

# **VOLVO**

## Key Elements Procedure 7 (KEP 7), Logistics Requirements

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## 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 (GPC).

## 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. The SUPPLIER shall 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. The SUPPLIER shall be familiar with and regularly use the performance information provided in VOLVO’s supplier portal, <https://www.volvogroup.com/en-en/suppliers.html> (login required).
  - 3.3. The 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. The 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’s target audit result for all SUPPLIERS is minimum level A.
  - 4.4. Audit result below C 80% is a STOP parameter to new business awards.
  - 4.5. New SUPPLIERS are required to create action plans to be approved by VOLVO’s lead assessor in order to reach a set target level before start of production. Existing SUPPLIERS are requested to present a solid time plan with clear target date to reach A level.
  - 4.6. If the 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.

- 4.8. To order the MMOG/LE self-assessment, please access the ODETTE or AIAG (for US SUPPLIERS) website. ODETTE: <https://www.odette.org/mmog/information/>  
AIAG: <https://www.aiag.org/supply-chain-management/materials-management/global-materials-management-operations-guidelines/>
5. Communication
  - 5.1. If the SUPPLIER is not able to fulfill the VOLVO delivery demand, the 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. In the daily communication with VOLVO, the SUPPLIER shall use VOLVO part numbers and VOLVO's contact persons at the SUPPLIER shall 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 the SUPPLIER to VOLVO.
  - 6.3. At point of delivery, the SUPPLIER may release the 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 (Electronic Data Interchange) to the SUPPLIER.
  - 7.2. Delivery demand will include a firm schedule (unique per VOLVO location), and a 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. VOLVO expects the SUPPLIER to manage communications with its sub-suppliers regarding all VOLVO demands.
  - 7.5. VOLVO reserves the right to claim compensation for the costs that are incurred due to late dispatches/deliveries or other non-conformities.
  - 7.6. The SUPPLIER acknowledges and agrees that the non-binding delivery forecasts set forth in the Delivery Schedule indicate VOLVO's anticipated requirements for the relevant part(s) only. Any quantity included in the Delivery Plan that exceeds what is a firm request for delivery of parts, or any volume estimates provided elsewhere, shall be considered a forecast only and shall not be binding on VOLVO.
8. EDI Communication
  - 8.1. VOLVO EDI standard is mandatory (in accordance with AUTOMOTIVE EDIFACT messages). Specifications for outbound and inbound messages, transport labels and versions can be found at <https://www.volvogroup.com/en-en/suppliers.html>
  - 8.2. WebEDI is a possible solution for low volume Suppliers (with less than 50 part 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. If one partner is not able to send or receive a message, this partner shall contact the other party immediately to solve the problem.

- 8.4. The SUPPLIER shall send the EDI dispatch message in a timely manner and the message shall reflect the physical flow in quantities. Provided documents shall reflect the EDI dispatch message.
9. SUPPLIER Safety Stock
- 9.1. The SUPPLIER is responsible to manage safety stock levels in order to meet VOLVO's delivery demands.
10. Delivery Manual
- 10.1. The SUPPLIER shall follow the Delivery Manual regarding loading, documentation, packaging, project parts and labeling - please find the delivery manual on the Supplier Portal <https://www.volvogroup.com/en-en/suppliers.html> (login required).
11. Transport
- 11.1. The SUPPLIER shall comply with the Transport Instructions provided by VOLVO, unless otherwise has been agreed between VOLVO and the SUPPLIER. The latest version of Transport Instructions is available on the Supplier Portal <https://www.volvogroup.com/en-en/suppliers.html> (login required).
- 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 and Export Control Compliance
- Customs Compliance
- 12.1. In the General Purchasing Conditions (GPC), the SUPPLIER has an obligation to ensure that proper Customs clearance supporting documentation is provided in accordance with the GPC and the laws and regulations set by the 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 shall inquire how the customs clearance shall take place and which customs-relevant documents the SUPPLIER needs to furnish. Customs related questions can be addressed to Customs and Trade function within VOLVO. The SUPPLIER shall provide the information to VOLVO according to the GPC and the SUPPLIER is obliged to appoint a customs contact (i.e. name and email address) to support in customs related questions.
- 12.3. For deliveries to regions/countries with Free Trade agreements with the exporting country, the SUPPLIER needs to provide completed and confirmed Preferential Certificate when the goods have preferential origin/status. Preferential certificates can 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 consult VOLVO's Logistic Portal <https://logistics.volvo.com/>. To get access to this portal, please contact [EMEAOCSSWEB@volvo.com](mailto:EMEAOCSSWEB@volvo.com)
- Export Control Compliance
- 12.4. In order to ensure that VOLVO meets the requirements of the different export control regulations in different parts of the world, the SUPPLIER is 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 sent to [Support.ExportControl@volvo.com](mailto:Support.ExportControl@volvo.com). For more information, please consult VOLVO's Logistic Portal <https://logistics.volvo.com/>. To get access to this portal, please contact [EMEAOCSSWEB@volvo.com](mailto:EMEAOCSSWEB@volvo.com).

### 13. Dangerous goods compliance

- 13.1 Parts need to be designed and delivered in compliance with applicable transport regulations for all applicable transport modes (road, railway, sea, air).
- 13.2 For each part classified as dangerous goods, the Dangerous Goods Request form shall be filled in and submitted in accordance with the instruction in the form.

## LONG DISTANCE SUPPLIERS

### 14. 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, pick-up point within the required transport distance, this pick-up point shall be used.

If SUPPLIER **does not** have an existing pick-up point, a case-by-case investigation is needed to find the best possible solution.

### 15. SUPPLIER Pick-up point

- 15.1. The SUPPLIER provides VOLVO with proposed logistics flow between the SUPPLIER manufacturing location and the pick-up point.
- 15.2. The SUPPLIER owns and manages the inventory and safety stock.
- 15.3. The SUPPLIER is responsible for the warehouse operations and handling.
- 15.4. The SUPPLIER manages the transport to this location.
- 15.5. The SUPPLIER is responsible to choose appropriate packaging up to the SUPPLIER pick-up point.
- 15.6. VOLVO may require a logistics audit at the designated pick-up point.
- 15.7. The SUPPLIER shall comply with the VOLVO defined time plan for pick-up point implementation.
- 15.8. In case of a bonded warehouse setup, the SUPPLIER shall contact VOLVO Customs and Trade organization, in order to ensure correct customs clearance and allocation of customs administrative costs.

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

- 16.1. VOLVO provides the SUPPLIER with a location to which the SUPPLIER should deliver.
- 16.2. The SUPPLIER owns and manages the inventory within the, by VOLVO required, minimum and maximum stock levels based on forecasted delivery schedule.
- 16.3. SUPPLIER manages transport to the delivery point based on full container loads (FCL) or full truck loads (FTL).

- 16.4. VOLVO is responsible for the warehouse operations and handling.

## DELIVERY MODES

### 17. Batch deliveries

- 17.1. The SUPPLIER needs to deliver according to VOLVO's delivery demand.

### 18. Push and Pull Sequence deliveries

- 18.1. The 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 chassis number, part information, quantity, serial number, line set number, rotation number, use date, etc.

### 19. Vendor Managed Inventory (VMI)

- 19.1. The setup is unique to each VOLVO end user, requirement will be specified case by case.

## INCOTERMS

### 20. VOLVO requires all SUPPLIERS to use Incoterms 2020

- 20.1. The SUPPLIER quotation to VOLVO shall include the specific Incoterms rule, place and Incoterms 2020. Example: FCA Factory X/City, Country (Incoterms 2020).

#### 20.2. Definition 1: FCA "SUPPLIER premises", Loaded, Incoterms 2020

- VOLVO collects the cargo at the SUPPLIER premises.
- The SUPPLIER is responsible to load cargo onto VOLVO collecting vehicle.
- The SUPPLIER is responsible to arrange and pay for export customs (procedures and duties).
- Risk passes from the 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 "SUPPLIER Pick-up point", Loaded, Incoterms 2020.

- VOLVO collects the cargo at the SUPPLIER pick-up point.
- The SUPPLIER is responsible to arrange and pay for export customs, transport, and insurance from the SUPPLIER premises to the SUPPLIER pick-up point.
- Warehousing activities in the SUPPLIER pick-up point are contracted and paid for by the SUPPLIER.
- The SUPPLIER is responsible to warehouse cargo and subsequently load cargo onto VOLVO collecting vehicle – the SUPPLIER is responsible to insure the cargo up to this point.
- Risk passes from the 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.
  - The SUPPLIER pick-up points 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 VMLC” taken from the storage shelf, Incoterms 2020
- VOLVO collects the cargo at the VMLC, selected by VOLVO.
  - The SUPPLIER is responsible to arrange and pay for export customs, transport, and insurance from the SUPPLIER premises to the VMLC.
  - Unloading and warehousing activities are contracted and paid for by VOLVO in the VMLC.
  - The 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.
- 20.5. Definition 4: DAP “named VOLVO factory”, Incoterms 2020
- The SUPPLIER delivers to designated delivery point at VOLVO factory.
  - The SUPPLIER is responsible to arrange and pay for export customs, transport, warehousing, and insurance from SUPPLIER premises to VOLVO factory.
  - Risk passes from the 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 USA, solutions 20.3 and 20.4 are not used. For US imports, VOLVO who acting as purchaser will be responsible for import duties, unless Delivered Duty Paid (DDP) terms are used. If scenarios occur, where VOLVO buyers would like to consider alternative terms or pre-storage, like the solutions mentioned in paragraphs 20.3 or 20.4, 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. The packaging engineer for each concerned site will decide the final packaging solution.
  - 21.2. Some components or set-ups may require specific packaging or one-way packaging.
  - 21.3. The SUPPLIER shall 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. The SUPPLIER shall use appropriate material inside the packaging to secure the quality of the part during transit.
- 21.6. VOLVO manages the deliveries of empty V-EMB packaging to the SUPPLIER.
- 21.7. V-EMB is a VOLVO Group asset.
22. Packaging Instructions
  - 22.1. The SUPPLIER and VOLVO will collaborate and decide the appropriate packaging solution for each part.
  - 22.2. VOLVO will provide the SUPPLIER with detailed packaging instructions prior to serial production start.
  - 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. The SUPPLIER shall sign a packaging user agreement (global standard contract) with VOLVO prior to business award.
  - 23.2. In case the SUPPLIER wants to use V-EMB for a packaging solution between his sub-suppliers, a request needs to be addressed to the VOLVO buyer for approval. The SUPPLIER is always accountable and responsible for the use of V-EMB including at sub-suppliers.
24. SUPPLIER Responsibility
  - 24.1. To order V-EMB corresponding to the agreed Packaging Instruction per part and flow.
  - 24.2. To maintain correct V-EMB stock balance by registering all in- and outgoing V-EMB transactions.
25. Packaging related costs
  - 25.1. VOLVO will not charge any cost to the SUPPLIER for use of V-EMB **unless**:
    - The SUPPLIER uses V-EMB Packaging between the SUPPLIER and its sub-suppliers, pick-up points or warehouses.
    - The SUPPLIER stock of V-EMB exceeds 21 days (based on average use of V-EMB per packaging type), excluding transport time.
    - The SUPPLIER damages the packaging.
    - The SUPPLIER has an unexplained discrepancy in stock balance (considered a loss by VOLVO).
    - The SUPPLIER is disregarding sorting instructions when returning empty packaging to VOLVO.
    - Disposable packaging is ordered.
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
  - 27.1 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.
- 27.2 The SUPPLIER shall be able to deliver spare parts during all 52 weeks of a year and in quantities according to Service Market delivery schedules.
  - 27.3 Service Market orders are not bound by any minimum order quantities, regardless if parts are common with production or not.
  - 27.4 The SUPPLIER shall be prepared to start supplying spare parts at the same time as production.
  - 27.5 When parts are common with production, the SUPPLIER needs to deliver the spare parts with at least the same lead-time and delivery precision as production parts.
28. VOR Vehicle off Road (Trucks), Unit Down / Break Down order (VCE), and Emergency orders (Penta)
- 28.1 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.
  - 28.2 In case of a VOR/Unit Down/Emergency situation, the SUPPLIER shall have the parts ready for pick-up within maximum one day lead-time.
  - 28.3 If the SUPPLIER has no stock, he should use his own network and processes to provide the shortest possible lead-time on VOR orders.
  - 28.4 The SUPPLIER is obliged to communicate a first status of the VOR request within 2 hours after receipt of the order request.
29. Commercial packaging for spare parts.
- 29.1 Commercial packaging for spare parts is not the same as transport packaging (V-EMB). It refers to the commercial packaging of the spare part(s). The spare part(s) can be single packaged, quantity packaged (>1), packed as a Kit (set of parts) or no packaging required.
  - 29.2 Commercial packaging for spare parts can be subjected to branding requirements per business area (Renault Trucks / VOLVO Trucks / Mack / UD, etc.) or VOLVO Group common branded.
  - 29.3 VOLVO and the SUPPLIER should collaborate to define the appropriate commercial packaging for each part.
  - 29.4 If decided that the SUPPLIER should commercially pack the part(s), the SUPPLIER should deliver the parts accordingly during the lifecycle of the part unless otherwise agreed.
  - 29.5 Costs for commercial packaging shall be specified in the quotation together with a price break down.