customs (eg: Single Window) requirements, deal in depth with cyber security and provide better competitive capability may force the vendor to sell or close	**WiseTech is very strong financially:** WiseTech can and does invest in customs driven rewrites and industry innovations in order to keep customers at the forefront of customs and other technology requirements	**Customers can depend on the product being properly maintained, updated, and compliant:** All upgrade, maintenance and updates to the software included free of charge
14	**GDPR compliance:** Brings together a large number of local, often small vendors, many of whom may not themselves need or even be aware of GDPR (or other similar laws)	**For almost all integrated international forwarders GDPR is a non-negotiable requirement:** Missing or incomplete GDPR compliance or the risk of GDPR compliance failures due to the vendors own ability to comply with GDPR and other similar laws	**WiseTech complies with GDPR and other privacy and data protection laws and regulations:** Customers can depend on WiseTech's compliance with law and regulation	**All regulatory, audit, and other standards and compliance requirements are covered:** All GDPR (and similar) compliance requirements are included free of charge

	Legacy approach aspect	Problem this causes	CargoWise Global Customs	CargoWise outcome created
	Legal complexity, financial risk, supplier business stability risk			
15	**Contractual terms vary for each vendor:** Each local vendor has its own contractual terms, law and forum, and renewal timetables	**Contract management is very complex, costly and difficult:** Managing so many small vendors on discrete contracts, with complex local requirements and licensing terms creates legal cost and risk	**There is only one vendor (WiseTech) and one contract with the customer:** Our contract terms are well regarded and have been applied for more than a decade and suit the smallest to the largest global players	**There is low cost of managing WiseTech as a vendor and our contract terms:** The contract is sophisticated and fit for purpose for a small or large customer and has been refined over more than a decade
16	**Local systems have often been built at a time when international trade compliance was not important:** Verification of various export controls, sanctions, embargos, correct classifications, correct duty payments, and other compliance obligations is rarely a standard feature of local customs systems	**Legal liability from inadequate international trade compliance:** Without proper verification of various export controls, sanctions, embargos, correct classifications, correct duty payments, and other compliance obligations, serious fines, penalties and other punishments including jail and loss of the ability to trade may occur	**WiseTech, via its CargoWise and BorderWise products, has deeply invested in international trade compliance and will continue to do so:** The system continues to be at the forefront of international trade compliance and built around major requirements and conventions	**All compliance requirements are included in the standard license terms:** Access to many aspects of international trade compliance are built into the product and accessed at the required time and place in order to perform appropriate due diligence
17	**Local vendors are high risk:** Local vendors do not have many of the sophistication, controls or funding required to de-risk their products and their business	**Unknowable risks:** Using many, usually smaller and less sophisticated vendors requires the business to accept unknowable risks	**WiseTech is a substantial, mature, audited, publicly listed, entity:** With an independent board, governance, risk and cyber security measures. The company conforms to major standards such as ISO27001, SOC1 and 2, and NIST. We also practice defense in depth, secure by design and many other approaches to risk mitigation	**WiseTech is reliable and relied upon by many of the world's largest logistics companies:** All aspects of this governance and security are included in the commercial model and standard license terms

	Legacy approach aspect	Problem this causes	CargoWise Global Customs	CargoWise outcome created
	Cyber risk / compliance risk (attack surface, testing and certification, SOC, ISO27001, NIST, Audit etc.)			
18	**Cyber testing is weak or non-existent:** From direct experience, almost all local vendors fail proper penetration testing, have very limited or missing cyber defenses, limited or no compliance to important standards such as ISO271001, SOC 1 and 2, NIST and other critical standards and safeguards	**Business continuity, and customer data is at risk:** The risk of a cyber attack, data leak or other forms of failure is very high if no systematic set of approaches to risk mitigation are used. Many local vendors are not themselves a target for an attack, but are an easy entry point for a ransomware attack or data exfiltration of the customers system	**WiseTech engages in substantial and continuous cyber and process management efforts:** Along with audits including standard financial audits, security audits, SOC 1 & 2, ISO27001, NIST, penetration testing, black, grey and white box testing, red and blue teaming and external and internal reviews of all matters that affect cyber security and reliability	**WiseTech is reliable and relied upon by many of the world's largest logistics companies:** All aspects of this governance and security are included free of charge
19	**Limited defenses and/or no insurance covering cyber, product liability or professional indemnity:** Few local vendors have comprehensive cyber insurance, GDPR governance, risk mitigations and other critical defenses to insulate your business from the damages of an attack	**Cyber attacks and other business interruptions or problems may bankrupt the vendor:** Without a comprehensive multipronged approach to risk and mitigation, the vendor may fail in a crisis	**WiseTech has deep governance and compliance and appropriate insurances covering the spectrum of risks:** The best solution is to be cyber hardened and fault tolerant, but we have defense depth at our core	**WiseTech is reliable and relied upon by many of the world's largest logistics companies:** All aspects of this governance and security are included in the commercial model and standard license terms
20	**Many applications and vendors weakens your own attack surface:** A large set of local vendors with weak cyber defense and mitigations, creates a large attack surface that weakens your own cyber defenses	**A chain is only as strong as its weakest link:** A large set of small cyber immature vendors attached via interfaces to the core system, with access to the systems required when vendors require it, can open up many potential backdoors to access otherwise highly cyber secure core systems	**WiseTech engages in substantial and continuous cyber and process management efforts:** Along with audits including standard financial audits, security audits, SOC 1 & 2, ISO27001, NIST, penetration testing , black, grey and white box testing, red and blue teaming and external and internal reviews of all matters that affect cyber security and reliability	**WiseTech and CargoWise are cyber hardened and reliable:** Every effort is taken to ensure that no attack vector is left open. Continuous review and ongoing programs ensure that every area of cyber risk and general fault tolerance is addressed and continuously reviewed and updated

	Legacy approach aspect	Problem this causes	CargoWise Global Customs	CargoWise outcome created
	Cyber risk / compliance risk (attack surface, testing & certification, SOC, ISO27001, NIST, Audit etc.)			
21	**Many vendors are 'cyber immature':** From direct experience, almost all local vendors fail proper penetration testing, have very limited or missing cyber defenses, limited or no compliance to important standards such as ISO271001, SOC 1 and 2, NIST and other critical standards and safeguards	**A chain is only as strong as its weakest link:** Weak cyber security across many vendors and applications makes an excellent platform for a 'software supply chain' attack which can allow a direct path into the customers core infrastructure, allowing a ransomware attack to occur despite otherwise strong cyber defenses	**WiseTech engages in substantial and continuous cyber and process management efforts:** Along with audits including standard financial audits, security audits, SOC 1 & 2, ISO27001, NIST, penetration testing, black, grey and white box testing, red and blue teaming and external and internal reviews of all matters that affect cyber security and reliability	**WiseTech and CargoWise are cyber hardened and reliable:** Every effort is taken to ensure that no attack vector is left open. Continuous review and ongoing programs ensure that every area of cyber risk and general fault tolerance is addressed and continuously reviewed and updated
	Visibility, operations or customer unable to see full process – end–to–end			
22	**Limited or no visibility:** Into the local customs application processes. Usually, only the local offices in a single country have access to the local customs application	**Lack of visibility fails the logistics provider and their customer:** Impedes visibility, the ability to understand and manage, and the inability to access data across the business or to provide status to the customer are critical problems	**Any staff member with permissions, can access and operate the system:** In any module including export and import procedures, pre load manifest, under bond moves, customs releases, and all other customs procedures regardless of the country in which the work is normally located	**Visibility can be seen and work can be shared across business units, countries and time zones:** Staff in any locale, and/or a shared service center, are able see status and service all work regardless of locale, time zone or language
23	**Product classifications are held locally:** Master data product (SKU) data is almost never returned to the enterprise system and, therefore, is not available to the importer, exporter or customs staff in other countries	**Product/SKU/ classification data cannot be reused easily:** Customers with many import export locations and customs staff processing their work do not gain access to classifications in other locales	**There is a single global product master/classification record:** Containing all classification information for any product or SKU imported or exported, and held permanently for every locale	**Classification data from one locale can be used to accelerate the entries in another locale:** Due to the WCO Harmonized System and the six digit code plus the research done in any one import or export entry, the information in one customs entry is helpful for any other customs entry

	Legacy approach aspect	Problem this causes	CargoWise Global Customs	CargoWise outcome created
	Customer service complexity and cost, customer service or experience issues, inability to automate			
24	**Local customs vendors do not supply or have access to corporate systems:** Their domain is the customs processing system and they do not interact with the corporate or central logistics system	**Local customs vendors cannot provide an integrated portal:** High quality customer service should be provided digitally and include a deep set of customs and other logistics services, statuses and shipment events and visibilities. However, local vendors do not have that capability	**CargoWise Neo is an integrated custom portal:** Neo provides access to shipment and customs status and progress and will allow customers to be included in approving customs classification and international trade due diligence processes. This moves the responsibility from the integrated forwarder to the actual party with both knowledge and primary responsibility	**CargoWise Neo is included:** Neo will be providing due diligence workflows for BCOs to review and confirm due diligence data, recommendations and approvals. The base Neo capability is included free in the commercial model and standard license terms
	Enterprise class integration, continuous innovation in automation and productivity improvements			
25	**Local vendors have a small set of key staff:** Given the economics of software development when the vendor is small, maintaining the system and providing customers service is 90% of the work	**There is little time for innovation:** In our experience, most local vendors have no spare time for innovation once customer service and maintenance have been dealt with	**WiseTech is innovating continuously:** AU$880 million invested in R&D since FY19, delivering more than 5,300 product enhancements to date. 1,130 in the last 12 months to 30 June 2023. 1,800+ staff in product development	**WiseTech is a logistics innovator:** We are constantly building for improved capability, productivity, visibility and manageability. These innovations are included in the commercial model and standard license terms
	Governance, loss of reputational risk, loss of business, fines, penalty, jail			
26	**Limited or no international trade due diligence:** Inability to comply with international trade restrictions	**Lack of integrated capability leads to higher costs and risks:** Need to acquire non-integrated, labor intensive compliance software to supplement the local customs system	**WiseTech provides international trade compliance tools:** BorderWise and integrated tools to achieve strong due diligence in international trade compliance are available	**CargoWise includes integrated international trade compliance tools:** All aspects of this governance and security are included in the commercial model and standard license terms

|	Legacy approach aspect	Problem this causes	CargoWise Global Customs	CargoWise outcome created
27	**Limited or no international trade due diligence:** Inability to comply with international trade restrictions	**Brand damage:** From government enforcement, substantial fines or customs processing bans	**WiseTech provides international trade compliance tools:** BorderWise and integrated tools to achieve strong due diligence in international trade compliance are available	**CargoWise includes integrated international trade compliance tools:** All aspects of this governance and security are included in the commercial model and standard license terms
28	**Local customs app not working for extended time period:** Local vendor or application long outage or permanent failure	**Inability to perform logistics services:** Failure to be able to process customs entries in a single customs locale	**WiseTech and CargoWise are hardened against failure:** WiseTech provides redundancy, fault tolerance, failover and disaster recovery capabilities to ensure services are robust	**Our failure resilience is included:** In the commercial model and standard license terms
29	**Cyberweak local vendor:** Ransomware attack or data exfiltration via weak local vendor as entry point	**Brand damage and costs to recover from the attack:** From cyber attack via a local customs vendor. Vendor as entry point may void cyber insurance	**WiseTech and CargoWise are hardened against failure:** WiseTech provides redundancy, fault tolerance, failover and disaster recovery capabilities to ensure services are robust	**Our failure resilience is included:** In the commercial model and standard license terms
30	**Cyberweak local vendor:** Ransomware attack or data exfiltration via weak local vendor as entry point	**Legal liability:** Multiple damaging lawsuits from inability to provide critical services to contracted customers, due to ransomware attack. Vendor as entry point may void cyber insurance	**WiseTech and CargoWise are hardened against failure:** WiseTech provides redundancy, fault tolerance, failover and disaster recovery capabilities to ensure services are robust	**Our failure resilience is included:** In the commercial model and standard license terms

Appendix A

Samples of civil and criminal penalties – US enforcement

US OFAC fine a wide array of exporters for breaches of trade restrictions

— In 2021 fines amounted to total of US$20,896,739

— In 2022 fines amounted to total of US$42,664,006

— In 2023 fines totalling US$557,190,258 issued to date

US BIS in 2021 recorded 50 criminal convictions amounting to 1,118 months of imprisonment

NUMBER OF CONVICTIONS

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Convictions	~33	~31	~30	~36	~36	~51
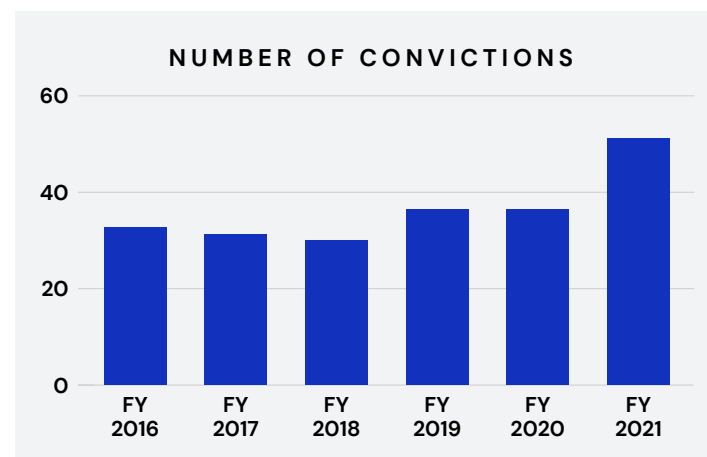
For a summary of US DOJ infringement action from 2016 to 2019 visit:
justice.gov/media/1046511/dl?inline

Practical takeaways

Together, these settlements from BIS, DOJ and OFAC demonstrate that US authorities are increasingly taking a coordinated approach to enforcement of sanctions violations and wielding their enforcement authorities to their fullest extent.

The US is very active and becoming much more active in recent years, so too are other trading blocs such as the EU, the 'Five Eyes' and many others.

Both logistics service providers and their customers (Beneficial Cargo Owners or BCOs) are increasingly being held accountable for directly or indirectly acting to cause or facilitate a breach.

For service providers (or BCOs) to be at low risk of an infringement, a concerted due diligence process must be undertaken. This process must be evidenced and verified so that every effort is reasonably undertaken to detect and prevent breaches.

Scope and size of penalties for breaching sanctions

Western governments also treat violations as a serious threat. Criminal offenders may face monetary fines ranging from thousands to millions of dollars, and prison time of up to 30 years may apply.

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Appendix A

Avoidance – attempts to avoid probably won't work

— It is notable that attempts to avoid the reach of US law, in order to continue to facilitate trade between countries that do not have direct controls or sanctions, but may have otherwise been in breach if the shipment includes US origin goods, trade or locale, will fall under the US regime, due to the extensive reach the US asserts, aided by other western governments.

— The US has used its laws and its agencies to detect and prevent these practices by using a range of tools, such as (but not limited to):
  - If a person involved in 'facilitation' is a US citizen (this could be a database admin working on the system)
  - If the trade is done in USD
  - If the logistics provider is owned or controlled by a US citizen or resident entity
  - If the company does business in or has offices in the US.

— The US (and other governments) is increasingly well resourced and acting more forcefully to detect and punish breaches.

— Fines and other penalties, including jail, are being levied – from smaller amounts (tens of thousands) to massive fines (hundreds of millions) – depending on the number of breaches, the size of those breaches, and whether the breach was intentional, accidental, self-reported, discovered in an audit, or reported by a whistle-blower.

— Because every jurisdiction's regulation, and enforcement priorities can differ, multi-jurisdictional companies should ensure that their sanctions compliance programs adequately account for the breadth and depth of both local and foreign jurisdictional risks.

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Appendix A

Examples of just some of the fines and penalties from industry

Company	Primary offence type	Agency	Penalty
Expeditors International of Washington	Export control violation	BIS	$5,000
DHL Airways, Inc	Economic sanction violation	OFAC	$28,073
Gebruder Weiss Ges.m.b.H.	Export control violation	BIS	$6,000
DHL Express (USA), Inc.	Economic sanction violation	OFAC	$25,000
DHL Holdings (USA) Inc.	Export control violation	BIS	$18,000
Kuehne & Nagel, Inc.	Economic sanction violation	OFAC	$18,957
DHL Holdings (USA), Inc.	Export control violation	BIS	$37,500
DHL	Export control violation	BIS	$9,444,744
Toll Global Forwarding (USA) Inc.	Export control violation	BIS	$27,000
UPS Supply Chain Solutions (Houston)	Export control violation	BIS	$6,400
Kintetsu World Express (U.S.A.), Inc.	EAR	BIS	$30,000
General Logistics International	EAR	BIS	$90,000
Asim Fareed (VP) / Compass Logistics International	EAR	BIS	
Pilot Air Freight LLC	EAR	BIS	$175,000
Federal Express	EAR	BIS	$500,000
Unitrans International Inc.	False Claims Act and related	DOJ/CIVIL	$45,000,000
USGoBuy, LLC	EAR – pkg consolidation and shipping	BIS	$20,000
Toll Holdings Limited	Economic sanction violation	OFAC	$6,131,855
Rukhsana Kadri / R&A International Trading, Inc.	EAR	BIS	$625,263

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Appendix A

An example of an importer (BCO) related matter before the US Courts

No.	Description of Count	Alleged Culpability	Amount/Penalty Demanded	Wanxiang's Defence
1	Deprivation of lawful duties under 1592(d)	Strict Liability	$31,185,209.11	— No violation of § 1592
2	Incorrect entry of WHAS covered by Tapered Roller Bearing Order	Negligence	$53,879,970.62	— Lack of fair notice
3	Incorrect entry of radial ball bearings and tapered roller bearings	Negligence	$1,204,204.64	— A misclassification is not a false statement
4	Incorrect entry of universal joints and parts and accessories of universal joints *before* July 1, 2009	Negligence	$3,368,808.32	— A misclassification is not a false statement — Classification under HTSUS 8708 was correct
5	Incorrect entry of universal joints and parts and accessories of universal joints entered *after* July 1, 2009	Gross Negligence	$7,557,676.92	— A misclassification is not a false statement — Classification under HTSUS 8708 was correct — Notice of Action cannot establish gross negligence
6	Incorrect entry of universal joints and parts and accessories of universal joints entered *after* July 1, 2009	Negligence (alternatively from Count 5)	$3,778,838.46	— A misclassification is not a false statement — Classification under HTSUS 8708 was correct — Notice of Action cannot establish negligence
7	Incorrect entry of entries of universal joints under a duty-free actual use provision for agriculture machine parts	Gross Negligence	$83,020.60	— A misclassification is not a false statement
8	Incorrect entry of entries of universal joints under a duty-free actual use provision for agriculture machine parts	Negligence (alternatively from Count 7)	$41,510.30	— A misclassification is not a false statement
9	Incorrect entry of miscellaneous parts	Negligence	$97,085.88	— A misclassification is not a false statement
Total amount demanded: Assuming gross negligence on Count 5 and 7			**$97,375,976.09**	

Should the case be proven, there is a likelihood that the BCO will make a substantial claim against the service provider for incorrect advice provided and failing to discharge its services in an appropriate manner. This is not an uncommon scenario in high value import countries.

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