

VOLVO

Key Elements Procedure 7 Logistics Requirements

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1 Foreword

This General Inbound Logistics policy is applicable to all suppliers to Volvo Trucks, Renault Trucks, Mack Trucks, also including Volvo Power train, Volvo Bus Corporation, Volvo Construction Equipment, Volvo Penta and After Market Service departments (VOLVO). It defines the inbound Supply Chain aspects and responsibilities of VOLVO and its Suppliers.

2 Main Logistics key elements for a Volvo Group supplier:

2.1. 100 % compliance with supply instructions

Volvo requires on time deliveries with the correct quantity and identification and/or in accordance with agreed delivery terms/special supply instructions. Please observe that performance below 85% correct time/quantity is regarded as a STOP parameter for assigning new business.

2.2 Deliveries in agreed packaging

The supplier shall take an active part in the establishment of suitable packaging for deliveries to assembly locations and to aftermarket warehouse locations.

An agreement has to be reached whether to use a wide range of standard packaging in modules to suit suppliers and customer's requirements or to use custom made packaging with the possibility of Volvo providing design support. All packaging is/can be administered by Volvo Logistics Corporation.

For more information, <http://www.volvologistics.com>

2.3. Logistics Evaluation, approved status

Global Materials Management Operations guidelines / Logistics evaluation (**MMOG/LE**) have been developed in a joint effort within the Automotive Industry. The document sets global logistics evaluation standards for gauging an organization's capabilities for materials processes and reduces the time and resources required by suppliers and customers to determine materials process compliance. Improving these processes increases the potential to reduce cost, cycle time and inventory.

Volvo requires their suppliers to use the document for Best Practice Purposes and provide results to the goods receiver(s) involved.

To order the document, please contact in Europe and Rest of the World outside US/Canada:

<http://www.odette.org/html/home.htm> or the national ODETTE organization

In N-America, please contact

<http://www.aiag.org/index.cfm>

For a more detailed description of the required Logistics evaluation (MMOG/LE), please see the MMOG/LE Foreword and Introduction <http://www.volvogroup.com/suppliers/global/en-gb/supplierselection/ourrequirements/logisticspolicy>, supplier portal.

3 Other Logistics elements and important areas:

3.1 COMMUNICATION:

The designated contact person from Supplier must communicate fluently in English.

If the Supplier is not able to fulfil the demand from VOLVO, the supplier is obliged to inform VOLVO without delay to discuss solutions and avoiding the risk of disruptions in the supply chain.

3.2 POINTS OF DELIVERY:

Supplier delivers to goods receivers specified in the Purchasing Contract / Purchase Order and in accordance with agreed INCOTERM.

3.3 FORECAST and CAPACITY Management:

VOLVO will provide Supplier with a long-term forecast (minimum 6 months) by EDI or other accepted means of integrated business communication.

Supplier Capacity planning: A major goal of the capacity management is to review customer requirements far enough in advance to detect potential problems in meeting those customer requirements. Capacity is one mandatory condition to achieve deliveries on time. This process must occur in a timeframe that allows for preventive actions to avoid impact on the customer.

Supplier is responsible to share the latest updated information to all subcontractors concerned within an appropriate and reasonable short time period.

3.4 EDI COMMUNICATIONS

Volvo EDI standard is to be used which is in line with the ODETTE/AIAG/EDIFACT standards. Specifications and versions to be found at <http://www.volvo.com/volvoit/edi/en-gb>

3.4.1.1 OUTBOUND MESSAGES

Forecast and deliveries are specified in **DELINS / DELFOR / 830 / RND001**.

These are communicated and distributed with an agreed frequency by EDI or other accepted means of integrated business communication between VOLVO and Supplier.

Delivery instructions provide a minimum of 3 days firm horizon from day of receipt and a forecast of minimum 6 months, the later divided in quantities per day and/or per week.

The time, day and/or week specified is always the time, day and/or week of dispatch at the site of agreed INCO TERM (specific exceptions are clearly defined / agreed upon).

Sequential deliveries are specified in **SYNCRO / DELJIT / 866 / RND012**

By chassis number is given:

- **Date and time of demand at point of use**
- Part number
- Quantity
- Colour information when applicable

SYNCRO / DELJIT / 866 / RND012 message should be used by the Supplier for:

- Scheduling production in-house.
- Scheduling dispatch/delivery to goods receivers
- EDI should be used to send delivery schedules/instructions to concerned subcontractors and secure necessary capacity in-house.

Respective goods receiver can inform about the length of the firm Planning Horizon for the SYNCRO / DELJIT / 866 / RND012 messages.

The demand indicated could cover more than one day of demand of production.

Zero SYNCRO / DELJIT / 866 / RND012 will be transmitted when no demand

3.4.1.2 INBOUND MESSAGES

AVIEXP / DESADV / 856 / RND004: All involved plants of VOLVO

VOLVO EDI standard is to be used which is in line with the ODETTE/AIAG/EDIFACT standard.

Specifications and versions to be found at <http://www.volvo.com/volvoit/edi/en-gb/>

INVOIC / 810: Electronic invoices to be used where applicable and legally permitted.

VOLVO EDI standard is to be used which is in line with the ODETTE/AIAG/EDIFACT standard.

Specifications and versions to be found at <http://www.volvo.com/volvoit/edi/en-gb/>

3.4.1.3 TRANSPORT LABEL

Bar-coded Transport Labels shall be used according to VOLVO specifications.

Specifications and versions to be found on the supplier portal at

<http://supplierportal.volvo.com/VSP/MASTER/EN/E-LIBRARY/INBOUNDLOGISTICS>

by clicking on applications, e-library (secured area), goods receiver(s) delivery manual.

3.4.1.4 EXCEPTIONS

In case one partner isn't able to send or to receive a message, this partner will contact the other party without delay.

An indication must be given about the duration of the problem.

3.5 FLEXIBILITY / PROGRAM CHANGES:

To meet Volvo's flexibility aim, the Supplier commits to respect changing dispatch/delivery times in case of program or customer order changes. Any risk of non-conformity shall be communicated without delay.

Volvo reserves the right to claim compensation for the costs that are incurred due to late dispatches / deliveries or other non-conformities.

3.6 PERFORMANCE EVALUATION:

The supplier must have an established procedure to measure service levels to the customers. This analysis should be according to VOLVO demands: correct day and quantity according to original delivery instruction or agreed delivery time for extra orders.

It is imperative that the suppliers check in regular intervals the results shown in Volvo systems (e.g. VSIB, WISC)

Supplier is also responsible to measure and follow-up on dispatch/delivery performance for all their subcontractors including suppliers dedicated by VOLVO and if asked for to present the result to VOLVO.

3.7 RESPONSIBILITIES

Supplier is responsible for the quality of services provided.

Action plans to be coordinated by the Supplier and sent to VOLVO

3.7.1 Supply chain, upstream:

Supplier is responsible to follow up and to improve their subcontractors by using the ODETTE/AIAG Logistics Evaluation tool (Global MMOG/LE).

To be ordered from <http://www.odette.org/html/home.htm> or <http://www.aiag.org/>

Supplier is responsible for providing fast and correct information to their subcontractors concerning the demand for components based on the delivery instructions/SYNCRO-messages, received from VOLVO.

3.7.2 Supply chain, downstream:

If the Supplier should not be able to respect the demand from VOLVO,

The Supplier is obliged to inform immediately involved departments at VOLVO.

Suppliers shall continuously improve their own performance in Logistics by using the ODETTE/AIAG Logistics Evaluation tool internally (Global MMOG/LE).

3.8 DELIVERY MANUAL:

Loading, documentation, packaging and labelling, see Volvo's delivery manual available from respective goods receiver.

Delivery manuals are available on the Supplier Portal, by clicking on

<http://supplierportal.volvo.com/VSP/MASTER/EN/E-LIBRARY/INBOUNDLOGISTICS>

applications, e-library, Inbound Logistics (secured area)

3.9 TRANSPORT

Transport instructions are distributed by Volvo Logistics Corporation (VLC) or Renault Trucks Logistics department, unless other arrangements are made.

More information per continent can be found on <http://www.volvologistics.com>

4.0 Additional Details, Logistics Policy, for Long Distance Suppliers

Between **SUPPLIER** and **VOLVO Trucks, Renault Trucks, Mack Trucks, Power Train, Volvo Bus Chassis and After Market Service departments (VOLVO).**

Excluding Volvo Construction Equipment, Volvo Penta, Volvo Aero

- Since SUPPLIER has no satisfactory presence sufficiently close to the factories of VOLVO, SUPPLIER shall use a Logistic Service Provider (LSP) for deliveries to VOLVO to fulfil the logistics requirements of VOLVO Companies.
- SUPPLIER shall be responsible for all contacts and agreements with the LSP
- The LSP selected by SUPPLIER shall be approved by VOLVO
- The supplier takes full responsibility and ownership up-to and including the pick-up point
- All logistics costs (e.g. transportation, packaging, warehousing, stockholding...), up-to and including the pick-up point shall be included in the parts price
- Dispatch / Delivery conditions shall refer to the pick-up point
- Purchase orders should mention "FCA agreed platform and site (INCOTERMS 2010)" and state that customs will be cleared, and all duties, taxes and other charges related to the import will be paid, by the goods receiver. Exceptions may apply (e.g. for deliveries to US) See your logistics contact for precise directives.
- Purchase order should mention "DDU agreed platform and site (INCOTERMS 2010)" if the supplier is delivering up to the factory/use point. Exceptions may apply (e.g. for deliveries to US, DDP) See your logistics contact for precise directives.
- Safety stock levels per part as specified shall be kept at the premises of the LSP referred to in the relevant delivery clause above. SUPPLIER shall see to it that reports per part are transmitted with agreed frequency to VOLVO regarding the deliveries from its production facilities, the goods in transit between SUPPLIER and the LSP, as well as the stock at the LSP.
- All operations at the LSP related to the deliveries to VOLVO shall be subject to all applicable conditions of the general logistics agreement between SUPPLIER and VOLVO. This means that activities like e.g. logistics evaluation, self-assessment, inspection, participation in problem-solving and improvement activities also shall encompass the LSP operation.

Please Note: Volvo Parts stock holding policy requires the supplier to deliver to the closest Central warehouse in Volvo Parts (in the same region).

Volvo Parts intends to use "supplier hubs" in the case of increased volumes of scale for the Volvo Group.