



3M MEXICO
SUPPLIERS GUIDE

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1. IMPLEMENTING A NEW ERP

Considering the challenges that our businesses face in a globalized and more competitive world, 3M has initiated its largest Operational Efficiency Improvement Process by implementing a new ERP.

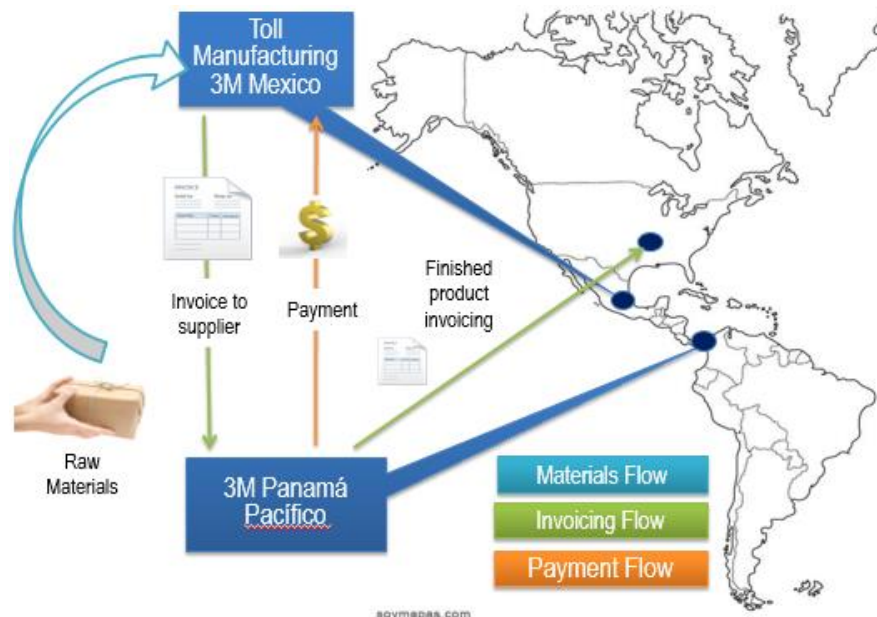
This will provide a higher service level and will improve 3M relationship with the customers and suppliers, through an integrated and simplified global platform of standardized process. In order to allow shorter responsiveness time, precise and unified information in addition to improvement in planning process and expeditious decision-making.

This implementation is planned for the second half of this year. One of our success factors to achieve this implementation is to maintain continuous communication in order to understand your needs and to work together to create strategies to facilitate the implementation.

1.1 Key Points

- The Supplier will receive electronic purchase orders from 3M (ARIBA, EDI, SNC or NGG)
- All Purchase Orders should have a POA-Purchase Order Acknowledgement and an ASN-Advance Shipping Order, electronically sent by de supplier (ARIBA, EDI, SNC or NGG).
- 3M will pay the invoice based on the agreed terms and conditions of the purchase order.
- Additional purchase terms and conditions will be noted in the purchase order unless these are substituted by an existing contract.
- The invoices sent to 3M will continue with the current process (local suppliers will send the original invoice along with the products, while suppliers abroad will send the invoice via email).
- The agreed measure units and payment conditions will be included in the purchase order.
- The order number in the invoice and all associated documents should be clearly identified (delivery documents, shipping bill, packing list, etc.)
- Corporate agreements, responsibilities and obligations remain valid.
- 3M will use a ten-digit stock code number.
- 3M buyer name along with contact information will be included in the purchase orders. 3M buyers will be the first point of contact for the supplier for any question or clarification related to the purchase order.

1.2 Manufacture Model Scheme





2. INVOICE

2.1 Incoterms

FCA Port of Export

FCA Buyer's location

FCA Seller's door

For SUPPLIERS in Mexico, 3M can recommend that the SUPPLIER use 3M carriers that have weekly deliveries. If the SUPPLIER requires this service, please contact your assigned buyer. It is important to consider that 3M will not be responsible for this type of deliveries. The SUPPLIER will be responsible to pay the carrier and to guarantee the delivery of the product on a lead-time.

3M Panama Pacific, S. de R.L. is a Republic of Panama based Company with a Mexican affiliate 3M Purification S. de R.L. de C.V. which operates under the Toll Manufacturing scheme authorized by IMMEX (IM2679-2006).

2.3 Invoice at 0% VAT rate

Essentially invoices should meet fiscal requirements such as:

- Trade name and fiscal address of the SUPPLIER
 - Invoice number and date
 - Purchase order number
 - Complete Taxpayers' Registry Number
 - Stock number, it is indispensable that it appears as assigned by 3M not only the one from the SUPPLIER.
 - Description of the items
 - Quantity in the established unit of measure
 - Material weight, indicating detailed quantity of bulks and pallets
 - Conversion factor (if necessary)
- a) Present an invoice for each delivery and purchase order (regardless of the number of orders of the same stock). In the case this is not met the material will be returned.
- b) Fiscal data must be correct:
- Invoice to:
Panamá Pacífico S. de R.L.
Panamerica Corporate Center Norte. Calle C, Edificio 9116. Panamá Pacifico. Corregimiento de Veracruz, Distrito de Arraijan, Ciudad de Panamá, Republica de Panamá.
RUC: 1422698-1-1095 D.V.07
 - Ship to (remember that the invoice and delivery should be according to the purchase order):
 - Site

3M Purification S.de R.L. de C.V.
Av. CFE 520, Zona Industrial del Potosi, San Luis Potosi, 78395



- Floor Care

3M Purification S. de R.L de C.V.

Av. CFE 780, Zona Industrial del Potosi, San Luis Potosi, 78395

- c) Indicate the correct amount of what its being delivered
- d) Buyer prior negotiated price per piece
- e) The amount in writing must be the same in numbers
- f) Invoices and credit notes must be current
- g) Verify fiscal validity of the invoice and credit notes
- h) Must not contain erasures or alterations

No product/service will be received without invoice and billing.



2.4 Customs process for rejected material

In case of rejection, whether on inspection at reception or in the production line, with the customer or at any other stage of the process of the supply chain, a SCAR is generated. This process is detailed in the Supplier Quality Manual.

In case a material is rejected due to the lack to meet the technical specifications or quality requirements, in addition to issue the corresponding Credit Note, a customs treatment to the raw materials should be given; therefore the established process must be followed according to the assumption that applies:

- **Physical disposition of the rejected material is managed by 3M Purification**

In this case, the rejected material will be reported to the authorities as SCRAP, following the internal process that has been created for this purpose. There will be no physical delivery of the material to the SUPPLIER.

- **The non-conforming material is delivered to the SUPPLIER**

In case the SUPPLIER requests the return of the material to its plant, an operation known as Desisting (License K1 Key) will be managed. In this operation, two licenses are generated: one for the SUPPLIER and the other for 3M Purification.

General requirements to issue a K1:

- Trade Compliance receives SCAR notification (with action) via e-mail.
- Sourcing requests the issuance of a debit note to the supplier for the concept of material
- The supplier should notify the disposition of the material within the 5 following days of the opening of the SCAR.
- The supplier is responsible for the opening, follow-up and closing of the license K1.
- The issuance of License K1 requires 2 days to be paid.
- **The application of the debit notes will never be declared in a direct manner in subsequent invoices as customs cannot declare giving discounts.**

Important: The SUPPLIER will be responsible for paying the costs, transportation expenses and additional expenses of the 3M Purification selected customs agent.

The procedure to meet is as follows:

- Once having the list of rejected material, linked to the Proforma(s) Invoice(s) and Import License(s) VI, 3M Purification will send the information of the selected Customs broker, copying 3M Panama Pacifico and the SUPPLIER.
- The customs agent will make the K1 Proforma License. These are sent via email to all the contacts of the distribution list of corresponding SCAR.
- If no discrepancies found, the SUPPLIER will first pay its K1 License. As opposed to a Virtual operation (Key V1), the license for Desisting is presented to Customs to be modulated.
- Once paid and modulated (presented at customs), it should be sent by e-mail to all addresses indicated in the corresponding SCAR. Worth noting is if K1 License of the SUPPLIER is not modulated at customs, 3M will not manage the K1 License correctly.
- The customs agent of 3M Purification proceeds to payment and modulation of corresponding K1 license. Only until both K1 licenses are ready, the SUPPLIER will collect their material.
- The SUPPLIER will receive the Expense Account of the 3M Purification Customs broker that should be paid on time.

Important Note to local vendors: In case that the rejection is detected after the 7th day, the desisting process will not proceed but only the destruction process.



3 CORPORATE INFORMATION

Phone of SLP site (switchboard) +52 444 8265500

Phone of 3M Panama Pacífico S. de R.L. (switchboard) +507 3788200

- **Warehouse**

- Reception of raw material**

- Supervisor (extension)5721

- Warehouse Raw Materials CD (switchboard) +52 444 8265500

- **Security**

- Emergency (extension)8555

- Any clarification on Security or Environment (extensions)5673/5530/4641

- **Purchasing**

- 3M Panama Pacífico S. de R.L. (extensions) 8292/8232/8228

- 3M Purification S. de R.L. de C.V. (extensions)5580/4610/5541

- **Accounts receivable**

- 3M Panama Pacífico S. de R.L. (extension)8231



4 RECEPTION INFORMATION

Prior to reception, the SUPPLIER should confirm the delivery through the ASN (Advance Shipping Notice). In case of not counting with this information, it will not have access to deliver the product.

4.1 Logistics

- The SUPPLIER will supply the materials at the 3M Purification Warehouse at address Av. CFE No. 520, Zona Industrial del Potosi, San Luis Potosi, S.L.P., Mexico. CP. 78395 based on:
 - a) For delivery, the agreed calendar days are considered with the SUPPLIER as Lead Time once the purchase order is placed in repeating orders. This delivery time will start upon reception of ASN
 - b) In case of emergency: the delivery time will be agreed upon between involved parties.
 - c) Only Purchases of 3M Panama Pacifico will review and approve changes in delivery programming, subject to the agreement with the SUPPLIER.
 - d) 3M Panama Pacifico buyer will inform the SUPPLIER quarterly on performance evaluation (Scorecard/TQRDC) Technology, Quality, Responsiveness, Delivery, Cost, following the described process as in the Supplier Quality Manual. The SUPPLIER will be responsible for presenting the Action Plan as requested.
 - e) The SUPPLIER must meet on Date, Quantity, Quality, Documents and additional requirements within the Delivery Program in all cases. In an Act of God or in case of absolute necessity, it should immediately notify the buyer and propose a Reaction Plan. Otherwise, a clause of delinquency will be applied as established in the Commercial Contract.
- 3M Panama Pacifico and the SUPPLIER will maintain communication about purchase orders, changes to the program, emergency orders and forecast according to the following guidelines:
 - a) 3M will keep the SUPPLIER informed on supply requirements by sending a purchase order.
 - b) The SUPPLIER will confirm acceptance of the purchase order and provide lead time at least 2 working days later from receiving, otherwise 3M will consider it as a tacit agreement, meaning that 3M assumes that the SUPPLIER accepts and will meet the purchase order in terms of Quantity, lead times.
 - c) The SUPPLIER should coordinate with 3M Panama Pacifico the programming of downtime to avoid affecting the supply and/or the capacity required by 3M Panama Pacifico.
 - d) The SUPPLIER is committed to have the available capacity to fulfill in quantity, date and documents of the supply requirements as per the purchase order provided. Once the commercial documents are issued (invoice, license) there is no tolerance.
 - e) The SUPPLIER will notify the 3M contact of the purchases department 90 days prior in case of identifying a future supply problem about the available capacity for 3M requirements.
- The SUPPLIER agrees to meet the following reception process from 3M:
 - a) In case that any material is received with any damage a reception of materials NON-CONFORMITY will be issued specifying the quantity, material and damage type through a SCAR.
 - b) The material should not exceed the pallet (no tolerance)
 - c) In case the material arrives with any deviation in quantity, date, lead time, required documents or any other that does not concur with the specifications of the technical document, the buyer can generate a NON-CONFORMITY through a SCAR if it results affecting 3M.



5 GUIDELINES FOR MATERIAL DELIVERY

Due to the importance for both companies to ensure that the shipped and received quantities and raw materials are correct, the following should be considered:

In case of not having the documents upon arrival to the delivery point/address that covers the transfer, the merchandise will not be received. If when receiving the merchandise a discrepancy is found between the physical against the documents (in quantity or in part number), the load will be retained until clarification and corresponding procedures are made.

- **Purchase guidelines:** Once a purchase order is sent, please acknowledge receipt in the current electronic system. Such confirmation should not be later than 48 hours, as due to delays in confirmation various problems can occur in the material reception. **If the purchase order is not confirmed a principle of tacit knowledge is applied.**

Delivery requirements upon arrival:

*Pallets:

- The dimensions of the pallet should not be larger than 48" long (1.2m), 24" wide (1.1m) and stowage height not higher than 48" (1.2m)
- Must have straight crosspieces unbridged



Correct



Incorrect

- All the delivered pallets should arrive palletized with polistretch (3 rounds) to avoid fallen and damaged material.
- The pallets should arrive in a way that the warehouse keeper can unload them without making maneuvers that involve unsecure activity, and must be designed to be handled by forklift or skid.
- Each pallet should arrive identified in a visible manner with the following information:
 - a. Order number
 - b. Stock number
 - c. Quantity of material per packing
 - d. The identification should be per each box or package and the total of the pallet
 - e. Additionally: the specification of purchase must be reviewed

In case that the packaging material is few or small and does not need a pallet, it must be delivered in a box or according to specification.

The reception of the material is per pallet; therefore, it should be reminded not to mix stocks in one same pallet or if the amounts are few and fit in the same pallet, they should be perfectly separated and identified.



6 RETURNS TO THE SUPPLIER

6.1 Material return process

In order for the warehouse keeper to make a return to the SUPPLIER, he must have authorization from the purchasing department, also the transporter should verify that the delivered amount matches the 3M return note that must be signed to leave with the material and following the guidelines defined in section of CUSTOMS PROCEDURE FOR REJECTED MATERIAL.

Once PURCHASES notifies the SUPPLIER that the material to be returned is ready for pick up, the SUPPLIER will have a maximum period of 7 working days to confirm pick up. In case of not receiving confirmation and/or pick up, 3M will destroy the material and all incurred costs must be paid by the SUPPLIER through a credit note that should be issued in a period no later than the 7 days from the submission of the destruction manifest.

6.2 Credit Notes

- REJECTED MATERIAL

The SUPPLIER will provide via e-mail and/or SCAR the disposition of the rejected material (return or destruction) in a period no later than 7 days from the date the total rejected quantity is provided/communicated by the buyer. Once the disposition of the material is provided, the SUPPLIER has a period of no more than 10 days to send the buyer the corresponding credit note, in case of having selected the return option, the SUPPLIER has 7 days to confirm the pick-up date once the buyer has notified the availability of the material.

- ADMINISTRATIVE COSTS AND/OR INDIRECT COSTS

Once the buyer informs the SUPPLIER of the administrative and/or indirect costs incurred due to incidents liable to the SUPPLIER, the SUPPLIER must provide the corresponding credit note for the total amount requested, in a period no longer than 7 days from the request of the buyer.

In case of not receiving disposition and/or credit note within the defined time frame, 3M Purchases will proceed to withhold pending payments to the SUPPLIER.

1. The credit notes should include the same information required for invoicing and the following additional data:
 - a) Invoice number that cancels/applies
 - b) Concept: rejected material
 - c) Purchase order number and License
2. The credit notes can be generated for one or more of the following concepts in case of returned material:
 - Rejected material. To be sent 2 working days maximum after the confirmation of the disposition.



7 FAQ

1. How this new scheme will affect my commercial relationship with 3M?

This scheme in no way will affect the relation with 3M, as you are considered strategic suppliers and 3M wants to continue to maintain the commercial relationship previously established with 3M Mex but now with these 2 legal entities.

2. With this scheme. Does the payment method change?

The payment method will not change, as it will continue to be via electronic transfer.

3. My company currently works with a customs agent. Is it mandatory to work with 3M customs agent?

Yes, because through the customs agent of 3M Panama Pacifico the process mechanism will be more efficient and the rates will be more competitive with respect to the marketplace.

4. My main contact of purchases will be in Mexico or in Panama?

Equipment purchases (machinery) and productive material (raw material, packing material and semi-finished material) the purchase contact is in Panama City, Panama while for materials and/or indirect services the contact will continue to be in SLP.