

Service Level Agreement (SLA) and Supplier's Manual

**Supplier Logistics Assessment and
Quality Requirements
Brazil - August/2020**

Content

1. Service level measurement
2. Exception policies
3. Delivery / receiving requirements best practices
4. International transport or material from ports and/or borders
5. Quality Criteria
6. Quality Defects
7. Specification Change
8. Packing and identification of raw material
9. Certificate of Analysis (CoA)

1. Service level measurement

a. Definição

To measure the efficiency of our suppliers' deliveries, Avery Dennison of Brazil uses the "OTIF" (requested delivery date vs effective delivery date) methodology for all deliveries received.

Measurement takes place by measurements per order line as follows:

1. Requested Date
2. Number Requested

For this, the calculation basis is: requested delivery date vs delivery date performed by the supplier.

Example 1: Requested date 2/20/2020, effective date of delivery 2/20/2020, this means that OTIF was 100%.

Example 2: Requested date 2/20/2020, Effective delivery date 2/25/2020, this means that OTIF was 0%.

Adding the two deliveries of the example above, the final OTIF was 50%.

To measure OTIF related to quantity, it is considered the same example as above, however, if the supplier notifies in advance (7 days) the partial delivery of an order line, Avery Dennison from Brazil will make an impact analysis and if it is harmful to the business, the subsequent delivery of the missing material will be considered as a delay, if it does not directly affect our production process, the line in question will not be considered as a delay as long as the new planned date for the balance is met.

It is important to note that all deliveries with partial quantities that are made without prior notice, will be considered as a delay. Service goal for suppliers in Brazil is:

- OTIF \geq 95% - Ok
- OTIF $<$ 94% \geq 88% - Parcial
- OTIF $<$ 88% - Out

2. Exception policies

a. Definition

Exception policies are applicable to specific cases and will determine that a delivery will not be considered when measuring OTIF.

b. Dismissed exceptions:

1. Request by Avery Dennison to anticipate or postpone any delivery.
2. Avery Dennison orders that are shorter than the delivery lead time, given:
 - 2.1 - Orders outside of lead time, but confirmed by the supplier will be measured according to the date confirmed by the same.
 - 2.2 - Orders not confirmed by the supplier according to the requested date, however, less than the lead time will be considered as dates delivered on time.
3. Rescheduling of dates by the Supplier:

3.1 - Supplier must notified 7 days in advance, so Avery Dennison will assess the impact and:

3.1.1 - Do not impact the business: it will be considered a new delivery date for measurement.

3.1.2 - Impact the business: it will be considered delay in delivery

4. Exceptions of quantity:

4.1 - Supplier must notified 7 days in advance, so Avery Dennison will assess the impact and:

4.1.1 - Do not impact the business: it will be considered a new delivery date for measurement.

4.1.2 - Impact the business: it will be considered delay in delivery.

It is important to emphasize that there is a 10% tolerance in the quantity to be delivered (greater or lesser) that will not be considered as a measurement point.

3. Receipt of materials

a. Definition

In order for the receipt flow to be effective and not generate problems in your process, below is a list of procedures that all suppliers must follow:

1. All delivery vehicles must access the company through ordinance 2 at the Address: Francisco Foga, 225 Vinhedo-sp, ZIP code 13280-000, and must present themselves at the ordinance bearing DANFE, Purchase Order Number or Collection Order or Note Import tax.
 - 1.2. Additionally, it is mandatory that the supplier send the invoice XML in advance.
2. Every driver must present himself in uniform (preferably) and / or with pants, T-shirt and closed shoes (preferably safety). Non-operational companions with drivers will not be allowed to enter the company's premises.
3. The vehicle must follow the conservation rules according to the current traffic laws, including respecting the CO2 emission limits.
4. The driver must wait in the "driver waiting area" of the entrance or inside the vehicle, and NEVER ABANDON THE VEHICLE LOCKED IN THE PARKING.
5. Avery Dennison's pre-stipulated times for receiving or scheduling must be respected for a specific delivery, and it is necessary for scheduling to arrive 2 hours in advance (when not followed, it will enter the unload queue in free time in the schedules), vehicle chemists demanding chemical analysis should always arrive at no later than 3 pm.
6. When authorized to enter, the driver must pass the road scales and must wait for the signal from the security team to proceed to the stipulated dock for unloading. The vehicle must go through a complete search before entering our facilities under OAS rules (including opening bags and personal backpacks).
7. The driver must respect the Avery Dennison internal traffic signs..
8. During the positioning maneuvers at the receiving docks, the driver must wait for the assistance of moving an Avery Dennison employee, and being a vehicle coming from foreign trade, he will go through a second search on the vehicle before entering the dock.
9. After parking the vehicle at the unloading docks, the vehicle must be "put on" by the driver, in certain docks the vehicle will also be braked by a mechanical / electrical system activated by team Avery Dennison. Before the start of unloading or opening the doors, the Avery Dennison

team must check the sealing numbers when available, and the vehicle key must be delivered to the Avery Dennison receiving team.

10. "Sailcloth" type vehicles: during "shifts" or "sail clothing" if there is a need to climb the driver or assistant in the load, the same must use "scale vehicle dismantling platform" or fall arrest belt anchored in pre-established places by team Avery Dennison.
11. Chemical tank vehicles the drivers must be trained to transport chemical products, the vehicles must contain chemical classification signs in the bodywork, drivers must use fall arrest belts when climbing the vehicle tanks. Any leakage must be reported immediately to Avery Dennison, and the unloading must be stopped immediately.
12. During vehicle unloading, drivers should stay in the driver's waiting room or inside the vehicles. Never transit without authorization in company dependencies. Tank truck drivers should always monitor the unloading of vehicles in a state of ALERT with all necessary PPE for handling chemicals.

4. International transport or material from ports and/or borders

a. Definition

To meet the standards / processes of transportation in foreign trade, Avery Dennison provides and requests a series of points that are mandatory.

The points below are in the English language so that they can be shared not only in Brazil but also among other units of the supplier, both in Latin America and anywhere in the world.

b. Shipment Documentation requested:

The set of the shipment documentation must contain: Invoice + packing list + Bill of Lading. Avery needs all these documents in order to verify whether they comply with Brazilian customs requirements.

Please do not send emails without attaching all the documents requested above.

It's important to mention Avery Brazil Purchase Order reference in all documents and in the subtitle of the e-mail.

The original set of shipment documents must be sent to Avery's address as soon as it is issued (attention: Mirele Pereira). It should be received at Avery' site at last 10 days after vessel departure. The courier tracking number should be sent by email to mgsupplybrazil@averydennison.com

Important:

- Commercial Invoice: 2 original (duly signed in blue ink, and without erasures or liquid corrective revisions)
- Packing List: 1 original
- Certificate of Analysis: 1 original
- Bill of Lading: 3 original

BILL TO & SHIP TO ADDRESS:

Avery Dennison Do Brasil LTDA
RODOVIA MIGUEL MELHADO CAMPOS, S/N KM 77
Distrito Industrial - Vinhedo - SP
13288003
CNPJ: 43.999.630-000124

1. Commercial invoice contents

- Company Logo;
- Bill & Ship To address;
- Commercial Invoice Number and Date;
- Purchase Order Number;
- AVERY ID or Part Number;
- Goods Detailed English Description of Items;
- Exporter Complete Name and Address
- Manufacturer's Complete Name and Address;
- Country of Origin;
- Country of acquisition (from each country material was bought from)
- Country of proceed of the cargo (where the cargo are coming from)
- Quantity Shipped and unit (SQM, LBS, KG);
- Unit Price and Total Price for each item - Prices expressed in multiples (hundreds, thousands, etc) are not allowed – Please specify the currency used (USD, EUR, GBP,etc);
- Commercial Invoice Total Amount;
- Currency
- Payment Terms;
- Shipment Terms (INCOTERM) – Ex: CFR,CIF, DAT etc.;
- Bank Information;
- Freight or other expenses (according to the negotiation)
- Total Gross and Net Weight in Kg;
- Number of Volumes;
- Hand Signature in BLUE INK;
- Stamp as original;

2. Packing list contents

- Company Logo;
- Bill & Ship To address;
- Purchase Order Number;
- AVERY ID or Part Number;
- Quantity Shipped;
- Total Gross and Net Weight in Kg;
- Number of Volumes;
- Volumes Dimensions and Unit of Measure;

3. Parts identification

All packaging must be properly and fully identified (LABEL) with AVERY's PO #, Quantity and Number of Volumes. Ex: 3 volumes: 1/3, 2/3, 3/3.

4. Wooden pallets, partis, small partis and corner shelf

Please be informed that from February 01st 2016 will come into force the new IN MAPA n° 32 of 2015 (Regulatory Instruction the Ministry of Agriculture, Livestock and Supply) regulating the procedures for inspection and phytosanitary certification of wood that will be used in the manufacture of packaging, supports and other, intended for stowage of imported or exported goods by Brazil.

It is extremely important that shippers, exporters, cargo agents, etc., adopt wood treatment as required by NIMF 15 (International Standards for Phytosanitary Measures).

It is important to mention in the Bill of Lading if the goods are wrapped, or not, in packages or wood supports; if the wood is processed; whether the same has been treated according to the rules of NIMF15.

Below we have transcribed the Articles 4°, 25°, 31° and 33° (of the IN MAPA n° 32 of 2015) because they are the most relevant for exporters.

Art. 4° Are considered low risk and therefore excluded from the provisions of this Instruction:

I - packaging and wood supports fabricated entirely with wood of a smaller thickness, or equal to six millimeters;

II - packaging and wood supports fabricated entirely with wood treated, such as plywood, agglomerates, wood chip plates and wood laminates, that have been produced using glue, heat, pressure or a combination thereof;

III - barrels for wine and alcoholic beverages, which were heated during the manufacturing;

IV - gift boxes for wine, cigars and other commodities made from wood treated or manufactured in such a way that make them unable to convey pests;

V - sawdust, wood chips, wood shavings, wood chips and wood wool, when used as packaging or supports; and

VI - wood components permanently coupled to cargo vehicles and containers used to

transport goods.

Single paragraph. The wood stowage used to support or wrapping the shipments of wood logs or lumber, made from wood of the same type and quality as the of shipment, and which fulfills the same phytosanitary requirements of import, will be considered integrant of shipment, not being subject to the requirements of this Regulatory Instruction

Art. 25° The packages and supports of wood in raw that wrapping the goods of any kind, from countries that have internalized the NIMF 15, must be treated and identified with its brand IPPC (Intergovernmental Panel on Climate Change). -> MUST BE STAMPED VISIBLE TO BRAZILIAN CUSTOMS

Single paragraph. The IPPC brand as referred the main section may be replaced by Phytosanitary Certificate or by Treatment Certificate stamped by the National Phytosanitary Protection Organization - ONPF of the origin country, starting of the phytosanitary treatments recognized by NIMF 15.

Art. 31° For purposes of this IN, is understood as non-compliance:

- I - presence of live quarantine pests;
- II - active signs of infestation of pests;
- III - the absence of the IPPC brand or Phytosanitary Certification that meets the requirements required by this Regulatory Instruction;
- IV - irregularity in the IPPC brand applied; or
- V - irregularity in the Phytosanitary Certificate or Treatment Certificate stamped by the ONPF, when applicable.

Art. 33° The goods wrapped in packages and wooden supports that feature non-compliance mentioned in sections III, IV or V of art. 31° - since it not associated to presence of live quarantine pest or sinais of active infestation of pest - may have its authorized import if the packages or wood supports can be separated from the goods and then returned to the country origin WHICH IS RESPONSIBLE FOR THIS CHECK AT ORIGIN WILL PAY FOR EXPORT

In the cases that cargo cannot be separated from the pallets all shipments will have to be re-export to country abroad

5. General information

For oceans shipments, the final destination must be SSZ (Santos Port – Marimex Terminal).

6. Attention

- Non-compliance of any of above requirements will cause problems for payment remittance.
- Non-compliance of any of above requirements may cause fines with customs.
- If your company is not able to comply with any of these instructions, please inform your contact at Avery
- Dennison do Brasil Ltda.
- Please do not forget to inform in your Commercial Invoice the Bank Information (Bank name, Full Address, Account number, Swift Code or ABA number)
- According Brazilian Legislation the payment date is calculated based on BL / AWB Issue Date.
- For EXW Incoterm EXPORT DATE on PO means cargo available for pick-up.
- Wooden pallets need to be fumigated. There must be a stamp on the pallet and the certificate of fumigation must be sent along with other documents (copy only).

7. Exporter Collaborative Shipment:

Making a container checklist before loading containers will avoid issues with the shipping company in the destination port. We sometimes have problems when returning the equipment back to the Empty Container Warehouse (hired by the shipping companies), as they want to charge Avery for damages which are not caused by our team, and this causes extra cost and delays. Taking and filing pictures of the container's condition before loading will enable us to contest this kind of situation, when, of course, the damage was not caused by our team.

- Service expected from the Forwarder hired by the exporter:

All shipments must be given the green light by Avery Dennison Brazil.

The agent should send an email to all contacts in the Avery Brazil, Supply Chain Department. In this email, the Purchasing Order number should be stating in the subject line.

In the cases where an Import License is applied, the agent has to wait for the green light from the importer. Otherwise, a fine will be charged if the shipment leaves before the import license has been approved.

When requesting Bill of Lading approval by email, it is mandatory that in the same file all commercial invoices and packing lists are attached as well. Always state the Purchasing Order number in the subject line.

An invoice must be requested from shippers. Always ship cargo with commercial invoices and packing lists.

Please check whether Bill of Lading information (such as weights, harmonized code, address and CNPJ) is in alignment with the invoice and packing list sent by the exporter. Also, it's very important that the correct seal number is mentioned/recorded/noted in the Bill of Lading.

Demurrage Free time at the destination port has to be 21 days minimum. It is very important that you mention this information in the Bill of Lading.

- Service expected from the Forwarder in the destination port:

Hand in the “manifesto” to the destination Terminal 48 hrs or more before vessel arrival.
Avery’s Terminal is Marimex. Shipments should be moved to Marimex.

Make sure all the information is correctly entered into “CE Mercante” in order to avoid any delays and penalties due to incorrect and/or missing information.

With first line International maritime transport, there should be no issues from the shipping company’s side to release the shipment in the destination port.

It is mandatory that the Freight Forwarder pays the shipping company on time in order to avoid them blocking the shipment.

A bill containing all values and fees has to be sent to our broker immediately after the vessel’s arrival in the Santos Port. (by email to Mirele Pereira, Bruna Miorim, Mirele.pereira@averydennison.com and Rafael Lima, Rafael.lima@expeditors.com).

Avery’s broker is Expeditors

The Terms of Responsibility have to contain all the conditions agreed:

- Demurrage free time must be no less than 21 days - please be clear on this.
- Avery Dennison will not be responsible for paying any extra costs without prior inspection carried out jointly and prior negotiation of values.

- Service Expected from the Ocean Company

The agent must hire international maritime transport with first line maritime company, and shall:

Hiring a free time (free time allowed) at least 21 (twenty one) days to withdraw and return the container by the buyer starting from the release of cargo to start the custom clearance on Brazilian Customs. Hiring a price of demurrage a maximum of U.S. \$45,00 (U.S. dollars).

Avery Dennison does not make a container damage warranty in advance (“deposit check”).

Hiring which any damages or expenses verified after returning the container to the carrier or its agent (Empty warehouse) in Brazil will only be paid or reimbursed by the buyer in case of prior inspection carried out jointly and prior negotiation of values, and take responsibility for payment to the carrier (or agent) and/or compensation of the buyer, in case of the incidence of expenses associated with disrespect of the previous items.

5. Quality criteria

This document has the objective to establish the quality requirements that Avery Dennison requires its raw material suppliers to meet when commercializing products with the Company.

In accordance with Avery Dennison quality requirements, each supplier is evaluated according to the following criteria:

1. Percentage of Raw Material Rejected: first of all, all raw materials supplied are evaluated to verify the quantity (%) that meets Avery Dennison’s quality criteria; for supplier evaluation, the quantity of

raw material rejected is divided by the total amount of raw material consumed in a given period. For the purposes of this assessment, Avery Dennison customer malfunctions, defects and customer complaints are considered rejected. The supplier is scored each month and must meet a rate less than or equal to the following percentages:

- Monthly rating: 0.5% (quantity rejected m^2 / quantity consumed m^2)

2. Number of complaints from Avery Dennison: the supplier is evaluated according to the number of occurrences and a maximum of 10 customer complaints per month are tolerated.

The reporting of the percentage of rejected raw materials and number of complaints will be made to the supplier when the supplier is above the criteria established by Avery Dennison.

If the supplier does not meet any of the parameters described above, either alone or cumulatively, Avery Dennison's Quality department may, at its discretion, send a first notification or request in writing that the supplier submit an action plan, with sufficient measures for it to meet the requirements of Avery Dennison within 15 (fifteen) days from such notification, and Avery Dennison may suggest changes to such action plan. If the supplier does not present an action plan within the above period, if this plan is ineffective or if the supplier does not meet the parameters described above again, a second notification will be sent by the Quality department. After the two notifications, if the supplier does not meet the expectations of the Quality department, Avery Dennison may disqualify the supplier or the product (that is, terminate the supply by the supplier) and ask the supplier to reimburse Avery Dennison for costs caused by suspension of supply.

6. Quality defects

Products must be free of any defect and quality deviation. If the supplier, prior to delivery of the product, has the knowledge about any kind of imperfections inherent in his raw material and / or production process, the supplier shall notify Avery Dennison in writing of this, prior to delivery of the products or during the process of approval of the material, and Avery Dennison may, at its discretion, reject such products.

If Avery Dennison detects any defect in the supplier's product, either when receiving , using this product in the Avery Dennison production process, or even by the Avery Dennison customer, Avery Dennison Quality Department will submit a formal complaint through SCAR Tool platform (SCAR Tool training:[https://averydennison.i-sight.com/i-sight/averydennison.nsf/7C4084556F2C230F85257A700061A91D/1B0497B86C1EBF5F85257F3100117033/\\$file/SCAR_Tool_Manual_for_Suppliers_Eng_Chinese_rev1.pdf](https://averydennison.i-sight.com/i-sight/averydennison.nsf/7C4084556F2C230F85257A700061A91D/1B0497B86C1EBF5F85257F3100117033/$file/SCAR_Tool_Manual_for_Suppliers_Eng_Chinese_rev1.pdf)), which will specify the details of the defect, whether the products should be returned, and the amount that the supplier must reimburse to Avery Dennison as appropriate. Supplier shall respond in writing to Avery Dennison's formal complaint as follows.

a. Complaint rules

Upon a quality complaint, Avery Dennison will provide the supplier with traceability data, quantity claimed and clear description of the problem. Appropriate evidence (photo, video or sample) may also be provided.

b. Response time

Supplier must respond to Avery Dennison's formal complaints in accordance with the response deadlines set out below:

- To define the acceptance of the complaint: 7 business days
- To submit Corrective Action Report: for customer complaints 7 working days after acceptance of the complaint / for internal rejections 25 working days after acceptance of the complaint.
- For credit note emission or collection of raw material to be returned: 25 business days after acceptance of the complaint.

All response times above will be counted after the supplier receives evidence of the quality problem.

In situations where the quantity of rejected material impacts Avery Dennison's logistics operations, the supplier will be called upon to negotiate the costs of external storage of the defective material.

If after 25 business days of acceptance of the claim, the supplier has not defined the disposition of the material (return or destruction), the material will be destroyed. Avery Dennison will not refund or indemnify the supplier for destruction of materials. For the sake of clarity, it is for Avery Dennison to decide, at its discretion, whether or not to destroy the material, or whether or not to market it.

c. Corrective Actions Report

Avery Dennison will send a notification through the SCAR Tool platform to inform the supplier if they need to draw up a Corrective Actions report. If this report is required, the supplier must file a formal response with the above system within 7 days from the date the supplier receives evidence of the defect sent by Avery Dennison.

We clarify that the supplier must submit the formal report even if it considers a particular claim to be unfounded or inappropriate, in which case it must specify the reasons why it considers that the complaint would not be acceptable. We reiterate that email replies will not be accepted as final replies.

d. Payment Rules

For the payment of claims, Avery Dennison may require the supplier to enter a Credit Note. If the supplier does not have a standard Credit Note format, Avery Dennison may provide a document for the supplier to sign, thereby indicating approval for reimbursement.

Once the defect in the raw material is detected only after the rolling process and the defect is from the supplier, Avery Dennison will detail the value of the finished product to the supplier, the cost of

the finished product being formed by the unit cost of each item in the product structure plus labor costs and cost of variable expenses for the manufacture of 1m².

e. Return of defective material

If Avery Dennison discovers the defect in the raw material before it is placed on any machine, Avery Dennison offers the supplier the option of making a credit note refund or the option to remove the defective material at the supplier's expense at the Avery Dennison plant. If choose to pick up, the supplier has up to 25 days to pick up the material, and the supplier will be responsible for contracting freight and paying the full cost of this process.

7. Specification change

Supplier must communicate in writing to Avery Dennison, preferably with registration via email, when there are specification changes that may have any impact on the final result of the material. Avery Dennison may, at its discretion, reject such change, and request that products with other specifications be sent according to Avery Dennison's internal needs, or even terminate the supply due to these changes.

8. Packing and identification of raw material

a. Packing Standard:

The supplier must ship all raw material in robust packaging capable of withstanding any movement during transportation and adequate packing for stock. Any packaging changes should be communicated in advance to Avery Dennison Quality team in writing.

The packages must have the maximum stacking information and ensure safe handling that does not endanger the safety, welfare or life of any Avery Dennison employees who may come into contact with the material. Avery Dennison may, at its discretion, request the supplier to change packaging if it believes it necessary, and the supplier shall make available a new type of packaging within the timeframe stipulated by Avery Dennison.

b. Label Pattern

The raw material packaging must contain a label with Product Description and Lot Number in barcode format. This lot number will be entered into Avery Dennison's ERP and used as a traceability in future supplier communications.

c. Splice Rules

Once present, the splice should be visibly marked next to the raw material roll and the amount of splices should be stated on the roll label. The number of permitted splices to the raw material must be as specified in the following tables:

Facestock Paper

Description	Rolls of 980mm	Rolls of 1015mm	Rolls of 1520mm
80% of lot	0 splice	0 splice	0 splice
15% of lot	1 splice	1 splice	1 splice
5% of lot	2 splices	2 splices	2 splices

Facestock Film

Description	Rolls of 980mm	Rolls of 1015mm	Rolls of 1520mm
80% of lot	0 splice	0 splice	0 splice
15% of lot	1 splice	1 splice	1 splice
5% of lot	2 splices	2 splices	2 splices

Liner PET

Description	Rolls of 1020mm	Rolls of 1525mm
80% of lot	0 splice	0 splice
15% of lot	1 splice	1 splice
5% of lot	2 splices	2 splices

Liner Paper

Description	Rolls of 985mm	Rolls of 1020mm	Rolls of 1525mm
80% do lot	0 splice	0 splice	0 splice
15% do lot	1 splice	1 splice	1 splice
5% do lot	2 splices	2 splices	2 splices

Graphics		
	Free of splices (% of lot)	Coments
Rolls of 50 m	95	Max. 1 splice per roll
Rolls of 150 m	90	Max. 1 splice per roll
Rolls of 250 m	90	Max. 1 splice per roll
Rolls of 1000 m	80	15% of lot: max. 1 splice per roll 5% do lot: max. 2 splices per roll

9. Certificate of Analysis (CoA)

The supplier must submit, along with the raw material, a Certificate of Analysis per production batch with the results of the product release analysis. CoA must be sent to: coa.brazil@averydennison.com

For any questions, please contact Avery Dennison's Quality Department (+ 55 19 38767662).