

Logistics Guideline for Suppliers

scope

all plants and suppliers

Editor:

Diesterheft, Steffen

LG

25.05.18

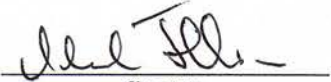


Checker:

Thalheim, Alexander

WL

25.05.18



Name

Department

Date

Signature

Revision history

revision	date	comment	edited by
00	2018-05-25	Ersterstellung	Diesterheft, Steffen

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1. Scope and purpose

This Logistics Guideline governs the logistical integration of material suppliers into the production facilities of Innomotive Systems Hainichen GmbH – hereinafter referred to as ISH.

These production facilities are located in:

DE-09661 Hainichen, Germany

The requirements included herein follow the conditions currently required for reproducing stable logistics processes between a supplier and the plants of ISH with a view to establishing a lasting cooperation on a partnership basis. This Logistics Guideline is deemed an integral part of ISH's terms and conditions of purchasing and thus defines the required scope of logistical services for the quoted price.

After awarding an order for the scope of supply, this Logistics Guideline will be complemented by further process-relevant parts (e.g., emergency concept, supplier contact data, vendor calendar) within the scope of a logistics agreement and signed by both parties.

Statutory provisions shall apply in case of conflict between these requirements and other provisions unless specifically highlighted.

The ordering, transport and packaging instructions defined below shall constitute a part of our contractual agreements and shall be observed on a mandatory basis independently of the term of delivery agreed.

1.1. Effectiveness

This Logistics Guideline shall be applicable as used at the time of enquiry. For the purpose of ensuring a continuous improvement process, the requirements may nonetheless be adapted to changed processes. Any change made at a later time shall require a written agreement between the supplier and ISH.

These ordering, transport and packaging instructions shall not be applicable or shall be applicable only to a restricted extent if and where the customer specifies or agrees something else on a single case basis. Verbal arrangements shall not be effective as a general rule.

Any previous ordering, transport and packaging instructions shall cease to be applicable and shall be superseded by this Logistics Guideline.

1.2. Availability

This Logistics Guideline incl. its appendices is available for downloading from the Internet page of ISH (www.ish-automotive.de) as amended from time to time.

2. Information logistics

2.1. Contact persons

As a rule, the plants belonging to ISH Group are working in multiple shifts. Accordingly, the suppliers shall make certain that they are also available outside the normal office hours. In the data sheet titled belonging to the logistics agreement, the supplier shall indicate a central contact point which is available for making contact on a 24-hour basis.

2.2. Duty to inform

As a general rule, the supplier shall immediately (i.e., proactively) inform the competent **ISH material controller** about every event which might impair delivery or collection (e.g., material or production bottlenecks, accidents, traffic jams, heavy weather, strike, etc.). Any deviation in the process sequence shall be reported immediately and corrective action shall be taken and communicated on the supplier's own initiative without delay.

At the beginning of every year, ISH shall be informed on the supplier's initiative about any period in which supplier manufacture is suspended.

Any general request for information on the part of ISH shall require a feedback on the same day. When any individual employee of the supplier is absent, suitable precautions must be taken so as to ensure that a stand-in is available.

In the event of any escalation enquiry identified as "urgent" and referring, e.g., to an imminent bottleneck in supplies, feedback to the competent **ISH material controller** shall be required within one hour. If the supplier is not able to make any final statement at that time yet, the supplier shall communicate the current status of information and complement information about the action taken to ISH's material controller in the course of that action.

Any additional costs incurred due to any deviation, for which the supplier is responsible or which is in the latter's scope of responsibility, shall be assumed by the supplier on a cost-by-cause basis.

2.3. Data exchange – electronic business processing

The use of electronic business processes allows the setup of business processes which allow a reduced administrative effort and help to avoid errors in transmission.

The use of electronic business processes and the corresponding vouchers shall be implemented by ISH's suppliers at no additional cost. Suppliers are requested to exchange the required link data with the corresponding ISH plant. Information in this regard is available to suppliers from our central ISH information technology department (contact: edi@ish-automotive.com).

For exchanging information, ISH uses the following VDA standards:

Call-off procedure (EDI):

- VDA 4904: Delivery call-off,
- VDA 4905: EDI of delivery call-offs and
- VDA 4915: Just-in-time delivery.

Transport documents:

- VDA 4922: Shipping order (national consignment note),
- CMR (international consignment note),
- VDA 4912: Accompanying document and
- VDA 4913: Delivery note/dispatch notification
- VDA 4916: Shipment notification
-

Identification of goods:

- VDA 4902 material tags (latest version).

Web links of VDA may be consulted under:

http://www.vda.de/cgi-bin/paperorder.cgi?search_ressort=7&all_ranges=1&search_now=1

The above-mentioned VDA standards shall be considered the **standard for data transmission**. The supplier shall ensure that information can be received, processed, stored and transmitted based on these standards. If the supplier is not able to observe the standard, i.e., to communicate as defined in VDA 4904, 4904, 4905 and 4915, the costs incurred by setting up any other solution shall be invoiced to the supplier on an expense-related basis.

Alternative information systems (e.g., Odette) must not be used unless subject to consultation with ISH.

Other applicable call-off systems shall require a written approval by ISH Purchasing and ISH Logistics.

3. Production capacity

The supplier shall make certain that the corresponding capacity and resource planning is made during every stage of the product cycle (from pilot production to after sales) so as to ensure that the required demands can be supplied in good time, including variations.

Both non-binding requirements forecasts and the binding demand data in the DELIVERY CALL-OFF shall be taken into account for monitoring the production capacities indicated and made available over the entire preview period (up to 12 months).

Any bottleneck in production or supply (also with any other upstream supplier or partner in the supply chain) shall be reported by the supplier to ISH in a timely fashion. The lead time required for TRANSPORTS to the corresponding ISH plants shall also be taken into consideration in this regard.

The supplier shall agree to communicate the medium and maximum weekly capacities planned for ISH at the time of signing the contract. The actions to be taken for reaching the maximum weekly capacity shall be mentioned in addition. As a standard, suppliers should expect lasting increases/reductions of 15% in the quantities on the basis of the mean weekly capacity within a lead time of one month. Any differing requirement made by ISH for the supplier's flexibility in terms of capacity shall be subject to a separate agreement.

4. Material sourcing

ISH shall integrate its suppliers into standardised material sourcing processes. The following procurement systems are used with ISH:

1. Call-off procurement
2. Individual purchase orders

4.1. Call-off and ordering process

Suppliers receive a delivery call-off as per VDA 4905 on a daily or weekly basis. This item-specific call-off is comprised of several SCHEDULED DELIVERIES which include further data with regard to delivery quantities and delivery dates. A ISH plant estimates its demand within the scope of a forecast, covering a period of several months in general.

A call-off/forecast contains:

- a firm period showing daily requirements
- a forecast period showing weekly and monthly requirements

The supplier shall be entitled to manufacture the quantities indicated in the call-off within the scope of the scheduled production release. A production release is no approval for delivery. A scheduled material release authorises a supplier to procure precursor material.

ISH reserves the right to adapt any call-off by a deviation of +/- 15 % at short notice. The latest call-off transmitted shall be applicable and shall supersede the previous call-off. This shall be delimited by the delivery note number of the last goods receipt incl. the progress number.

4.2. Check of delivery call-offs

The supplier shall check the receipt, the plausibility and the feasibility of delivery call-offs on a regular basis. The supplier shall report any doubt regarding the data transmitted on the supplier's own initiative. This shall include submitting an initial written objection against such delivery call-off to the competent material controller within the time limit specified below.

The applicable time limits for objection shall be as follows:

- for any call-off modification in the long term (≥ 10 business days): within 5 days
- for any call-off modification in the short term (< 10 business days): within 48 hrs

A delivery call-off shall be deemed agreed and binding unless a written objection is raised against such delivery call-off within the time limits specified above. Such objection is subject to a written acknowledgement by ISH. Any claim for delay in delivery shall remain unaffected hereby. No order acknowledgment in a written form will be made in case of consent.

4.3. Delivery quantities

The delivery quantities called correspond to the packaging lot sizes agreed on a bilateral basis. Please consider that the inbound delivery lot size does not have the same meaning as the manufacturing lot size. Suppliers are not authorised to send the manufacturing lot size to ISH.

In the event of **one** shift in the change index in an article item number and in the event the entire article item number changes, the lot size agreed in the logistics datasheet can be broken down and be called off for every individual piece as of the cut-off date so as to avoid any overdelivery. The call-off quantities follow the quantities of the corresponding ISH customer. No excess quantity caused by deliveries in pairs (e.g., left, right) shall be allowed in general. The corresponding call-off shall apply per item number.

4.4. Procurement systems and dispatch control

4.4.1. Call-off procurement system

Delivery call-off:

A delivery call-off as per VDA 4905 does not only constitute a forecast but also authorises delivery. In this way, it is used for dispatch control with the supplier during the period indicated.

Shipping quantities:

The shipping quantities authorised for delivery at the corresponding dates are marked in the delivery call-off.

The deadlines in the call-offs are **inbound delivery dates** at ISH's premises. The supplier shall make certain that the partial scopes called off are made available to the SHIPPING AGENT in accordance with the quantities and deadlines required for meeting the inbound delivery date.

The quantities and deadlines specified from time to time shall be observed in every case and independently of any public or religious holiday or any other country-specific restriction. Even when EMPTIES are missing, the supplier must ensure parts supply and, if necessary, use the alternative packaging defined after prior consultation with the ISH plant concerned.

Goods receipt:

The receipt of the delivery quantity shall be performed on the basis of the electronic dispatch notification as per (VDA 4913) and of the corresponding VDA material tags as per VDA 4902. The supplier shall make certain that the quantities loaded coincide with the information included on the EDI accompanying document as per VDA 4912 and that the electronic dispatch notification is available to ISH prior to the arrival of the lorry or truck.

Transfer of risk:

The transfer of risk shall take place in accordance with the contractually agreed terms of delivery based on the Incoterms 2010 as currently applicable. The material held in ISH's warehouse shall be the supplier's property if a consignment arrangement has been agreed with the supplier. ISH shall agree to ensure proper warehousing. The transfer of risk from the supplier to ISH shall take place when the material is removed from the consignment warehouse.

Delivery service evaluation:

Evaluation shall be based on the last applicable delivery call-off. For evaluation, the effective inbound delivery dates will be compared to the set inbound delivery dates and inbound delivery quantities as indicated in the last valid delivery call-off.

Consignment warehouse:

If necessary, a separate consignment warehouse agreement shall be concluded with the supplier for this purpose.

4.4.2. Individual purchase orders

Provisioning by means of 'individual purchase orders' governs supplies for scopes of delivery that are not subject to any delivery schedule. This refers to a procurement process geared to the satisfaction of current needs. The term of procurement system is not used in this case.

In most cases, such purchase orders are given only one time or sporadically. For individual procurement, the supplier will not receive any requirements forecast as per VDA 4905. Purchase orders will be transmitted to the supplier per fax or e-mail. The supplier shall acknowledge such purchase orders promptly as well.

4.5. Holding safety stocks

The supplier shall be responsible for delivering supplies to ISH on time and shall, if necessary, hold its own safety stock of finished parts or semi-finished products in order to ensure these supplies. Their quantity and stocking location shall be determined by:

- the stability of the supplier's in-house processes and by
- the stability of the logistics chain upstream of the supplier.

The Supplier shall agree to communicate the period covered by its current safety stocks to ISH upon request.

5. External subcontractors (integrated sub-contracting)

The following rules shall apply in terms of logistics if a supplier has been entrusted as an external subcontractor by **ISH** Purchasing.

- The supplier shall agree to immediately make every incoming or outgoing material goods available to the corresponding ISH plant with reference to a delivery note (e.g., via EDI, fax or e-mail).
- The delivery note must include ISH's material number and delivery schedule number / purchase order number.
- The supplier shall agree to communicate all material rejects and inventory differences to the corresponding ISH plant in writing and without delay.
- Unless as otherwise agreed in writing, the supplier shall make every physical reject available to the corresponding ISH plant.
- Any physical scrapping of material shall always be subject to a written approval by the competent material controller and his or her superior.
- The subcontractor shall agree to reconcile inventories with ISH at least once per month.
- The subcontractor shall agree to carry out stocktaking on behalf of ISH once per year (in general at the end of the fiscal year). Such date shall be specified by ISH.
- ISH shall reserve the right to invoice every cost to the subcontractor as caused by inventory differences with the subcontractor (costs-by-cause principle).

The following subcontractor processes are applicable with ISH:

- a) Procurement process
 - Direct delivery of the precursor material to the subcontractor by third parties
 - Precursor material provided by ISH
- b) Distribution process
 - Subcontractor to deliver material to ISH
 - Subcontractor to deliver material to a third party
 - Subcontractor to deliver material by order of ISH directly to a customer

6. Transport logistics

6.1. General shipping instructions

The most important framework conditions applicable to transports will be defined in the logistics datasheet.

The latest delivery call-off, Kanban call-off or other call-off transmitted by **ISH** forms the basis for dispatch handling. The parts ranges called shall be made available in accordance with the concept agreed in the right quantity and on time at the date of collection (Incoterms EXW or FCA) or, correspondingly, on the inbound delivery date (DAP or DDP) agreed.

Inbound delivery shall be made exclusively with the following:

- Delivery note or VDA-4912 accompanying document together with the goods,
- Consignment note (shipping order VDA-4922 or DMR) together with the goods,
- **ISH** material number on a VDA material tag,
- **ISH** material and purchase order number on a delivery note/accompanying document and in an
- EDI delivery note,
- Packaging as approved by **ISH** according to the packaging datasheet,

- Clean and intact containers with all tags removed and with no other stickers while the containers must be marked in accordance with the VDA-4902 material tag unless another agreement has been made in writing (e.g., according to the Odette standard).

The address indicated on the purchase order and the assigned incoming goods node in the corresponding ISH plant shall apply to **forwarded consignments**. The incoming goods nodes will be communicated to the supplier in the scheduling agreement release after contract award.

To guarantee smooth **goods receipt and unloading** for the delivering shipping agent or supplier, **ISH** reserves the right to define **inbound delivery time slots** for suppliers or to control forwarders accordingly in case of "FCA" agreements.

Where ISH pays the freight, the supplier shall register the **consignment as per delivery call-off** with the shipping agent contracted on the web portal of the corresponding shipping agent in good time. The consignment must be ready for shipment when making the notification to the shipping agent. No partial delivery is allowed unless specified in **ISH's** purchase order or unless subsequently agreed in writing with the competent orderer/material controller. As a general rule, several outbound deliveries occurring on a single day shall be combined in a single consignment unless as otherwise agreed in writing. Any dead freight for short shipments caused by the supplier shall be at the supplier's expense. In case of overdelivery, ISH shall reserve the right to return any excess quantity at the supplier's expense.

Any **late notification** by the supplier to the shipping agent contracted may lead to postponements and consequent bottlenecks. Evidence for late notification shall be provided by the shipping agent. Any costs incurred for making extra runs shall at the supplier's expense.

Any **disturbance** (e.g., shift of the loading time slot) shall be reported immediately to the competent material controller of **ISH**, and to the shipping agent, indicating the cause and the kind of disturbance. The costs caused by a disturbance shall be settled according to the costs-by-cause principle.

Special deliveries at the expense of **ISH** shall, as a general rule, be consulted with the competent material controller and require a written approval by **ISH's** competent material controller. **Without such approval**, no cost will be accepted by **ISH**.

The provisions applicable to the **transport of dangerous goods** must be observed. The supplier shall be liable for any damage caused by any failure to comply with the statutory regulations. As a distributor of dangerous goods, the supplier is responsible for classification, the mode of transport allowed and the transport permit. Being the loader or consignor, the shipper shall observe the provisions set forth in the dangerous goods regulation.

For transport, exclusively use **packages** which are type tested, certified and approved by **ISH**. In addition, the proper marking of the packages must be guaranteed in accordance with the applicable regulations. Datasheets, approval certificates, etc. shall be provided to the purchaser in good time before the first shipment. These requirements apply to pilot production and serial deliveries and when shipping first samples or other samples, etc.

Any additional costs, damage or loss incurred by **ISH** due to any **noncompliance with these shipping instructions** shall be at the expense of the supplier, shall be charged by the corresponding **ISH plant** and set off against the material invoice.

DAP or DDP suppliers shall have 5 working days after being sent the inspection report to collect the goods subject of a complaint or organise the return shipment of any such goods. Provisions in derogation hereof may be defined independently by the corresponding **ISH** plants on a case-by-case basis. If goods complained about have not been collected within these 5 days, **ISH** will have

them shipped back "carriage forward" as general cargo. For "EXW" or "FCA" terms of delivery, return shipment shall be carried out by ISH's carrier at the expense of the supplier.

A transport insurance will be covered by ISH. ISH is a customer having waived the forwarding, logistics and warehousing insurance certificate ("SLVS-Verzichtskunde").

6.2. Supplier to assume transport responsibility (provision applicable to DAP or DDP)

6.2.1 Regular transport

The supplier shall, at any time, provide information about the current whereabouts of the goods, and is responsible for delivery on time as defined in the delivery call-off.

6.2.2 Loading and unloading

The supplier shall ensure the loading of the goods together with the supplier's shipping agent while guaranteeing both operational and traffic safety. In addition, efficient unloading must be guaranteed without creating any hazard at the consignee's location.

6.2.3 Extra runs

Where responsibility for regular transports resides with the supplier, the latter shall also be responsible for performing any extra run. In the event of any such extra run, all data concerning the extra run including but not limited to the name of the shipping agent, plate number and driver mobile phone number shall be provided promptly to ISH. Any expense involved in extra runs shall be assumed by the party responsible.

6.2.4 Empties

The costs for return shipment shall be assumed by the supplier.

6.3. ISH to assume transport responsibility (provision applicable to EXW/FCA)

6.3.1 Regular transport

For any delivery ordered by ISH, the supplier shall be responsible both for the timely and correct notification to the shipping agent appointed by ISH (shipping agent's web portal) and for making the scope of supply available in good time.

The working hours of the consignee plant as well as Sundays or public holidays relevant for transport shall be taken into account when making a delivery. The supplier must make certain that the working hours or days not worked or worked less hours in the supplier plant or with the shipping agent do not have any influence on the inbound delivery frequency.

The advance notification of the consignment shall be made by the supplier only via the web portal of the carrier or shipping agent appointed by ISH.

6.3.2 Loading and unloading

The CONSIGNOR shall take care of loading the goods on the means of transport provided by the carrier. The consignor is responsible for loading in a way which ensures safety during transport. To ensure this, the consignor must observe both the current state-of-the-art and the applicable laws. For direct consignments, loading shall be performed so as to ensure that efficient unloading is possible at ISH's premises. The carrier is responsible for parking the vehicle and opening the tarpaulin or doors.

6.3.3 Extra runs

If the goods to be collected and staged are not available in the required quantity, goods shall be loaded as available and staged by the supplier. The competent material controller of the corresponding ISH plant shall be notified of the missing quantity detected by the supplier without any delay and by the latest before departure. ISH reserves the right to charge any costs incurred due to the dead freight to the supplier. The subsequent delivery of the missing quantity by an extra run shall be made at the supplier's expense.

6.3.4 Empties

The costs for return shipment shall be assumed by ISH.

6.4. Transportation documents

All transportation documents required shall be prepared by the supplier for every consignment and at the supplier's own responsibility and expense and shall be handed out to the carrier. They are listed below:

6.4.1 Accompanying document / delivery note

An accompanying document as per VDA 4912 (EDI accompanying document) or a VDA delivery note shall be enclosed with every delivery. The accompanying document contains the data of the EDI delivery note as per VDA 4913. For every delivery, the original accompanying document must be fastened securely to the goods (at the outside of the package, e.g., in a red delivery envelope) and must not be handed out to the driver of the transport company.

The supplier shall guarantee that the goods loaded correspond to the accompanying document with regard to all data. If the accompanying document/delivery note is missing or found to be incomplete when ISH receives the goods, ISH shall reserve the option to send the goods back to the consignor at the latter's expense.

If there is any difference between the accompanying document and the EDI delivery note and/or the quantity really delivered inbound, ISH will send a complaint to the supplier, indicating the current quantities. If and where no credit memo procedure is being used, the supplier will have to correct its invoice accordingly.

6.4.2 Consignment note

Unless as otherwise agreed, the consignment note shall correspond to the recommendations as defined in VDA 4922. A CMR consignment note shall be used for international transports.

6.4.3 Customs documents

If the supplier is a EU resident and if production is carried out in a third country, the supplier shall make certain that ISH does not have to act as the declarant. Customs declaration and customs payment shall be made by the supplier in accordance with the Incoterms agreed.

If the supplier resides in a third country, the consignor (supplier) shall hand out every customs document required by law (documents, instruments) as defined in Section 413, Subsection 1 of the German Commercial Code (HGB) for the goods to be shipped to the driver of the carrier. In addition, information shall be provided as required for official processing prior to the OUTBOUND DELIVERY of the goods.

This information must be filled in completely and faithfully as needed, e.g., as follows:

- Transit declaration
- T1/T2 declaration
- TIR carnet
- ATA carnet
- Certificate of origin
- EUR.1/EUR.2 movement certificate
- Commercial invoice in 3 copies

6.4.4 Supplier's declaration (proof of preferential origin/declaration of origin)

The suppliers of ISH shall be obliged to submit a valid supplier's declaration for the products to be delivered with the first delivery and on a yearly basis thereafter. This must include:

- the customs tariff number of the component part concerned
- the country of origin of the component part concerned
- a declaration certifying the correctness of this information

The supplier shall assume liability for any detriment caused to the ordering party by any improper or late submission of the supplier's declaration.

The origin of any delivery item newly introduced or any change in the origin shall be reported to ISH immediately and without being asked for.

If necessary, the supplier shall provide evidence for its information on the goods' origin by submitting an information sheet certified correct by the supplier's customs office.

6.5. Overdelivery/underdelivery

ISH reserves the right to invoice any additional costs caused to the supplier which are caused due to any overdelivery or underdelivery.

6.6. Late arrival and delay in delivery

The following actions shall be taken if and where the supplier stages the goods too late for delivery or delivers them inbound too late:

- The competent material controllers with ISH and with the carrier or shipping agent must absolutely be informed by telephone and e-mail at once.
- The supplier shall take every action as required so as to make the components available as quickly as possible (emergency plan).

All costs incurred for this reason (e.g., special transports) shall be at the expense of the responsible party.

7. Load carrier management

7.1. Specification and use of packages

The supplier has the responsibility for drawing up a package and load carrier concept as well as for consulting and agreeing on this concept with the logistics department of the corresponding **ISH plant**. The specifications of the package defined will be set forth in the packaging datasheet (Appendix 14.1) and will become legally binding when signed by the supplier and approved by **ISH** after the evaluation of the packing tests. After the approval of the package by the quality assurance department of the corresponding **ISH** plants, the packaging datasheet will be sent back to the supplier with an acknowledgement of approval.

The definition and purchase order of the packaging unit must be made well in advance so as to make certain that the use of the serial packages can be ensured by the latest at SOP (Start of Production).

The supplier must also send the packaging datasheet to ISH for approval in the event of any new definition or modification of a package. No deviation from the defined load carrier is allowed unless with the prior written authorisation (an e-mail shall be sufficient for meeting the written form requirement) by the competent material controller or packaging planner of ISH. This authorisation must include the item numbers concerned as well as the alternative packages and the specific period of approval.

The package must each correspond to the latest state-of-the-art in packaging technology with regard to economic efficiency, occupational safety, environmental protection and resource-saving.

It must meet the national and international dangerous goods regulations as applicable from time to time.

ISH expects to exclusively receive goods in load carriers which are undamaged and clean. The approval of a package by ISH does not relieve the supplier from its responsibility for ensuring the undamaged inbound delivery and transshipment of parts up to the manufacturing process on ISH's premises. ISH shall be entitled to reject and invoice any additional costs caused by deliveries made in wrong or defective packages, damaged containers or containers not marked unequivocally.

If used, ISH's own load carriers are intended exclusively for carrying purchased serial parts between the supplier and ISH and must not be used for any other purpose which would include, e.g.:

- The transport of any supplier's in-house work in progress
- The interim storage of semi-finished products
- Preproduction purposes

The costs of packaging shall be agreed in detail between the supplier and **ISH's** purchasing department and shall be included in the corresponding master agreement.

The revolving stocks of packages shall be defined and set forth between the logistics department of the corresponding **ISH plant** and the supplier at the beginning of the supply relationship. The calculation of requirements in terms of circulation days per supplier is carried out on an item number basis, taking account of the planned figures indicated by **ISH**, shipment frequency, safety stocks as well as of the lead time required by **ISH**.

To reduce transport, warehouse and packaging costs, **ISH** reserves the right to request load carriers which carry homogenous or mixed item loads.

7.1.1 Universal load carriers

Universal load carriers include pallets or containers having standardized main dimensions and no specific mould inserts. The accounts of universal load carriers (e.g., DB-Euro crate pallets, EUR flat pallets, small load carriers (KLT) etc.) shall be kept exclusively on a bilateral basis by and between the supplier and the corresponding ISH plant (see 7.3 Container Control). There will be NO exchange with the shipping agent.

7.1.2 Special load carriers

Special load carriers have a specific primary container which can only be used for specific component parts. A universal load carrier having a specific primary container is considered a special load carrier. The accounts of special load carriers are kept exclusively on a bilateral basis by and between the supplier and the corresponding ISH plant.

7.1.3 Nonreturnable packaging

Nonreturnable load carriers (e.g., cardboard boxes) are packages used for a transport route on a one-time basis. Nonreturnable part protectors like PE film or nonreturnable intermediate layers shall be procured, included in the A price and reported on a separate basis by the supplier.

The packaging ordinance (VerpackV) issued by the German Federal Ministry of the Environment must be observed whenever using nonreturnable packaging material in general.

<http://www.bmu.de/abfallwirtschaft/doc/5882.php>

7.2. Marking and labelling

7.2.1 Marking of pilot series parts

Every single part must be labelled when samples, prototypes or pilot series parts are concerned. The requirements of the specific plant shall be considered for this purpose. This must be coordinated with the corresponding ISH plant. The label must include the following information:

- First samples/samples/prototypes
- Part number/part designation
- Drawing no./drawing index/delivery note no.
- Reason for sampling
- Tool number/nest
- Consignor

Specific definitions (e.g., OEM specifications) should be considered on a case-by-case basis. The supplier shall agree to include a part history with every delivery.

7.2.2 Marking of serial parts

Every container or, correspondingly, every package must be identified in a unique fashion by a material tag as per VDA 4902 (suitable for barcode readers). As defined in the VDA standard, every package/loading unit must be assigned a unique package unit number. VDA material tags must be affixed in the intended position and must be easily readable. All previous labels must be removed before labelling a container.

The type of fastening and the position of the label on the load carrier are defined in the corresponding packaging datasheet in addition.

7.2.3 Marking new or modified parts

When making a new start or after implementing any change concerning the product, the first three inbound deliveries after first article approval must be identified by a label saying "Neuteile" (new parts) or, correspondingly, "geänderte Ausführung" (modified version), and indicating the corresponding change index in a conspicuous position both on the container and on the corresponding shipping documents.

7.3. Container control

Container control requires the prior definition of packaging data (ISH load carrier number, quantity, etc.) on which the supplier must agree with the logistics department of the corresponding **ISH plant** and which must be indicated on every delivery note. The supplier itself is responsible for calling off empties from the corresponding ISH plant in good time. The logistics agreement defines the requirements for empties depending on load carrier requirements planning. Unless as otherwise agreed, returns to the supplier will be made in accordance with the inbound delivery cycle.

ISH manages all load carriers on supplier-related accounts. The load carrier accounts for input and output will be reconciled with the supplier at least every month. For reconciling these accounts, ISH will send a list showing all movements which must be checked for correctness within a period of 2 weeks. The inventory shown on the account statement shall be deemed recognised on a binding basis by the supplier unless a written complaint is received by ISH prior to the expiry of this period.

A physical inventory of the load carriers is taken by the supplier and ISH on a given cut-off date once per year. Every party shall assume its own expenses in this regard. If a supplier fails to report its inventory stocks by the time set, the stocks shown on the account statement following upon the physical inventory shall be deemed accepted on a binding basis by the supplier. Any stock shortfall shall be compensated by the supplier without delay. The corresponding costs will be charged to the supplier if the supplier is not able to do so. The stock shortfall will be credited to the account.

8. Logistics cost calculation

8.1. Breakdown of the logistics cost calculation

Logistics cost shall be broken down in accordance with the differentiation between A/B prices as follows:

Packaging costs indicating:

- Total load carriers needed
- Circulation days estimated
- Type of load carrier (folding?, metal or plastic?)
- Filling volume per load carrier
- Load carrier costs (total capital expenditure and amortisation by the parts price)
- Type of primary container
- Returnable primary container costs (total capital expenditure and amortisation by the parts price)

Transport costs indicating:

- the producing plant (country, postal code, city)
- the transport carrier calculated (megatrailer, jumbo, general cargo lorry, railway, ship, airplane, etc.)
- the quantity of load carriers per shipment
- empties return relationship
- total transport costs amortised by the parts price

8.2. Logistics agreement

The logistics costs agreed shall be defined in writing on the "Packaging datasheet" blank form (Appendix 14.1) prior to the start of serial production.

For every new project, the supplier shall assume the complete amount of the packaging costs which will be amortised by the parts price. The supplier is responsible for maintaining, cleaning and removing old labels from the packages. The costs of repairing packages shall be shared based on the causer-pays principle. Ownership in the entire packaging agreed for the corresponding project shall pass to **ISH** at the end of the corresponding project.

ISH shall be entitled to select a B price or an A price after consultation with the supplier.

9. Pilot production logistics

For every pilot production delivery, the supplier shall agree a **pilot production package** with **ISH** and provide such package. The costs for pilot production packages shall be borne by the supplier.

The transport responsibility shall remain with the supplier for a period of not more than 6 months after SOP (DAP or DDP delivery). **ISH** reserves the right to change all deliveries to "FCA" if necessary.

The **costs for pilot production logistics** shall be reported separately and be calculated in accordance with chapter 8 on Logistics Costs Calculation. **To reduce transport and packaging costs, ISH** shall reserve the right to request the delivery of load carriers with homogenous or mixed goods during pilot production and independently of the serial packaging.

ISH can, at its own discretion, request **parts stocktaking** to be performed free of charge by the supplier on a regular basis.

10. Emergency concept

A package meeting transport and quality requirements must be defined for emergency situations. To respond to this need, an **emergency package** must be defined for every scope of supply in addition to the permanently defined serial package. This must be agreed with **ISH**. This emergency package must not be used unless in exceptional cases and with the written approval of the corresponding **ISH** plant. The costs of emergency packages will be charged according to the costs-by-cause principle.

For DAP and DDP suppliers, the supplier shall make certain that the means of transport are equipped with **mobile phones** for keeping permanent contact, and that the lorry drivers are conversant either in the local language or in English. The corresponding **phone numbers/communications data** shall be notified in writing to the material controller of the **ISH plant** to be supplied.

Every supplier shall agree to set up a **24h emergency number** to be reported to the corresponding **ISH** plant in writing. The contact person attending that number must be conversant in the local language or in English and must have the decision-making authority as required for an emergency.

11. Spare parts supply

The **spare parts supply concept** will be defined together with the OEM and be communicated to the supplier at the beginning of the project phase. An ability to deliver covering 15 years shall be planned as a general rule.

12. Miscellaneous

In the event of any **tool relocation** (relocation of production), the supplier shall be obliged to notify the competent **ISH purchasing department** in charge of the corresponding **ISH plant** in writing. Relocation must not be implemented unless after an approval by **ISH**. Any additional logistics costs (packaging, transport, warehousing, safety stocks, etc.) caused by a relocation of tools (relocation of production) shall be borne by the supplier.

13. Logistical supplier evaluation

13.1. Delivery service level

ISH requires a delivery service level of 100%. For details regarding the determination of deviations from this objective, see Chapter 4.5.1 Call-off Procurement System.

13.2. Logistical delivery quality

ISH also requires a logistical delivery quality of 100%. To determine the logistical delivery quality, the following incidents will be evaluated:

- Infringement of the labelling instruction
- Wrong labelling
- Wrong packaging
- Dirty or damaged containers
- Wrong inbound delivery
- Call-off overdelivery/underdelivery
- Formally wrong or missing delivery documents/EDI
- Damage in transit
- Difference in any quantity on the delivery note
- Miscellaneous

Every incident will give rise to a complaint. ISH reserves the right to charge any cost incurred by such an incident to the supplier.

14. Applicable documents

The following documents also constitute an integral part of this Logistics Guideline:

- ISH Packaging Datasheet for Suppliers