

# **VOLVO**

Key Elements Procedure 7 (KEP 7), Logistics Requirements

**CONTENTS**

FOREWORD ..... 2

KEY ELEMENTS ..... 2

LONG DISTANCE SUPPLIERS (>72 hours normal transport lead time)..... 4

DELIVERY MODES..... 5

INCOTERMS..... 6

PACKAGING ..... 7

SERVICE MARKET ..... 8

## FOREWORD

This logistics policy applies to all SUPPLIERS delivering Automotive Parts to the VOLVO Group and it defines the inbound logistics responsibilities between the SUPPLIER and VOLVO. This policy is a “VOLVO Procedure” according to VOLVO’s General Purchasing Conditions.

## KEY ELEMENTS

1. 100% Compliance with Supply Instructions
  - 1.1. VOLVO requires on time deliveries of the right product, with the correct quantity, to the right place according to the agreed-upon delivery terms
2. Dispatch Performance Measurements
  - 2.1. All Volvo Suppliers are expected to have a dispatch precision/service level of 100%
  - 2.2. A dispatch precision of less than 85% (considering the preceding six-month period) is considered a STOP parameter for new business awards.
3. Performance Evaluation
  - 3.1. SUPPLIER must measure and report dispatch precision performance for each VOLVO goods receiver (or location) as per the requirements set out in section 2.1 of this policy.
  - 3.2. SUPPLIER must be familiar with and regularly use the performance information provided in VOLVO’s supplier portal.
  - 3.3. SUPPLIER is responsible to measure delivery performance for each of their sub-suppliers, and should make this information available to VOLVO if needed
4. Logistics Evaluation, MMOG/LE

*The Global MMOG/LE is an industry-standardized tool used by VOLVO to assess business partners’ conditions for a flexible, reliable, and cost-effective supply chain, and to guide towards logistics excellence. Training is available on the tool from Odette/AIAG/JAMA*

  - 4.1. New and existing Suppliers are to be evaluated at their manufacturing site using the Global MMOG/LE (Global Material Management Operational Guidelines/Logistics Evaluation)
  - 4.2. SUPPLIER is required to fill in the **full** version of the MMOG/LE self-assessment **in English**, in order to be considered for new business with VOLVO (on-site audit will be performed as needed by VOLVO)
  - 4.3. VOLVO target audit result for all Suppliers is minimum A 90%.
  - 4.4. Audit result below C 75% is a STOP parameter to new business awards
  - 4.5. VOLVO-accepted action plan is required for level in between C 75% and A 90% (progress to A to be completed prior to start of production for VOLVO products)
  - 4.6. If SUPPLIER has previously completed the Global MMOG/LE self-assessment for VOLVO or another customer, SUPPLIER will provide VOLVO with documentation that confirms the completion date and audit result
  - 4.7. Performed audit result is valid for 3 years, and should then be updated if needed.
  - 4.8. To order the document, please contact <https://www.odette.org/services/mmog> or the national ODETTE organization
  - 4.9. For Suppliers delivering from North America, to order the document, please contact <https://www.aiag.org/>

5. Communication
  - 5.1. If SUPPLIER is not able to fulfill the VOLVO delivery demand, SUPPLIER is obliged to inform VOLVO without any delay and to agree upon solutions to avoid the risk of disruptions in the supply chain.
  - 5.2. Daily communication with VOLVO must include the subject VOLVO part numbers, and SUPPLIER contact must be able to communicate fluently in English
6. Points of Delivery
  - 6.1. Point of delivery (to goods receiver) will be clearly defined in the Price Agreement
  - 6.2. At point of delivery, risk and cost pass from SUPPLIER to VOLVO
  - 6.3. At point of delivery, SUPPLIER may release invoice to VOLVO
  - 6.4. Incoterms are explained in section 20 of this document
7. Delivery Demands
  - 7.1. VOLVO will provide delivery demands by EDI to SUPPLIER
  - 7.2. Delivery demand will include firm schedule (unique per VOLVO location), and 6-month forecast (minimum)
  - 7.3. The date specified in the delivery demand is the date when the parts are to be dispatched from the point of delivery to the goods receiver (collecting vehicle in case of FCA or plant in case of DAP) according to the agreed-upon Incoterms
  - 7.4. SUPPLIER is expected to manage communications with its sub-suppliers regarding all VOLVO demands
8. EDI Communication
  - 8.1. VOLVO EDI standard is mandatory (in accordance with AUTOMOTIVE EDIFACT messages)
  - 8.2. WebEDI is a possible solution for low volume Suppliers (with less than 50 parts numbers and/or less than 10 VOLVO users). Information regarding WebEDI can be found on <https://www.edi.volvogroup.com/en-en/webedi.html>
  - 8.3. Specifications for outbound and inbound messages, transport labels and versions can be found at <https://www.volvogroup.com/en-en/suppliers.html>
  - 8.4. If one partner isn't able to send or receive a message, this partner must contact the other party without delay to troubleshoot the problem
  - 8.5. EDI dispatch message must reflect physical flow in quantities and in a timely manner and provided documents must reflect EDI dispatch message.
9. SUPPLIER Safety Stock
  - 9.1. SUPPLIER is responsible to set and manage safety stock levels in order to meet VOLVO's delivery demands. *Not applicable in case of VOLVO Managed Logistics Center.*
  - 9.2. If guidance on calculating the correct amount of safety stock is needed, please contact the Logistics Manager Sourcing (LMS) for truck and powertrain business or the logistics contact for other VOLVO business areas
  - 9.3. VOLVO reserves the right to claim compensation for the costs that are incurred due to late dispatches/deliveries or other non-conformities

## 10. Delivery Manual

- 10.1. SUPPLIER must follow the Delivery Manual regarding loading, documentation, packaging, project parts and labeling - please find the delivery manual per end user on the Supplier Portal at this location <https://www.supplierportal.volvo.com>

## 11. Transport

- 11.1. SUPPLIER shall comply with the Transport Instructions provided by VOLVO, unless otherwise has been agreed between VOLVO and SUPPLIER. The latest version of Transport Instructions is available on the Supplier Portal.
- 11.2. VOLVO reserves the right to change the transport pick up days and frequency during the life of the product without changes to the part price

## 12. Customs Compliance

- 12.1. SUPPLIER has an obligation to ensure that proper Customs clearance supporting documentation is provided in accordance with the laws and regulations set by exporting and importing country. Failure to provide accurate documents can result in delayed deliveries, overtime, incorrect customs duties and penalties.
- 12.2. In the case of customs-relevant deliveries the SUPPLIER must inquire as to the manner in which the customs clearance shall take place and which customs-relevant documents they need to furnish. Customs related questions should be addressed to Customs and Trade function within VOLVO. SUPPLIER shall provide the information to Volvo according to the General Purchasing Conditions (GPC) and the SUPPLIER is obliged to appoint a customs contact i.e. Name plus mail address to support in customs related questions.
- 12.3. For deliveries to regions/countries with Free trade agreement with the exporting country the SUPPLIER needs to provide completed and confirmed Preferential Certificate when the goods have preferential origin/status. Preferential certificates could be provided annually or with each shipment based on local requirements. Preferential certificate should also be provided upon request. For more information, and contact info, please see <https://logistics.volvo.com/>. To get access please contact [EMEAOCSSWEB@volvo.com](mailto:EMEAOCSSWEB@volvo.com)
- 12.4. Export Control  
In order to ensure that VOLVO meet the requirements of the different export control regulations in different parts of the world the SUPPLIER shall be obliged to deliver all assistance, information or certificates needed by VOLVO, including, upon request from VOLVO, technical information sufficient to determine the applicable export classification. Export Control related questions should be send to [Support.ExportControl@volvo.com](mailto:Support.ExportControl@volvo.com)

## LONG DISTANCE SUPPLIERS

### 13. LONG DISTANCE SUPPLIERS (>72 hours normal transport lead time)

VOLVO considers suppliers with a transport lead-time above 72 hours as long distance suppliers. VOLVO requires long distance suppliers to ship from a delivery point within 72 hours transport lead-time. For rush transports, maximum accepted lead time is 24 hours.

If SUPPLIER **has** an existing, well working, delivery point within the required transport distance, this delivery point shall be used.

If SUPPLIER **does not** have an existing delivery point, a case by case investigation is needed to find the best possible solution. If certain parameters are fulfilled, VOLVO will be able to provide a delivery point.

#### 14. VOLVO Managed Logistics Center (VMLC)

- 14.1. VOLVO provides the SUPPLIER with-location to which the SUPPLIER should deliver
- 14.2. SUPPLIER owns and manages the inventory within the, by VOLVO required, , minimum and maximum stock levels based on forecasted delivery schedule
- 14.3. SUPPLIER manages transport to the delivery point based on FCL/ FTL
- 14.4. VOLVO is responsible for the warehouse operations and handling

#### 15. SUPPLIER Managed Logistics Center

- 15.1. SUPPLIER provides VOLVO with proposed logistics flow between SUPPLIER manufacturing location and delivery point
- 15.2. SUPPLIER owns and manages the inventory and safety stock levels
- 15.3. SUPPLIER is responsible for the warehouse operations and handling
- 15.4. SUPPLIER manages the transport to the delivery point
- 15.5. SUPPLIER is responsible to choose appropriate packaging up to the supplier managed logistics center
- 15.6. VOLVO may require logistics audit at designated delivery point.
- 15.7. SUPPLIER provides VOLVO with time-plan for implementation of flow at delivery point
- 15.8. In case of a BWH (Bonded warehouse) setup the SUPPLIER must contact VOLVO Customs and Trade organization, in order to ensure correct customs clearance and allocation of customs administrative costs.

## DELIVERY MODES

#### 16. Batch deliveries

- 16.1. SUPPLIER delivers according to VOLVO's delivery demand, with a minimum order quantity related to the defined packaging instruction

#### 17. Push and Pull Sequence deliveries

- 17.1. Setup is unique to each VOLVO end user, requirement will be specified case by case
- 17.2. Sequence deliveries are deliveries of equal part types that are packed in the correct assembly sequence (according to VOLVO production flow)
- 17.3. Sequence instructions include chassis number, part information, quantity, serial number, line set number, rotation number, use date, etc.

#### 18. Vendor Managed Inventory (VMI)

- 18.1. Setup is unique to each VOLVO end user, requirement will be specified case by case

#### 19. Pull flow through a VOLVO Managed Logistics Center (VMLC)

- 19.1. The final call-off is made from the VMLC according to VOLVO plant real consumption
- 19.2. Multi daily deliveries are organized between the VMLC and the VOLVO plant

## INCOTERMS

### 20. VOLVO requires SUPPLIER to use Incoterms 2010

20.1. SUPPLIER quotation to VOLVO must include the specific Incoterms rule, place and Incoterms 2010. Example: FCA Factory X/City, Country (Incoterms 2010)

#### 20.2. Definition 1: FCA “SUPPLIER premises”, Incoterms 2010

- VOLVO collects the cargo at the SUPPLIER premises
- SUPPLIER is responsible to load cargo onto VOLVO collecting vehicle
- SUPPLIER is responsible to arrange and pay for export customs (procedures and duties)
- Risk passes from SUPPLIER to VOLVO after the cargo is loaded onto VOLVO collecting vehicle and cleared by customs for export
- VOLVO is responsible to arrange and pay for transport and insurance from this collection point to the final destination
- VOLVO is responsible to arrange and pay for import customs (procedures, duties, VAT)

#### 20.3. Definition 2: FCA “named VMLC” taken from the storage shelf, Incoterms 2010

- VOLVO collects the cargo at the VMLC, selected by VOLVO
- SUPPLIER is responsible to arrange and pay for export customs, transport, and insurance from SUPPLIER premises to the VMLC
- Unloading and warehousing activities are contracted and paid for by VOLVO in the VMLC
- SUPPLIER is at risk during warehousing and subsequently until cargo is taken from the storage shelf by VOLVO - SUPPLIER is responsible to insure the cargo up to this point
- VOLVO is responsible to arrange and pay for the subsequent warehousing, transport and insurance from this collection point to the final destination
- VMLC should be a bonded warehouse, capable of administering the import customs-related procedures
- VOLVO normally pays the import duties and VAT, but this will be reviewed case-by-case.

#### 20.4. Definition 3: FCA “named Logistics Center”, Loaded, Incoterms 2010

- VOLVO collects the cargo at the Logistics Center
- SUPPLIER is responsible to arrange and pay for export customs, transport, and insurance from SUPPLIER premises to the Logistics Center
- Warehousing activities in the Logistics Center will be contracted and paid for by the SUPPLIER
- SUPPLIER is responsible to warehouse cargo and subsequently load cargo onto VOLVO collecting vehicle - SUPPLIER is responsible to insure the cargo up to this point
- Risk passes from SUPPLIER to VOLVO after the cargo is loaded onto VOLVO collecting vehicle
- VOLVO is responsible to arrange and pay for transport and insurance from this collection point to the final destination
- Logistics Center should be a bonded warehouse, capable of administering the import customs-related procedures
- VOLVO normally pays the import duties and VAT, but this will be reviewed case-by-case.

- 20.5. Definition 4: DAP “named VOLVO factory”, Incoterms 2010
  - SUPPLIER delivers to designated delivery point at VOLVO factory
  - SUPPLIER is responsible to arrange and pay for export customs, transport, warehousing, and insurance from SUPPLIER premises to VOLVO factory
  - Risk passes from SUPPLIER to VOLVO when the cargo-carrying vehicle is ready for unloading at the VOLVO factory
  - VOLVO is responsible to arrange and pay for unloading
  - VOLVO is responsible to arrange and pay for import customs (procedures, duties, VAT)
- 20.6. Import set up in the USA
  - In the US, solutions 20.3 and 20.4 will not be used. For U.S. imports the VOLVO company acting as purchaser will be responsible for import duties, unless Delivered Duty Paid terms (DDP) are used. If there are scenarios where VOLVO buyers would like to consider alternate terms or pre-storage, like 22.3 or 22.4, please contact the US Customs and Trade Governance Department for support and before any decision.

## PACKAGING

21. VOLVO standard packaging (V-EMB) is the default packaging for inbound supply
  - 21.1. Final packaging solution will be decided by packaging engineer for each concerned site
  - 21.2. Some components or set-ups may require specific packaging or one-way packaging
  - 21.3. SUPPLIER and its processes must be capable to handle all V-EMB , specific packaging or one way packaging depending on the final packaging solution
  - 21.4. VOLVO reserves the right to change the packaging instructions during the life of the product without changes to the part price
  - 21.5. SUPPLIER must use appropriate material inside the packaging to secure the quality of the part during transit
  - 21.6. VOLVO manages the deliveries of empty packaging to the SUPPLIER
  - 21.7. V-EMB is a VOLVO Group asset.
22. Packaging Instructions
  - 22.1. SUPPLIER and VOLVO will collaborate and decide the appropriate packaging solution for each product
  - 22.2. VOLVO will provide SUPPLIER with detailed packaging instructions prior to serial production requirements
  - 22.3. Packaging instructions for an individual part number can vary between VOLVO end users
23. Prerequisites to use VOLVO packaging material (V-EMB)
  - 23.1. SUPPLIER must sign a packaging user agreement (global standard contract) with VOLVO prior to business award.
  - 23.2. If SUPPLIER chooses to use V-EMB for a packaging solution between its sub-suppliers, a contract must be signed between VOLVO and each sub-supplier
24. SUPPLIER Responsibility
  - 24.1. Order packaging through VOLVO
  - 24.2. Maintain correct and updated packaging stock balance in web portal

24.3. Issue a Delivery Note and perform goods issue in the web portal each time V-EMB is dispatched, regardless of packaging condition (empty, filled, or damaged)

## 25. Packaging Related Costs

25.1. No cost to SUPPLIER for use of VOLVO packaging (V-EMB) **unless**:

- Packaging is used between SUPPLIER and their sub-suppliers, pick-up points or warehouses
- SUPPLIER stock of V-EMB exceeds 21 days (based on average use of V-EMB per packaging type), excluded transport time.
- Packaging is damaged by SUPPLIER
- Unexplained discrepancy in SUPPLIER stock balance (considered a loss by VOLVO)
- Sorting instructions are disregarded when returning empty packaging to VOLVO
- Disposable packaging is ordered
- Stock in transit belongs to VOLVO

26. For more information:

<http://www.volvogroup.com/en-en/suppliers/useful-links-and-documents/logistics-solutions/volvo-group-packaging-system.html>

## SERVICE MARKET

### 27. General

- The SUPPLIER agrees to supply spare parts for a period of at least 15 years after the parts have ran out of production unless otherwise stipulated (Ref: VOLVO's General Purchasing Conditions section 19.1). For Military applications the demand for supplied spare parts is 30 years after end of production.
- The SUPPLIER must be able to deliver spare parts during all 52 weeks of a year and in quantities according to Service Market delivery schedules.
- Service Market orders are not bound by any minimum order quantities, when parts are common with production
- The SUPPLIER must be prepared to start supplying spare parts at the same time as production.
- When parts are common with production, the SUPPLIER needs to deliver the spare parts with the same lead time and delivery precision as production parts.

### 28. Long Distance Suppliers

- VOLVO requires long distance suppliers to ship goods from a location within 72 hours transit via normal transport means, to the concerned VOLVO goods receiver. For rush transports, maximum accepted lead time is 24 hours.

### 29. VOR Vehicle off Road (Trucks), Unit Down / Break Down order (VCE), and Emergency orders (Penta)

- VOR Vehicle off Road (Trucks), Unit Down / Break Down order (VCE), and Emergency orders (Penta) always have the highest priority within VOLVO, even above production needs.



- In case of a VOR/Unit Down/Emergency situation, the SUPPLIER is to have the parts ready for pick-up within max 1 day lead time.

### 30. Service Market Packaging

- Service market packaging is not the same as transport packaging (V-EMB). It refers to the single packaging or commercial packaging of the spare part. The spare part(s) can be single packaged, quantity packaged (>1), packed as a Kit (set of parts) or no packaging required for example bulk or naked.
- Service market packaging can be subjected to branding requirements per business area (Renault Trucks / VOLVO Trucks / Mack / UD, etc.) or VOLVO Group common branded.
- It is preferred that both VOLVO and SUPPLIER collaborate on and decide the appropriate commercial packaging for each product.
- SUPPLIERS should perform service market packaging of spare parts according to the packaging agreement with VOLVO commercial packaging department.
- Costs for commercial packaging shall be specified in the quotation together with a price break down.