

# **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 ..... 5

PACKAGING ..... 6

SERVICE MARKET ..... 8

## FOREWORD

1. 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

2. 100% Compliance with Supply Instructions
  - 2.1. VOLVO requires on time deliveries of the right product, with the correct quantity, to the right place according to the agreed-upon delivery terms (or special supply instructions)
3. Dispatch Performance Measurements
  - 3.1. All VOLVO suppliers are expected to have a dispatch precision/service level of 100%
  - 3.2. Verified measurements below 85% (considering the preceding six-month period), are considered a STOP parameter to new business awards
4. Performance Evaluation
  - 4.1. SUPPLIER must have a procedure to measure dispatch performance to the customers. Measurements must be according to VOLVO requirements, see 2.1.
  - 4.2. SUPPLIER must be familiar with and regularly use the performance information provided in VOLVO’s systems (scorecard on supplier portal)
  - 4.3. SUPPLIER is responsible to measure delivery performance for each of their sub-suppliers, and should make this information available to VOLVO if needed
5. 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*

  - 5.1. New and existing suppliers are to be evaluated at their manufacturing site using the Global MMOG/LE (Global Material Management Operational Guidelines/Logistics Evaluation)
  - 5.2. SUPPLIER is required to fill in the **full** version of the MMOG/LE self-assessment (valid for MMOG/LE version 4) in order to be considered for new business with VOLVO (on-site audit will be performed as needed by VOLVO)
  - 5.3. VOLVO target audit result for all suppliers is minimum A 90%.
  - 5.4. Audit result below C 75% is a STOP parameter to new business awards
  - 5.5. 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)
  - 5.6. 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
  - 5.7. Performed audit result is valid for 3 years
  - 5.8. If you are outside North America, to order the document, please contact <http://www.odette.org/services/mmog> or the national ODETTE organization
  - 5.9. If you are inside North America, to order the document, please contact <http://www.aiag.org/index.cfm>

6. Communication
  - 6.1. If SUPPLIER is not able to fulfill the VOLVO delivery demand, SUPPLIER is obliged to inform VOLVO without delay and discuss solutions to avoid the risk of disruptions in the supply chain.
  - 6.2. Daily communication with VOLVO customer must include the subject VOLVO part numbers, and SUPPLIER contact must communicate fluently in English
7. Points of Delivery
  - 7.1. Point of delivery (to goods receiver) will be clearly defined in the Price Agreement
  - 7.2. At point of delivery, risk and cost pass from SUPPLIER to VOLVO
  - 7.3. At point of delivery, SUPPLIER may release invoice to VOLVO
  - 7.4. Incoterms are explained in section 23 of this document
8. Delivery Demands
  - 8.1. VOLVO will provide delivery demands by EDI to SUPPLIER
  - 8.2. Delivery demand will include firm schedule (unique per VOLVO location), and 6-month forecast (minimum)
  - 8.3. The date specified in the delivery demand is the date when the parts are to be dispatched to the goods receiver (collecting vehicle in case of FCA or plant in case of DAP) according to the agreed-upon Incoterms
  - 8.4. SUPPLIER is expected to manage communications with its sub-suppliers regarding all VOLVO demands
9. EDI Communication
  - 9.1. VOLVO EDI standard is mandatory (in accordance with AUTOMOTIVE EDIFACT messages)
  - 9.2. Specifications for outbound and inbound messages, transport labels and versions can be found at <http://www.volvogroup.com/en-en/suppliers.html>
  - 9.3. 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
  - 9.4. EDI dispatch message must reflect physical flow in quantities and in a timely manner
10. Supplier Safety Stock
  - 10.1. SUPPLIER is responsible to set and manage safety stock levels in order to meet VOLVO's delivery demands (see 3.1) *Not applicable in case of Volvo Managed Logistics Center*
  - 10.2. If guidance on calculating the correct amount of safety stock needed, please contact the Logistics Manager Sourcing (LMS) for truck and powertrain business or the logistics contact for other business units
  - 10.3. VOLVO reserves the right to claim compensation for the costs that are incurred due to late dispatches/deliveries or other non-conformities
11. Delivery Manual
  - 11.1. 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://supplierportal.volvo.com>

## 12. Transport

- 12.1. Transport instructions are distributed by Volvo Group Logistics Services, unless special arrangements. More information per continent can be found at <https://logistics.volvo.com/>
- 12.2. 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

## 13. Customs Compliance

- 13.1. Supplier is always responsible for the issuing of export documents
- 13.2. Supplier shall provide the information to Volvo according to Volvo's agreements
- 13.3. Deliveries to regions/countries with Free trade agreement with the exporting country need to be shipped together with properly completed and confirmed Preferential movement Certificate when the goods has preferential origin/status.
- 13.4. SUPPLIER shipping part to any country outside of their own are responsible for calculating Regional Value Content for their own products and will be required to submit a Certificate of Origin to Volvo Group for their goods annually (at a minimum), and with each shipment in those regions where it is required at that frequency
- 13.5. For more information, please see <https://logistics.volvo.com/>

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

14. 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. VOLVO has two solutions for deliveries depending on supplier footprint. If Supplier has an existing delivery point within the required transport distance, this delivery point shall be used (according to section 16). If supplier does not have an existing delivery point, VOLVO will provide a delivery point (according to section 15).

## 15. VOLVO Managed Logistics Center (VMLC)

- 15.1. VOLVO provides the SUPPLIER with-location to which the supplier should deliver
- 15.2. SUPPLIER owns and manages the inventory within the, prescribed, minimum and maximum stock levels based on forecasted delivery schedule
- 15.3. Supplier manages transport to the delivery point based on FCL/ FTL
- 15.4. VOLVO is responsible for the warehouse operations and handling

## 16. SUPPLIER Managed Logistics Center

- 16.1. SUPPLIER provides VOLVO with proposed logistics flow between supplier manufacturing location and delivery point
- 16.2. SUPPLIER owns and manages the inventory and safety stock levels
- 16.3. SUPPLIER is responsible for the warehouse operations and handling
- 16.4. SUPPLIER manages the transport to the delivery point

- 16.5. SUPPLIER is responsible to choose appropriate packaging up to the supplier managed logistics center
- 16.6. VOLVO may require logistics audit at designated delivery point.
- 16.7. SUPPLIER provides Volvo with time-plan for implementation of flow at delivery point

## DELIVERY MODES

17. Batch deliveries
  - 17.1. Supplier delivers according to VOLVO's delivery demand, with a minimum order quantity related to the defined packaging instruction
18. Push Sequence deliveries
  - 18.1. Setup is unique to each VOLVO end user, requirement will be specified case by case
  - 18.2. Sequence deliveries are deliveries of equal part types that are packed in the correct assembly sequence (according to Volvo production flow)
  - 18.3. Sequence instructions include part information, quantity, serial number, line set number, rotation number, use date, etc.
19. Pull sequence Deliveries
  - 19.1. Setup is unique to each VOLVO end user, requirement will be specified case by case
  - 19.2. Pull sequence deliveries are deliveries of equal part types that are packed in the correct assembly sequence (according to Volvo production flow) and delivered just in time
20. Vendor Managed Inventory (VMI)
  - 20.1. Setup is unique to each VOLVO end user, requirement will be specified case by case
21. Pull flow through a Volvo Managed Logistics Center (VMLC)
  - 21.1. The final call-off is made from the VMLC according to VOLVO plant real consumption
  - 21.2. Multi daily deliveries are organized between the VMLC and the VOLVO plant

## INCOTERMS

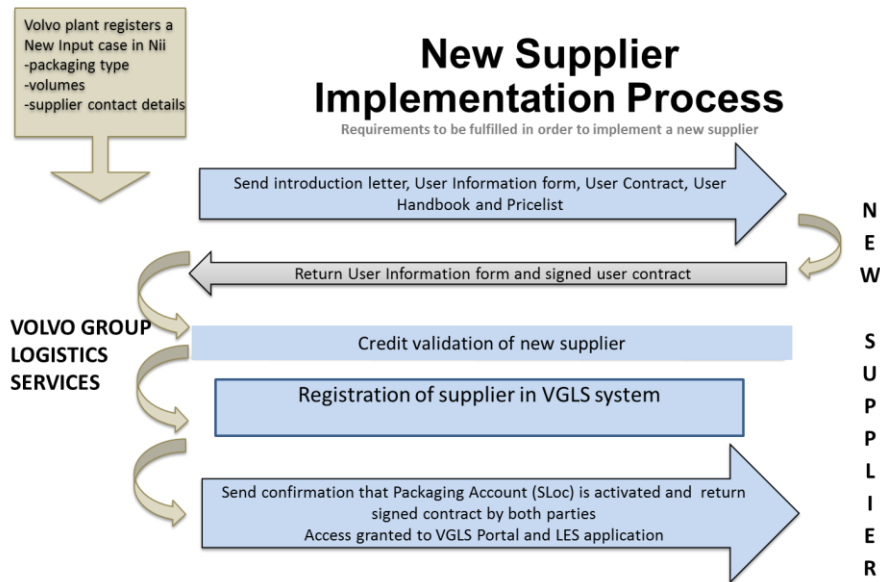
22. VOLVO requires SUPPLIER to use Incoterms 2010
  - 22.1. SUPPLIER quotation to VOLVO must include the specific Incoterms rule, place and Incoterms 2010. Example: FCA Factory X/City, Country (Incoterms 2010)
  - 22.2. Definition 1: FCA "SUPPLIER premises", Incoterms 2010
    - VOLVO collects the cargo 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)

- 22.3. 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
  - VOLVO normally pays the import duties and VAT, but this will be reviewed case-by-case – For USA: supplier pays the import duties
- 22.4. 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
- 22.5. 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)

## PACKAGING

23. VOLVO standard packaging (V-EMB) is the default packaging for inbound supply
- 23.1. Final packaging solution will be decided by packaging engineer for each concerned site
- 23.2. Some components or set-ups may require specific packaging or one-way packaging

- 23.3. Supplier and its processes must be capable to handle all V-EMB , specific packaging or one way packaging depending on the final packaging solution
- 23.4. VOLVO reserves the right to change the packaging instructions during the life of the product without changes to the part price
- 23.5. SUPPLIER must use appropriate material inside the packaging to secure the quality of the part during transit
- 23.6. Volvo Group Logistics Services (VGLS) manages the deliveries of empty packaging to the SUPPLIER
- 23.7. Volvo is the owner of standard and specific packaging (exception for few packaging in APAC)
- 24. Packaging Instructions
  - 24.1. SUPPLIER and VOLVO will collaborate and decide the appropriate packaging solution for each product
  - 24.2. VOLVO will provide SUPPLIER with detailed packaging instructions prior to serial production requirements
  - 24.3. Packaging instructions for an individual part number can vary between VOLVO end users
- 25. Prerequisites to use VOLVO packaging material (V-EMB)
  - 25.1. SUPPLIER must sign a V-EMB contract (global standard contract) with Volvo Group Logistics Services prior to first delivery of empty packaging
  - 25.2. If SUPPLIER chooses to use V-EMB for a packaging solution between its sub-suppliers, a contract must be signed between Volvo Group Logistics Services and each sub-supplier
- 26. Implementation process (also referred to as “Nii case”)



## 27. SUPPLIER Responsibility

- 27.1. Gain access to Volvo Group Logistics Services Portal (see 29)
- 27.2. Order packaging through Volvo Group Logistics Services Portal called “LES Packaging”, both standard and specific packaging material

- 27.3. Maintain correct and updated packaging stock balance in web portal “LES Packaging”
- 27.4. Issue a Delivery Note and perform goods issue in the web portal “LES Packaging” each time V-EMB is dispatched, regardless of packaging condition (empty, filled, or damaged)

## 28. Packaging Related Costs

28.1. 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)
- Packaging is damaged by SUPPLIER
- Unexplained discrepancy in SUPPLIER stock balance (considered a loss by Volvo Group Logistics Services)
- Sorting instructions are disregarded when returning empty packaging to Volvo Group Logistics Services
- Disposable packaging is ordered

29. For more information:

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

## SERVICE MARKET

### 30. 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.
- Aftermarket orders are not bound by any minimum order quantities.
- The Supplier must be prepared to start supplying spare parts at the same time and with the same lead time and delivery precision as production parts.

### 31. 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.



32. 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.
33. Service Market Packaging Requirements
- Suppliers should perform commercial packaging of spare parts, either individually or in quantity packs, when requested to do so by Volvo.
  - Costs for additional commercial packaging and handling shall be specified in the quotation together with a price break down.