



KEP 7

LOGISTICS REQUIREMENTS

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Introduction :

UD Trucks maintains a set of procedures that define specific requirements and expectations in key areas such as Supplier Quality Assurance, Suppliers Code of conduct, Production & Engineering and Logistics. The Key Elements for Logistics highlights the main expectations and Logistics working procedures and applies to all SUPPLIERS delivering Automotive Parts to the UD Trucks. This document is a “UD Trucks Procedure” according to UD Trucks General Purchasing Conditions (GPC).



KEY ELEMENTS

1. 100% Compliance with Supply Instructions

1.1. UD Trucks 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 UD Trucks 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 UD Trucks 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 UD Trucks supplier portal.

<https://supplier-portal.udtrucks.com/login> (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 UD Trucks if needed.

4. Logistics Evaluation, MMOG/LE

The Global MMOG/LE is an industry-standardized tool used by UD Trucks 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.

4.1. New and existing Suppliers are to be evaluated at each 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 latest version of the MMOG/LE self-assessment in English, in order to be considered for new business with UD Trucks (on-site audit will be performed as needed by UD Trucks). Any deviation needs to be validated by the UD Trucks auditor.

4.3. UD Trucks 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 UD Trucks lead assessor in order to reach a set target level before start of production. All SUPPLIERS are requested to present a solid time and action plan with clear target dates to reach A level.

4.6. If the SUPPLIER has previously completed the Global MMOG/LE self-assessment for UD Trucks or another customer, SUPPLIER will provide UD Trucks with documentation that confirms the completion date and audit result.

4.7. Performed audit results are 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/materialsmanagement/global-materials-management-operations-guidelines/>



5. Communication

5.1. If the SUPPLIER is not able to fulfill the UD Trucks delivery demand, the SUPPLIER is obliged to inform UD Trucks 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 UD Trucks, the SUPPLIER shall use UD Trucks part numbers and UD Trucks 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 UD Trucks.

6.3. At point of delivery, the SUPPLIER may release the invoice to UD Trucks.

6.4. Incoterms are explained in section 19 of this document.

7. Delivery Demands

7.1. UD Trucks will provide delivery demands by EDI (Electronic Data Interchange) to the SUPPLIER.

7.2. Delivery demand will include a firm schedule (unique per UD Trucks 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 transferred at the point of delivery to UD Trucks according to the agreed-upon Incoterms.

7.4. UD Trucks expects the SUPPLIER to manage communications with its sub-suppliers regarding all UD Trucks demands.

7.5. UD Trucks 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 UD Trucks 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 UD Trucks.

8. EDI Communication

8.1. UD Trucks 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.edi.udtruckd.com/>

8.2. WebEDI is a possible solution for low volume Suppliers (with less than 50 part numbers and/or less than 10 UD Trucks users). Information regarding WebEDI can be found on <https://www.edi.udtrucks.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 UD Trucks delivery demands.

10. Delivery Manual

10.1. The SUPPLIER shall follow the Delivery Manual. For detailed information on the working procedures, please consult the delivery manual on the Supplier Portal <https://supplier-portal.udtrucks.com/login> (login required).

11. Transport

11.1. The SUPPLIER shall comply with the Transport Instruction provided by UD Trucks, unless otherwise has been agreed between UD Trucks and the SUPPLIER. The latest version of the Transport Instruction is available on the Supplier Portal <https://supplier-portal.udtrucks.com/login> (login required).

11.2. UD Trucks 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

12.1. Customs Compliance

12.2. 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 at SUPPLIER expense.

12.3. 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 UD Trucks. The SUPPLIER shall provide the information to UD Trucks 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.

12.4. 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 should be provided annually or with each shipment based on local requirements. Preferential certificate should also be provided upon request.

12.5. Export Control Compliance

12.6. In order to ensure that UD Trucks 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 UD Trucks, including, upon request from UD Trucks, technical information sufficient to determine the applicable export classification and country of origin. Export Control related questions should be sent to Support.ExportControl@udtrucks.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 found in the compliance matrix in the RFQ shall be filled in and submitted in accordance with the instruction in the form.



LONG DISTANCE SUPPLIERS

UD Trucks considers SUPPLIERS with a transport lead-time above 72 hours as long-distance SUPPLIERS. UD Trucks strategy is to have a reliable and stable transport lead time with a 24h maximum lead-time for rush transports.

14. LONG DISTANCE SUPPLIERS

14.1 If SUPPLIER has an existing, smooth-running, pick-up point within the required transport distance, this pick-up point shall be used.

14.2 If SUPPLIER has no existing local pick-up point, the SUPPLIER shall investigate and secure a new local pick-up point within 3 days of transport lead-time to UD Trucks.

15. SUPPLIER Pick-up point

15.1. The SUPPLIER provides UD Trucks 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 levels in order to meet UD Trucks delivery demands.

15.3. The SUPPLIER is responsible for the warehouse operations and handling, including EDI capabilities.

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. UD Trucks may require a logistics audit at the designated pick-up point.

15.7. The SUPPLIER shall comply with the UD Trucks defined time plan for pick-up point implementation.

15.8. In case of a bonded warehouse setup, the SUPPLIER shall contact UD Trucks Customs and Trade organization, in order to ensure correct customs clearance and allocation of customs administrative costs.

DELIVERY MODES

UD Trucks applies several delivery modes, depending on type of parts, diversity and end user prerequisites etc. The delivery mode needs to be agreed with UD Trucks for each part number and might change over time.

16. Batch deliveries

16.1. The SUPPLIER needs to deliver according to UD Trucks delivery demand.

17. Push and Pull Sequence deliveries

17.1. The setup is unique to each UD Trucks 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 UD Trucks 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. The setup is unique to each UD Trucks end user, requirement will be specified case by case.



INCOTERMS

UD Trucks requires all SUPPLIERS to use Incoterms 2020. The incoterm regulates who is responsible for freight, who carries the risk, who is responsible for customs procedures, documents and insurance. It also states when the risk is transferred from the seller to the buyer, and at which point the goods are considered to be delivered (and can be invoiced). UD Trucks most commonly used incoterm is the “Free Carrier” (FCA) term.

19. UD Trucks requires all SUPPLIERS to use Incoterms 2020.

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

19.2. Definition 1: FCA “SUPPLIER premises”, Loaded, Incoterms 2020

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

19.3. Definition 2: FCA “SUPPLIER Pick-up point”, Loaded, Incoterms 2020.
(For suppliers shipping to US Plants, please consult chapter 19.5).

- UD Trucks 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 UD Trucks collecting vehicle – the SUPPLIER is responsible to insure the cargo up to this point.
- Risk passes from the SUPPLIER to UD Trucks after the cargo is loaded onto UD Trucks collecting vehicle.
- UD Trucks 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 at SUPPLIER expense.
- The incoterm shall be “FCA, Customs Bonded Warehouse Named PUP, Loaded, Incoterms 2020”. A bonded warehouse shall be used to store parts until the time UD Trucks Picks up per plant call-offs.
- UD Trucks normally pays the import duties and VAT from the SUPPLIER bonded warehouse, but this can be reviewed case-by-case.

19.4. Definition 3: DAP “named UD Trucks factory”, Incoterms 2020

- The SUPPLIER delivers to designated delivery point at UD Trucks factory.
- The SUPPLIER is responsible to arrange and pay for export customs, transport, warehousing, and insurance from SUPPLIER premises to UD Trucks factory.
- Risk passes from the SUPPLIER to UD Trucks when the cargo-carrying vehicle is ready for unloading at the UD Trucks factory.
- UD Trucks is responsible to arrange and pay for unloading.
- UD Trucks is responsible to arrange and pay for import customs (procedures, duties, VAT).

19.5. Import Requirements for UD Trucks North America US Plants (Valid for Long distance suppliers)

- If localization of manufacturing is not available a local Pick-up Point (PUP) shall be used to facilitate warehousing, repacking into UD-KMP, and safety stock storage.
- There are two options for delivery/incoterm set-up.

- For suppliers with US Legal entities: The US domestic incoterm shall be FCA Named U.S. PUP, Loaded, Incoterms 2020”. The sales invoice must be created/transmitted to UD Trucks using a domestic US Supplier ID (Parma) at the time of Pick-up and Post U.S. Customs Clearance.
- For suppliers without US Legal entities: The incoterm shall be “DDP, Named U.S. PUP, loaded Incoterms 2020”. The sales invoice must be created/transmitted to UD Trucks at the time of Pick-up and Post U.S. Customs Clearance.
- The SUPPLIER shall be the US importer of record responsible from point of export, with filing of the US customs entry in the name of the SUPPLIER, with payment of duties and fees by the SUPPLIER.
- Warehousing, repacking, material handling, and loading of parts onto UD Trucks Carrier shall be responsibility of the SUPPLIER.
- UD Trucks Part Pick up and Invoicing should happen only after parts have cleared customs.
- Please contact the US Customs and Trade Governance Department for support and before any decision regarding set up for entry out of supplier bonded warehouse at time of pickup.



PACKAGING

To secure quality and safety and facilitate transport efficiency, the adequate packaging of goods is a vital logistics concept within UD Trucks. UD Trucks standard packaging (UD-KMP) is the default packaging for inbound supply, but some components or set-ups may require specific packaging.

20. UD Trucks standard packaging (UD-KMP) is the default packaging for inbound supply.

20.1. packaging engineer for each concerned site will decide the final packaging solution.

20.2. Some components or set-ups may require specific packaging or one-way packaging.

20.3. The SUPPLIER shall be capable to handle all UD-KMP, specific packaging or one-way packaging depending on the final packaging solution.

20.4. UD Trucks reserves the right to change the packaging instructions during the life of the product without changes to the part price.

20.5. The SUPPLIER shall use appropriate protective material inside the packaging To secure the quality of the part and that fulfills applicable transport regulations for all transport modes (road, railway, sea, air).

20.6. All packaging material shall comply to the UD Trucks Sustainable Packaging Directive which is available on the Supplier Portal. <https://supplier-portal.udtrucks.com/login> (login required).

20.7. UD Trucks manages the deliveries of empty UD-KMP packaging to the SUPPLIER.

20.8. UD-KMP is a UD Trucks Group asset.

21. Packaging Instructions

21.1. The SUPPLIER is required to participate in the development and the technical validation of the packaging instructions for each part per the requirements provided by UD Trucks.

21.2. UD Trucks will provide the SUPPLIER with detailed packaging instructions prior to serial production start.

21.3. Packaging instructions for an individual part number can vary between UD Trucks end users

21.4. The SUPPLIER shall comply to the agreed Packaging Instruction.

22. Prerequisites to use UD Trucks packaging material (UD-KMP)

22.1 The SUPPLIER shall agree to the terms of the Packaging User Agreement (global standard agreement) with UD Trucks prior to business award.

23. SUPPLIER Responsibility

23.1. To order empty UD-KMP to fulfill shipments according to the agreed Packaging Instructions.

23.2. To maintain correct UD-KMP stock balance in compliance with the Packaging User Agreement.

24. Packaging related costs

24.1. UD Trucks will not charge any cost to the SUPPLIER for use of UD-KMP unless:

- The SUPPLIER stock of UD-KMP exceeds 21 calendar days (based on average use of UD-KMP per packaging type), excluding transport time.
- The SUPPLIER damages the packaging.

The SUPPLIER has an unexplained discrepancy in stock balance (considered a loss by UD Trucks).

- The SUPPLIER is disregarding sorting & packing instructions when returning empty packaging to UD Trucks.
- Disposable packaging is ordered from UD Trucks.



SERVICE MARKET

UD Trucks Service Market Logistics develops, distributes, manages, and optimizes global service parts availability for all brands, securing customers uptime. Whenever a customer vehicle/machine breakdown occurs, first-class customer service is always required. To fulfil customer experience expectations, branding of service parts may also be required. UD Trucks Service Market Logistics has its own specifications in many logistics processes.

25. General

25.1. The SUPPLIER agrees to supply spare parts for a period of at least 15 years after the parts have run out of production unless otherwise stipulated. For government applications, the demand for supplied spare parts is 30 years after end of production (Ref: UD Trucks General Purchasing Conditions).

25.2. 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.

25.3. Service Market orders are not bound by any minimum order quantities, regardless of if parts are common with production or not.

25.4. The SUPPLIER shall be prepared to start supplying spare parts at the same time as production.

25.5. When parts are common with production, the SUPPLIER needs to deliver the spare parts with at least the same lead-time as production parts.

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

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

26.2. 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.

26.3. If the SUPPLIER has no stock, he should use his own network and processes to provide the shortest possible lead-time on VOR orders.

26.4. The SUPPLIER is obliged to communicate a first status of the VOR request within 2 hours after receipt of the order request.

27. Commercial packaging for spare parts.

27.1. For service market deliveries of spare parts there is an additional dimension when it comes to packaging, referring to below as commercial packaging. The main purpose of commercial packaging is to promote UD Trucks branding and to protect the spare parts.

27.2. Commercial packaging for spare parts can be subjected to branding requirements per business area UD Trucks or UD Trucks Group common branded.

27.3. UD Trucks and the SUPPLIER should collaborate to define the appropriate commercial packaging for each part based on the requirements provided by UD Trucks.

27.4. 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.

27.5. Costs for commercial packaging shall be specified in the quotation together with a price break down.

