

SHIPPING POLICY

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ACRONYMS AND ABBREVIATIONS

<i>Abbreviations</i>	<i>Description</i>
NCM	MERCOSUR Common Nomenclature
NF	Nota Fiscal (Brazilian document for inland)
NFE	Nota Fiscal de Entrada
B/L	Bill of Lading
CIF	Cost Insurance and Freight (Incoterm)
DI	Import Declaration
PO	Purchase Order
CoC	Certificate of Conformance
DGR	Dangerous Goods
OV	Sales Order

1 DOCUMENT INFORMATION

1.1. OBJECTIVE

This shipping policy for Export Processes to Brazil sets the requirements Suppliers must comply for every shipment to Brazil.

1.2. APPLICABILITY

This document is applicable for all the international purchases it affects purchase, logistics and receiving process.

1.3. RESPONSIBILITY

The document must be revised by Logistics department with purchase department based on Brazilian Import Legislation and internal rules.

1.4. REFERENCE DOCUMENTS

- 97000-20404 – Purchase Process

1.5. APPLICABLE DOCUMENTS

- N/A

1.6. RECORDS

- Purchase order

2 SCOPE OF THIS POLICY

This shipping policy for Export Processes to Brazil sets the requirements Suppliers must comply for every shipment to Brazil. Suppliers' failure in complying this policy may result in shipments being held by Brazilian Customs, loss of import privileges, monetary penalties for which Supplier will be responsible, and will directly affect the Suppliers on time delivery performance.

This policy applies only for shipments to AEL Brazil facilities.

3 PRODUCTION MATERIAL, SPARE PARTS & EQUIPMENTS

The shipping policy is applicable for all shipments related to purchase processes, even those ones that are without commercial value (no charge) and must be in accordance with the applicable customs regime.

There are three important aspects that must be taken into consideration when importing (exporting) goods to Brazil, which may cause severe cost impacts to the parties involved on the transaction:

1. Applicable Brazilian taxes

The taxes are defined by the Brazilian law, always based on the classification under the MERCOSUR Common Nomenclature (NCM).

It is responsibility of AEL to classify every shipped item correctly. The rules for such classification are complex, but very clearly established. AEL may require complementary description and technical specifications, in order to provide the correct classification of the items;

Brazilian law forbids any movement of goods in the Brazilian territory (even if from one side of a road to the other side) without a document called "Nota Fiscal" (NF) – exception is made for goods being moved from port of entrance in Brazil to Bonded Warehouses, where the goods will be cleared by customs authorities; or movements of goods that are property of any Brazilian government organization, which shall be accompanied of another document to be issued by such organizations;

Moving goods without NF or making mistakes in the NF on establishing the NCM of every item being transported, if detected by auditors of the tax authorities, widely spread along the country, will cause penalties that can reach astronomical values (60% of the total value of the NF) and delays, because the cargo will be withhold by the authorities up to final resolution of compensations for the infringement, what can reach several months;

The companies that are importing goods must, before moving them from Customs to their facilities, issue a document called "Nota Fiscal de Entrada" (NFE) which shall contain complete description and characterization of every item being transported, as well as the NCM code, applicable taxes, and other information.

The NCM is also required on sea shipments. The freight forwarder or the sea company must request the correct number to AEL and inform it in the B/L.

2. Warehousing Expenses for the period the goods wait for customs clearance

Every shipment arriving Brazil will pay fees corresponding to at least one warehousing period, exception made to Airports for cases where the shipment is moved to a local bonded warehouse outside the airport area within 24 hours from shipment arrival. In that case, only small airport charges will be applied.

These fees, on any port AND/OR any bonded warehouse in Brazil, are not balanced between weight and volume. They are simply calculated as a percentage of the CIF cost of the shipment applicable to every established periods of time.

The warehousing fees vary from port to port and to Bonded Warehouses in Brazil.

There is a general Price list for standard containers (the ones that can be stacked) and no dangerous content. Prices for open containers and the ones containing dangerous products are higher.

3. Clearance by the customs authorities

Based on the Invoices from the supplier and the transport documentation (B/L – AWB – CRT) from the international carrier, AEL must prepare and submit to customs an electronic document called “Import Declaration” (DI) that shall contain complete description of the content of the shipment, NCM codes, financial values, applicable taxes, and so on. All just mentioned documents must be correct and entirely coherent among them and with the real content of the shipment. If any mistake is found by the customs officers on the DI, a penalty of 5% of the CIF cost will be applied), for incorrect declaration.

After presenting the DI, if the tax authority does not notice or if there are no discrepancies, the process goes under a random system (not always random) attribution of need for a deeper inspection, being classified as Green, Yellow or Red process.

When Green, there will be no further inspection on the documents or in the shipment.

When Yellow, a deep inspection on the documents will be made – in this case it will take longer because there always is a line for the shipments being analyzed and every one must wait for its time (warehousing increasing cost). In this point, an incomplete description like “kit of mechanical parts”, if not backed-up in the shipping documents by a complete list stating the content of every kit, will cause many bad consequences, starting from long times to clarify the subject, involvement of official experts, revision of the DI, additional taxes and probable penalties!

When classified as Red, a deep inspection on the documents and on the shipped goods will be made – similar but heavier effects as for yellow process and the inspection will take more time to be finished.

Once goods are cleared, AEL shall move the goods, accompanied of NFE, to its installation. It is important to collect the shipment and take it out of the port or bonded warehouse in the same day it is released to avoid the risk of paying additional warehousing fees (if close to the end of a warehousing period).

In order to deliver the goods to the AEL's customer, another document, already mentioned before, NF must be issued.

4 STANDARD PROCEDURE

All import processes shall follow a procedure that will serve as guide to expedite the process and avoid misunderstandings in the import and clearance process.

4.1 NEGOTIATION

By the Logistics point of view, the Importer and the Exporter will agree about the items that are being negotiated with at least the following definitions:

- ✓ List of material with quantities and prices
- ✓ Incoterm 2010 (International Chamber of Commerce)
- ✓ Payment Terms
- ✓ Type of Import Process: Permanent, Temporary (demonstration, tests, economical use, assembly...)
- ✓ Possibility to reduce / avoid taxes
- ✓ Destination airport / port

4.2 REGISTER OF THE ITEMS AT AEL SYSTEM

All the material imported by AEL shall be registered in advance in our systems. In order to achieve this goal, a complete and correct list containing all piece part that will be sent separated from each other in the boxes and/or containers, plus description of each one, containing enough details so that NCM classification can be correctly attributed by AEL. Datasheet with technical information can be providing as well.

No shipment shall be allowed before goods are correctly registered at ERP System. It is impossible to issue the right documents without having them in the System.

4.3 PURCHASE ORDER (PO)

Every shipment must have a purchase order; it does not matter if it is without commercial value or temporary shipment. Any document received without a PO Number will be refused by our import department. Every enterprise that wants to send materials to AEL, must contact first the Program Manager or the Purchase department to define the prerequisites informed before.

4.4 SHIPPING PROCESS

With PO in hands, the Supplier can start the production/separation of the items that will be shipped. In order to avoid damage during the transport operation, the goods must be properly package. Special care must be taken on maritime shipments using containers. The containers are usually not handled with the necessary care, necessary for fragile cargo. Therefore, extra care must be taken to tie the goods inside the containers as well as to use cushion devices as much as necessary.

Before any shipment, the documents (Invoice & Packing List) must be sent to AEL Logistics & Purchase department to be approved. Only after AEL approval the cargo can be delivered to the freight forwarder. Following some rules/requirements will avoid problems with Customs.

- **DOCUMENTS**

4.5 INVOICE – BRAZILIAN CUSTOMS AND AEL’S REQUIREMENTS

- Invoice Number
- Date of issuance
- PO Number
- Exporter’s full name and address and TAX ID / EIN
- Importer’s full name and address
- Country of Origin (where the Materials were manufactured or where the last significant transformation occurred, it means, the manufacturer’s country). This information has to be provided per item.
- Incoterms and Named Place
- Payment Terms
- Part Number
- Complete description of each material in English including: Serial Number for each Material, when applicable.
- Item quantity
- Negotiated currency
- Unit Price and Total Price for each item
- Total Amount of the Invoice
- Quantity of packages
- Type of packages
- Package dimension
- Total Net Weight
- Total Gross Weight
- Invoice page number using the “1 of 3, 2 of 3, 3 of 3” format

***** Manufacturer information: this information is not mandatory, but if you mention the manufacturer’s name in the paperwork we must have your support in order to have the full name and address of the company. Our customs requires full information once the name is mentioned.**

These entire requirements must be in accordance with the AEL’s PO.

Additional information:

- All entries must be typed and no handwritten entries are acceptable
- Added charges (if any)
- Freight carrier

- Invoice cannot be used as a quality document such as CoC (Certificate of Conformance). They must be separate documents
- In case of prepaid shipments, freight amount must be declared at invoice
- ***The document must be sent by e-mail to AEL in order to be verified and approved at least 4 (four) days before the shipment date.***

Brazilian customs will only accept invoices with the following requirements:

- The Original Invoice must be issued on Supplier's official letterhead or standard invoice form. It must be clear and readable.
- Photocopy of the invoice is not acceptable.
- Signature on the invoice must be in BLUE INK pen. It must be handwritten. Digital signatures are not acceptable.
- Identified with the word "ORIGINAL"

For No Charge PO the payment term field must declare NO CHARGE. And the sentence "Value for customs purpose only" must be added to the document.

The non-compliance of the requests above can generate an administrative sanction of 5% of CIF value. If it is proved that the Original Invoice problem is due to Supplier's fault, the Supplier shall reimburse.

Invoice Model:

Original Letterhead and Trademark		Exporter/Supplier Full name, address, and tax ID		Page: 1 of 1	
				Invoice Number: Date:	
Bill to: Name: Address: City/State Country: TX ID			Bill to: Name: Address: City/State Country: TX ID		
PO Number:	Country of Origin	Incoterm:	Payment Terms: CPT	Currency:	ORIGINAL
SELLING PRICE					
Line	Part Number	Description of the goods, other marks and references	Qty	Unit	Total
1	XX99	DESCRIPTION S/N X	2	100,00	200,00
		MFR: Address:			
					Total :200,00
BOX QTY	TYPE OF PACKAGE	DIMENSIONS	TOTAL NET WEIGHT	TOTAL GROSS WEIGHT	Freight: 50,00
1	CARDBOARD	XXm/XXm/XX m	XX KG	XXKG	Insurance
Name & Title: Signature:					Total Invoice 250,00

Figure 1 - Invoice Model

Invoice Distribution

The original Invoice, hand signed in blue ink, is a mandatory document for Customs Clearance in Brazil. The deliver must be done:

- Attached to the cargo, secure attached outside the box; or
- By courier direct to AEL Logistics department

After the shipment of the material, if necessary any change in the invoice, the Supplier is responsible for replacing the document and send it to AEL Logistics department immediately.

Materials delivered to the Freight Forwarder without Invoice will not be shipped to Brazil. If the original will be sent directly to AEL, the freight forwarder must receive at least a copy of the invoice.

4.6 PACKING LIST - BRAZILIAN CUSTOMS AND AEL'S REQUIREMENTS

The packing list must be presented in the clearance process and it is mandatory. It shall contain the following information and must be in accordance with the invoice:

- Packing list number
- Invoice number
- Purchase Order number
- Exporter full name
- Importer full name
- Box number
- Type of package
- Dimensions of each box
- Items quantity
- Part Number and Description
- Packing list page number using the "1 of 3, 2 of 3, 3 of 3" format
- Hand written information are not acceptable
- The document must be issued on the Supplier's letterhead
- The packing list must be attached to the outside of the box
- It must contain detailed packaging (see packing list model figure 2)

Additional information:

- All entries must be typed and no handwritten entries are acceptable
- It is not necessary to be signed
- It cannot be used as a quality document such as CoC (Certificate of Conformance). They must be separate documents
- The packing list **MUST** always be secure attached to the outside of the box. (Figure 3).

- Goods delivered to the Freight Forwarder without packing list will not be shipped to Brazil.

Packing List Model:

Original Letterhead and Trademark		Exporter/Supplier Full name, address, and tax ID			Page: 1 of 1			
		PACKING LIST 123			Invoice Number: Date:			
Ship to: Name: Address: City/State Country: TX ID					Bill to: Name: Address: City/State Country: TX ID			
Package								
Nº	Dimensions (cm)	Type	Total NW (Kg)	Total GW (Kg)	Description	Qty	UM	PO
1	XX/XX/XX	carton	3	5	Item A	10	EA	XXXX
2	XX/XX/XX	wooden	5	7	Item L	2	EA	YYYY
TOTAL VOLUMES: 2 BOXES TOTAL NET WEIGHT: 8KG TOTAL GROSS WEIGHT: 12 KG								

Figure 2 - Packing List Model



Figure 3 - Packing List outside box

4.7 OTHER DOCUMENTS

Some cargos, due to its characteristics must have special documents, like Dangerous Goods and material for military designation. These documents must be sent with the cargo. Depending on the document it will be sent inside or outside the box.

For example, units for military designation, it is necessary to send the CoC (Certificate of conformance). The necessity of this document must be specified in the purchase order in the field "notes to be followed" (see figure nº 4). This document must be sent inside the box.

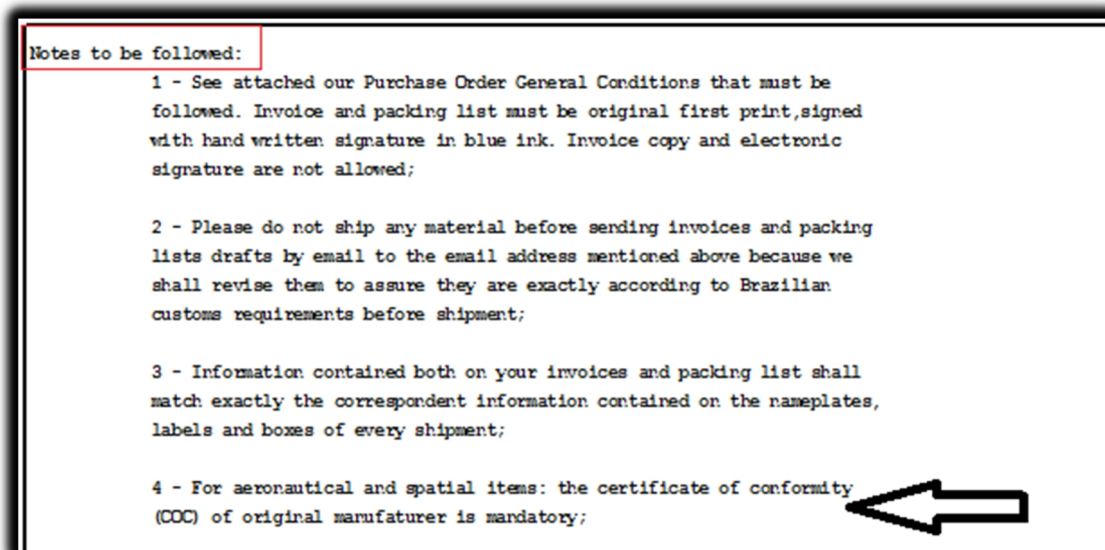


Figure 4 - Purchase Order Page: Notes to be followed

However, the documents related to DGR cargo (Dangerous goods) shall be secure attached outside the outer case. We also need an MSDS to be provided when the documents are sent for approval. Supplier must provide it to domestic and international transportation. Further information about this kind of material can be found below:

ROAD: International Carriage of Dangerous Goods by Road at <http://www.unece.org>.

AIR: International Air Transport Association homepage at <http://www.iata.org>.

SEA: International Maritime Dangerous Goods at <http://www.imo.org>.

Important: All Dangerous Goods Declarations MUST be typed. Declarations that are handwritten will not be accepted.



Figure 5 - Documents for DGR Goods outside box

- **PACKAGING**

All materials must be properly packed in order to avoid damages and deterioration during the transport operations. Special care must be taken for maritime modal as it is shipping time consuming, and cargo can be moved often. Therefore, extra care must be taken to tie the goods inside the containers as well as to use cushion devices as much as necessary.

For special goods, like the ones that must be refrigerated or DGR, the Supplier is responsible for the right accommodation of the units.

When choosing the package, please avoid the use of wooden crates or pallets or raw woods dunnage. Preferably use plastic, plywood or metal pallets - which do not need special treatment. If the supplier cannot use an alternative package the pallets or dunnages must be treated wood in accordance with ISPM 15 (for the full set of requirements, please access <https://www.ippc.int>). All pieces of wood must be stamped as below:

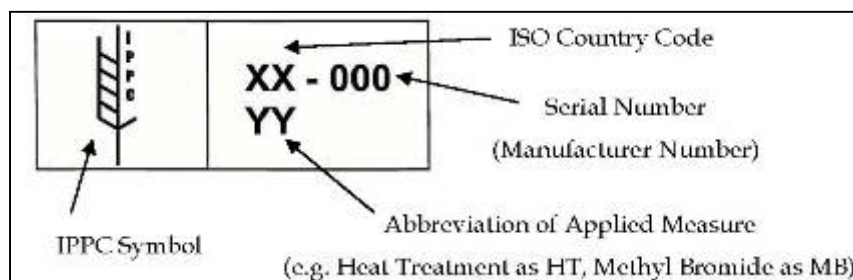


Figure 6 - ISPM 15 Stamp Model

4.8 PACKAGE MARKS

All the packages must be identified with a label that shall contain the following information:

- AEL System's full address (final destination informed on the OV)
- Exporter's full address
- AEL's PO number
- Invoice number
- Box number using the "1 of 3, 2 of 3, 3 of 3" format

FROM: Exporter's full name and address	SHIPT TO: AEL System's full name and address
PO NUMBER: XXXX INVOICE NUMBER: XXX BOX: 1/2	

Figure 7 - Label Model

PS: Supplier hereby acknowledges that the cost of the packaging and marking is included in the negotiated price.

- **SHIPMENT**

Shipments shall follow all the instructions and must be in accordance to the PO and contain all the mandatory documents. The ones in disagreement with AEL instruction will not be authorized.

When the Supplier unitizes material from different Purchase Orders in the same package it must be very well identified outside the box and in the documents (Invoice and Packing List). AEL freight forwarder and Logistics department must clearly be informed as well.

On the other hand, when the supplier for any reason has a shipment that cannot be delivered at the same time to the freight forwarder, but must shipped together to Brazil; the freight forwarder must be advised to hold the boxes received until the complete cargo arrives at the warehouse.

When the INCOTERMS specified on the Purchase Order define that AEL Systems is responsible for the domestic transportation charges, the Supplier must contact AEL freight forwarder to pick up the material. AEL Courier account cannot be used without previous authorization.

4.9 EXPORT DOCUMENTS

According to the agreed Incoterms, the Supplier is responsible to provide all the necessary information and documents for the clearance process at the origin, for example: Export License; Mandatory documents for export clearance; Certificate of Origin and Dangerous Goods Declaration, etc.

- **ADMINISTRATIVE SANCTIONS**

The non-compliance of the above mentioned requirements may result in administrative sanctions and/or penalties/fines to AEL and the monetary penalties/fines will be reverted to the Supplier.

See below the list of penalties/fines applicable by Brazilian Customs.

1. Missing Original Invoice:
 - a. Fine of 5% of the import value (CIF value) in case of non-delivery of the Original Invoice.
 - b. • Fine of R\$200,00 (two hundred Brazilian Reais) per invoice in accordance with Brazilian regulation.

2. Missing packing list:
 - a. Fine of R\$ 500,00 (five hundred Brazilian Reais) per shipment if the packing list does not accompany the shipment.
3. Missing Material:
 - a. 50% of Import Tax (in accordance to the NCM code)
4. Material not declared in the document (additional):
 - a. Import Tax (in accordance to the NCM code);
 - b. 37,5% of interest arrears over the quantity not declared;
 - c. Other taxes that may be applicable
5. Incorrect information about country of origin, shipping origin, port of origin or destination:
 - a. 1% of CIF value, with minimum of R\$ 500,00 (five hundred Brazilian reais)

- **ADDITIONAL INFORMATION**

4.10 PAYMENT INFORMATION

Supplier's bank name, address, account number and swift code, must be kept updated and the correct information must be sent to:

AEL Sistemas S.A.

Finance Department

Av. Sertório, 4400

Porto Alegre - RS - Brazil

91040-620

Email: apeixoto@ael.com.br

4.11 LOGISTICS DEPARTMENT

E-mail: log@ael.com.br

Phone: 55 51 21011200

4.12 PURCHASE DEPARTMENT

E-mail: Informed in the PO

Phone: phone number informed in the PO

4.13 AEL FREIGHT FORWARDER

4.13.1 USA & Canada

Expeditors - Miami

10205 NW 19th Street

Suite 107

Miami, FL 33172

www.expeditors.com

Contact: Andre Souza

Air Export Agent – Miami

Office 305-592-9410 Ext:3142

Email andre.souza@expeditors.com

4.14 BRAZILIAN AIRPORTS AND PORTS USED BY AEL

Salgado Filho Internacional Airport – POA

Porto Alegre – RS – Brasil

Port of Rio Grande – RIG

Rio Grande – RS - Brasil