



Dear Valued Client,

We thank you for choosing SDK Agencies/Cosmetic Line as your preferred contract manufacturer/cosmetics importer.

Detailed below is an indication to you as to how SDK Agencies operates, in order to create shared expectations.

1. New Client - Payment Terms

All new clients are required to furnish SDK Agencies with a **sixty percent (60%)** deposit on all orders in order to confirm same. No materials will be purchased and no production will take place until the 40% upfront deposit is paid. The balance is to be paid before delivery of the goods is scheduled to take place. The full order must be taken up by the client on first order. An order cannot be processed and confirmed until the deposit is paid.

No further orders will be fulfilled (even with a new deposit) until such time as the balance of previous orders/deposits has been paid in full.

After at least 6 orders have been placed with SDK Agencies and once payment has been received accordingly, new clients are welcome to apply for an account. The credit limit will be determined by SDK Agencies and will be communicated to the client. Our standard terms are 15 days from statement.

If an order involves the procurement of imported packaging with extended lead times, an ongoing deposit may be required. The terms of this deposit will be determined on an individual basis by your Client Relationship Manager (CRM).

SDK Agencies will gladly assist in the storage of primary and secondary packaging for a period of 3 months, for free. Thereafter, SDK Agencies will advise you so that we can arrange for the delivery of the balance on hand. If packaging is not taken up at that time, there will be a monthly storage fee payable.

2. Lead Times

The standard manufacturing lead time is six (6) weeks on all orders, not from date of receipt of order, but from receipt of all the items required in order to complete the order (this includes the componentry and all periphery packaging). Raw materials and packaging also have lead times. The full lead time involving imported raw materials and imported componentry is 18 to 22 weeks from order confirmation.

Should the product/s being manufactured require micro testing, an additional week will be required in addition to the abovementioned lead time in order to await the necessary feedback from the laboratory (all water-based products will be micro tested).

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Peak period lead times:

The abovementioned lead time may be extended to 8 weeks lead time during peak periods (August to December), due to demand in the manufacturing being higher in the second half of the year.

Should the order/s require a particular raw material/s which is not held as a stock item in our standard “bank” of raw materials, then the lead time would apply from the day the last of the raw material/s is received.

If your order is urgent and require the factory to work over-time please note there will be an excess fee of R7000 per overtime shift required by the client.

3. Minimum order quantities (MOQ)

Filling MOQ:

SDK has a minimum order quantity of 1000 units per SKU for standard items. If the client requires non-standard items, the MOQ will depend on the raw material pack sizes.

Packaging MOQ:

The packaging MOQ will be advised on order placement. Clients must take up their full packaging when placing an order.

Arrangements can be made with SDK to store the packaging, but this will be charged separately.

4. Deliveries

SDK offers an inhouse delivery service for delivery loads under 1 ton. A delivery charge of R300.00 per load is applicable for all deliveries that are within a 20km radius from SDK agencies; R450 per load for deliveries over 21km radius to 50km; Deliveries outside a 50km radius must be discussed with the relevant CRM. This service is dependent on the availability of the delivery truck.

Should an external courier company be required in order to make a delivery out of the scope of our company vehicles range, a quotation will be forwarded to you beforehand. Alternatively, clients are able to utilise their own transport services or arrange for collection from our premises.

5. Client supply of own Raw materials, manufactured bulks or own packaging

If a client supplies raw materials, manufactured bulks or packaging this has to be dropped at receiving to follow the receiving procedure. The CRM has to be notified of everything that will be dropped off.

All Raw materials and manufactured bulks must be accompanied by a Certificate of Analysis (COA); and a Materials safety data sheet (MSDS). If a COA and MSDS is not presented, the raw materials and /or bulks will not be accepted.

6. Over/Under Supply

Due to the complex nature of the manufacturing and production process, SDK Agencies reserves the right to over or under supply 10% (ten) of the ordered volume.



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7. Cancellation of Orders

Any client wishing to cancel an order which they have placed, has the right to do so within two (2) working days of it being placed. This cancellation must be communicated in writing to SDK Agencies. However, should any of the work, or any part thereof already have been performed, or should SDK Agencies already have placed an order against the aforementioned order by the client, the client bears the cost of costs incurred. These costs become due immediately. This includes any procured packaging or raw materials related to the order.

8. Discontinuation

If the nature of services that SDK provides to clients includes sourcing of raw materials and/or packaging – there is a 6 months written notification that must be given to SDK prior to exit/ discontinuation of the business. **By signing these terms and conditions, the client accepts that they are obliged to provide a 6 months written notice for cancellation of services**, and this cancellation can only take effect after the client has utilized all packaging sourced by SDK on the client's behalf. The client accepts that Should the client decide to discontinue (unilaterally or otherwise) the manufacturing of any item/s at SDK Agencies with or without informing SDK Agencies, in this instance SDK Agencies has the right to:

- Invoice the client immediately, for all remaining completed item/s at the prevailing / current price which has been quoted to the client for this item/s.
- As well as for any primary and secondary packaging, bulk and raw materials procured / manufactured and which are on hand and/or on order in this regard, at the price as if the item was completed, less the relevant conversion calculation where applicable.
- The client is aware that the minimum order quantities vary in the procurement process pertaining to the primary and secondary packaging, bulk and raw materials and the client acknowledges that they will be held liable in this regard according to the quantities on hand/on order.

9. Quality Control

SDK Agencies has developed and put into practice, a comprehensive quality management system. This system includes the quality control not only of the formula, but that of the packaging as well.

Please note that should the componentry/packaging utilised, not have been acquired or supplied by our sister company Cosmetic Line, we cannot assume responsibility for the quality thereof.

Should the packaging that we have requested to be filled, be sourced from an external packaging company, the onus vests on the client to ensure that the quality thereof (i.e. that it meets your specifications from an aesthetic & quality aspect).

This process should take place before the componentry/packaging has been delivered to SDK Agencies. If this does not take place, SDK Agencies will make you aware any prevailing issue/s. However, all the relevant packaging will be filled accordingly, and the claim would have to be taken up by you with the relevant supplier of the componentry/packaging.

In addition, should packaging and artwork be sourced from an external customer approved supplier, SDK Agencies cannot be held liable for artwork that does not meet the minimum legal requirements as set out in the Trade Metrology Act 77 of 1973, the Consumer Protection Act 68 of 2008 or any other statutes that may apply. SDK Agencies will make the client aware of any prevailing issues but we



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indemnify ourselves from any claims arising from artwork that does not meet the minimum requirements.

Similarly, should SDK Agencies or its sister company Cosmetic Line procure packaging and artwork on behalf of a client and the client wishes to discount the advice offered by SDK Agencies regarding the minimum requirements of artwork; SDK Agencies cannot be held liable and SDK Agencies indemnifies itself from any claims that may arise as a result of artwork not meeting the minimum legal requirements.

a. Micro Testing

Any type of product that requires micro testing of any kind (e.g.: microbial activity, mold/yeast) will be sent to our nominated laboratory for the applicable testing, thereby ensuring that the product which we are filling is safe for the consumer, as well as ensuring it will not contaminate our factory. The fee per test is stipulated below and will be automatically billed to your account (if applicable).

b. Stability Testing/Indemnities

Should the client wish to proceed with the filling of a product without the necessary/relevant stability testing being completed, SDK Agencies would require the client indemnify SDK Agencies against any issues which may arise in the future. SDK Agencies will supply a standard indemnity form which we would require the client sign.

In the instance where the client presents SDK Agencies with a formula which has been formulated and stability tested by a company other than ourselves (we would require the documentation to be presented to SDK Agencies), SDK Agencies would again require the client to indemnify SDK Agencies against any issues which may arise in the manufacturing and/or filling stages.

Once again, SDK Agencies will supply a standard indemnity form which we would require the client sign.

Should SDK Agencies produce trial batches upon the assurance of the client that the outsourced stability has been completed (in the instance where SDK Agencies has in good faith purchased the relevant raw materials), and the trial batch is not successful, SDK will charge the client "in full" as if the batch and production run was successful, and the client can thereafter decide whether it wishes to embark on a "re development" of the product and stability program (the below pricings will apply). Once this is complete, SDK Agencies will thereafter continue with the production run, as per the normal procedure.

Should the client wish SDK Agencies to initiate a stability program, there will be a stability program charge of R4950.00 per item (VAT exclusive). Kindly note that this program involves 4-5 types of stability testing, namely sun light, UV, room temperature, stability oven (40 and 50 degrees) and fridge (if necessary).

This includes the weekly monitoring by our Quality Controller of all aspects relating to the product stability testing process over the 3 months (or longer, if necessary). Thereafter SDK Agencies "guarantees" the stability of the product within all the accepted parameters of such a program; should the client choose not to proceed with a stability program, but would nevertheless want SDK Agencies to

handle the development issues relating to the product, SDK Agencies would require the client indemnify SDK Agencies against any issues arising to SDK Agencies in the future. SDK Agencies will supply a standard indemnity form which we would require the client sign as well as charge a laboratory development fee of R1200.00 per hour (VAT exclusive).



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Where SDK Agencies supplies the packaging as well as the filling, SDK will “stand good” for the packaging it advises the client proceeds with.

The above issues are common to the cosmetic industry, and we believe it best to deal with them at the outset, thereby ensuring better relations, whilst allowing you to forecast and plan accordingly.

Should the client request that SDK Agencies complete Compatibility testing on their behalf, a fee of R3,000.00 (VAT exclusive) is applicable.

Should the client request that SDK Agencies complete Travel testing (to test the durability of product during travel/transport) on their behalf, a fee of R1,000.00 (VAT exclusive) is applicable

10. Project Development, Formulation Fees, and Formulation Ownership

Project development: The fee charged for services SDK Agencies expenses to commence projects. This fee includes laboratory time, research & development, sourcing, project coordination etc.

Formulation fees: The fee charged to develop a customised formula(s).

Formulation ownership: The fee charged to own the formula(s).

Should the client request that SDK Agencies develop a specific customised formula(s) on their behalf, the above mentioned formulation fee of R1200.00 per hour (VAT exclusive) will apply, and no less than R15 000 formulation fee per product will be charged on formulations for hair care, skin care, foundations, SPF products, and any formulations with special claims such as long lasting, sensitive skin formulations, anti-ageing, etc.

Development fees are project specific, and may either increase or decrease from the above indicative costing of R15,000 per product according to unique project specifications.

Each project will be treated differently due to different requirements. A final project development fee quotation will be supplied once all formulation aspects are identified. Project development fees are payable upfront, and initiate the commencement of the project workings.

Ownership of this particular formula(s) will remain the ‘property’ of SDK.

Should the client wish to purchase the formulation, SDK charges R60 000 (VAT exclusive) per purchased formulation; which becomes joint IP. There may be restriction on use of formulation by SDK for a maximum of 6 months post the outright purchase of the formulation.

The type of testing to ensure that a formula/s complies with the clients’ requirements and/or the relevant legislation differs from formula to formula. Therefore, the onus is on the client to specify which test/s they wish for SDK Agencies to complete on their behalf. There is a separate charge for testing, and these tests are usually done by external labs. The fees applicable will be communicated with the client. The client may elect to handle external testing directly.

Lead times for project development: There is a project development lead time of 6 to 8 weeks post the receipt of the project development fee and complete NPD development brief. This excludes any lead times on stability, formulation reverts, etc.



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The following costs are for services provided by third party laboratories. These costs are subject to change without prior notice to SDK. Thus, SDK does not accept responsibility for changes in the costs. The actual cost of the tests will be confirmed with the specific service provider at time of testing and the client is liable for such testing fees.

11. SPF Testing

Should the client request that SDK Agencies complete SPF testing on their behalf, the below mentioned fees are applicable; These fees are subject to change and will be confirmed with the client prior to committing the client to the fees

SPF TEST	COST EX VAT
Less than SPF 15	R 35,979.09
SPF 15-29	R 42,110.75
SPF 30-49	R 45,300.48
SPF 50 and above	R 48,669.78

12. SPF and Water Resistance

Should the client request that SDK Agencies complete SPF and water resistance testing on their behalf, the below mentioned fees are applicable; these fees are subject to change.

SPF & WATER RESISTANCE TEST	COST EX VAT
Less than SPF 15	R 55,718.00
SPF 15-29	R 64,090.00
SPF 30-49	R 72,462.00
SPF 50 and above	R 82,927.00

13. Patch Testing

Should the client request that SDK Agencies complete Patch testing on their behalf, a fee of R15, 500.00 (VAT exclusive) is applicable.

14. Dermatological Testing

Should the client request that SDK Agencies complete Dermatological testing on their behalf, SDK Agencies is able to complete this on their behalf, the cost of which will be confirmed at the time of the request.



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15. Hydration Testing

Should the client request that SDK Agencies complete Hydration testing on their behalf, the below mentioned fees are applicable; These fees are subject to change.

HYDRATION TEST	COST EX VAT
8 hrs	52,351.57
24 hrs	42,240.26
24 hrs to 48 hrs	66,428.82

16. Even Skin Testing and other claims testing

Should the client request that SDK Agencies complete Even Skin Testing on their behalf, SDK Agencies is able to complete this on their behalf, the cost of which will be confirmed at the time of the request. Should the client request that SDK Agencies complete Long Lasting Testing on their behalf, SDK Agencies is able to complete this on their behalf, the cost of which will be confirmed at the time of the request.

17. Colour Matching

There will be a colour matching charge of R2500.00 (VAT exclusive) per shade. Should you be a new client of SDK Agencies, we would require you deposit this amount in advance, before we proceed with any of the colour matching.

The average lead time for colour matching is three weeks. Should there be a large number of shades to be matched, this lead time may increase up to that of four to seven weeks. If the shade/s which have been colour matched not be approved, the above-mentioned lead times will be applicable for the re-matching process.

18. Raw Materials Costings

Should any of the Raw Materials used in in the procurement of an existing product be discontinued, SDK has the responsibility to inform the client of these changes and advise the client of implications for changes. These changes normally result in reformulation, which could have testing cost implications.

19. Samples fee

Clients requiring samples from SDK will be charged a sample fee. The sample fee payable for This fee covers the cost of producing and filling the samples, sourcing of componentry, customs VAT, freight fees, etc.

The fee payable for samples is as follows:
Skin care: R300 per SKU
Colour Cosmetics: R250 per SKU
Cosmetic pencils: R250 per 10 sample pencils
Fragrances and fragrance oils: R100 per sample



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20. Packaging Sample/s Importation

SDK Agencies’ sister company Cosmetic Line has a vast number of cosmetic packaging samples on hand. Should you require an extra ordinary number of samples to be imported on your behalf, this will be for your own account. Moreover, should you require specific samples which are not on hand; this will also be for your own account.

21. Graphic Design Services

SDK Agencies is able to offer a complete turn service by virtue of the fact that all the above services are offered in house. Additionally, should you require assistance in the graphic design of your packaging and/or peripheral packaging; we are able to do so. **The rate will be discussed as per the project size and hours required to complete the task.**

22. Artwork sign off

Clients must supply artwork for products. This artwork includes ingredients listings, warnings and other information as required by the Foodstuffs, Cosmetics and Disinfectants Act of South Africa (Act 54 of 1972). Artwork for final products, albeit facilitated by SDK with its suppliers of componentry, **remains the sole responsibility of the client.** The client remains responsible for checking all artwork for accuracy and completeness.

21. Document Preparation Fee

Should the client require SDK Agencies to prepare any extraordinary documentation for export purposes, local legal compliance or any other prevailing reason; SDK Agencies reserves the right to charge the client a Document Preparation Fee. This fee will be determined at SDK Agencies’ discretion, considering the nature and extent of the work undertaken by SDK Agencies in this regard.

Please feel free to contact us should you have any further questions.
Assuring you of our best service at all times.

Singed on behalf of the Client - _____ (Client Name)

By: _____ (Client Representative)

Client signed at : _____

Full Name: _____

Date: _____

Signature: _____



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