

## Table of Contents

### Contents

<b>Table of Contents .....</b>	<b>1</b>
<b>1.1 Purpose and Scope.....</b>	<b>2</b>
<b>1.2 Contact Information .....</b>	<b>2</b>
<b>1.3 Communication .....</b>	<b>3</b>
<b>2. Logistic Requirements during the Pilot Phase .....</b>	<b>3</b>
<b>2.1 Deliveries during the Prototype and Pilot Phase .....</b>	<b>3</b>
<b>2.2 Delivery of Parts of the PPAP Batch.....</b>	<b>3</b>
<b>2.3 Development and Release of Packaging.....</b>	<b>4</b>
<b>3. Logistic Requirements during Series Production .....</b>	<b>5</b>
<b>3.1 Forecast of Demands; Material and Production Scheduling.....</b>	<b>5</b>
<b>3.2 Packaging and Material Identification .....</b>	<b>7</b>
<b>3.3 Shipment and Delivery.....</b>	<b>8</b>
<b>3.5 Advanced Shipping Notifications (ASN) .....</b>	<b>10</b>
<b>3.6 Procedures for Incoming Materials at PIERBURG .....</b>	<b>10</b>
<b>3.7 Delivery to/ Replenishment of Supplier Owned Consignment Stock .....</b>	<b>11</b>
<b>3.8 Return of Reusable Packaging .....</b>	<b>11</b>
<b>3.9 Return Delivery.....</b>	<b>12</b>
<b>3.10 Special obligations for Third Country Deliveries in regards to the existing Tariff Law 13</b>	

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## 1. Introduction and General Requirements

### 1.1 Purpose and Scope

This document defines the logistic requirements for all PIERBURG suppliers. Unless otherwise and in writing agreed upon, this document stipulates a binding contract between PIERBURG and the suppliers concerning the development, design and planning of logistics concepts.

Logistic processes are subject to continuous improvement and will be revised upon mutual cooperation and consensus between the responsible parties. If necessary, process audits at the supplier side using a formal evaluation tool (e. g. Global MMOG/LE or equivalent) are conducted to find out further room for optimization.

In order to guarantee that logistic requirements are already considered during the selection process, potential suppliers are expected to hand in a self-assessment of the logistic capability using a formal evaluation tool (e. g. MMOG/LE or equivalent). PIERBURG requires at least a B-Classification of new suppliers and the submission of an action plan with the target to achieve an A-Classification in the medium term.

This document is focused on a flawless, rational and stream-lined material flow between PIERBURG and the suppliers.

The guidelines provided in this document apply to all deliveries to the PIERBURG group.

### 1.2 Contact Information

Suppliers provide a complete list of contact partners which in particular contains:

- The name, phone / fax number and the e-mail address of contact partners and their respective backups, who are responsible for material deliveries to PIERBURG. Suppliers provide appropriate contact partners to each PIERBURG plant to cover the entire scope of products.
- The name, phone / fax number and e-mail address of the superior of the aforementioned contact partners.
- A permanently available emergency partner, who is capable and authorized to make decisions concerning the supplier's production schedule, special deliveries etc. within a deadline of 4 hours. Permanently available means 24hrs. per day, 7 days per week.

## 1.3 Communication

- Suppliers must communicate with the PIERBURG plants in either the domestic language of the corresponding PIERBURG facility or in English.
- In general, communication takes place via an electronic medium (e.g. EDI, e-mail). If necessary and deemed inevitable based on the nature of the data and/ or process, communication via facsimile or letter can be chosen.

## 2. Logistic Requirements during the Pilot Phase

### 2.1 Deliveries during the Prototype and Pilot Phase

- Prior to PPAP (Production Part Approval Process), all sample parts will be ordered separately from series production components and via special orders.
- Upon completion of the prototype phase, the supplier will receive a delivery schedule to communicate the quantities and dates needed for series production. Independent of the released dates, a delivery of series production parts against the transmitted schedule can only be made once complete PPAP has been received and released by PIERBURG. Exceptions require explicit written approval by PIERBURG.
- All shipments of sample parts, including all accompanying documents, must be clearly identified as sample part deliveries. The responsible PIERBURG representative and the responsible PIERBURG department must be identified in the address field of the shipping documents.
- Suppliers are responsible to document the current technical revision of the delivered components. If the PIERBURG material number proves inadequate, e.g. to cover technical changes without a change to the material number, an additional unique and clear identification of the current technical revision must be issued in agreement with PIERBURG.
- The documentation of the technical revision of sample parts is also governed by the requirements for the identification of series production parts (see item 3.2).
- Shipping documents must be attached to the outside of the delivered unit. PIERBURG is not obligated to open the delivered unit in order to identify the recipient or necessary ordering data. PIERBURG reserves the right to reject and return unidentifiable deliveries at the supplier's cost.

### 2.2 Delivery of Parts of the PPAP Batch

- Deliveries of initial sample components are to be taken from a production run at a minimum quantity of 300 parts. Applicable documents are to be included. In accordance with the PPAP process of the receiving plant, suppliers shall deliver a higher batch, if required.
- The identification of initial samples is governed by the requirements for the identification of any other sample part delivery (see item 2.1). The ID must clearly indicate the initial sample status.
- The remaining PPAP stock shall be available to PIERBURG immediately after release.
- Technical changes during the series production phase are governed by the requirements

for initial sample parts. Independent of the approval of the technical change during the PPAP phase and as long as PIERBURG does not release PPAP (Quality and Logistics) the supplier needs to assure the delivery of components in compliance with the previous technical revision. Exceptions are subject to additional written approval by PIERBURG.

## 2.3 Development and Release of Packaging

Provided PIERBURG has not already clearly specified the packaging by releasing the packaging data sheet, suppliers are to develop appropriate packaging in compliance with existing, plant-specific packaging manuals. For approval, the supplier submits a packaging quote to PIERBURG.

Where practical, the development of appropriate returnable packaging should be prioritized.

General requirements for all packaging materials:

- Product quality must be guaranteed.
- Packaging materials must comply with all existing legal requirements and meet the guidelines of the automotive industry.
- The dimensions of the outer packaging/ over pack may not exceed the foot print of a Euro-type pallet (length = 1200 mm; width = 800 mm).
- The total height of the load may not exceed 1000 mm.
- The selected inner packaging should fully utilize the dimensions of the outer packaging/ over pack.
- The gross weight of one pallet, including all packaging materials, may not exceed 800 kg.
- The gross weight of one packaging unit (KLT, cardboard box, etc.) may not exceed the legal weight limit of the receiving country for manually handled containers. In no case should one container weigh more than 15 kg. Any exceptions require the approval of PIERBURG.
- Returnable packaging shall be designed to allow the use of non-adhesive labels only.
- The packaging units must be designed for being handled, loaded, stored, opened and transported by using standard warehouse equipment only without the need of any additional aids. Only fork lift trucks, manual or electrical pallet jacks and hand tools are considered standard warehouse equipment.
- The inner packaging must be designed to allow the individual removal of the product by applying the existing ergonomic standards and without placing any hazard/ risk on people or components.
- All packaging units must be designed to allow easy access, e.g. for Quality Personnel during a Receiving Inspection. They must be re-sealable without having to be being modified. The re-sealed unit may not lose its stability while being transported to its final storage location by using standard warehouse equipment.

The following procedure must be followed to release the packaging:

- Suppliers submit a proposal for series production packaging within their scope of delivery

by applying all general or plant specific requirements. To describe the proposed packaging, suppliers shall use the packaging data sheet provided by PIERBURG.

- The completed packaging data sheet is included in the packaging quote submitted to PIERBURG.
- PIERBURG checks the submitted quote prior to release.
- For approval and along with the initial component samples, the supplier also submits packaging samples to the respective PIERBURG facility.
- The final release of the packaging is based on the documentation and samples provided to PIERBURG. It does not warrant the supplier's responsibility to deliver a quality product. A copy of the packaging data sheet must be attached to the outside of the initially delivered units.
- At times, the packaging needs to meet specific operating requirements, e.g. the automated removal of the components during PIERBURG's production processes. If a need for automated handling of the packaging exists, PIERBURG will inform the supplier during the initial project development phase. The approval and release for this type of packaging has be coordinated conjointly with the respective PIERBURG process engineers and requires additional test runs on the actual production equipment.
- All packaging changes have to be submitted to PIERBURG for approval prior to launch.

Suppliers are responsible to plan the volumes of returnable packaging units needed by particularly keeping the following items in mind:

- Transport and storage times
- Consignment stock
- Requirement/ demand changes

Suppliers are not approved to utilize and/ or forward any packaging to sub-suppliers or different customers, if the packaging is partially or fully owned by PIERBURG.

## 3. Logistic Requirements during Series Production

### 3.1 Forecast of Demands; Material and Production Scheduling

PIERBURG

- Releases at least a weekly forecast based on customer demands and the resulting production schedule.
- Calculates requirements for all components in accordance with the valid bill of material.
- Transmits the demands for the respective components to the suppliers via delivery schedules.

The delivery schedule is the binding document to transmit PIERBURG requirement needs to the suppliers.

- The delivery schedule substantiates the scheduling agreement if not agreed otherwise.
- Each new/ revised delivery schedule replaces the previous.
- The dates of the order quantities shown in the delivery schedule are the receiving dates at PIERBURG. Suppliers are responsible to organize the transport and to assure a timely delivery at PIERBURG. Any deviation from the transmitted order date and/ of order quantity can lead to production losses which in return can create substantial cost.
- Suppliers may not consolidate single orders for the purpose of bigger shipping lot sizes.
- Production and material release data as defined in the delivery schedule are binding. Packaging guidelines and batch sizes do not increase release quantities.

The delivery schedule is communicated as follows:

- Via traditional EDI system or Web-based application.
- Via fax or e-mail in predefined exceptional cases.
- Based on the PIERBURG material number for each component directly purchased by PIERBURG.
- Including the most recently received shipment of components at PIERBURG by posting the delivery note number and goods receipt date.
- Any costs for traditional or Web-EDI (including installation and monthly running costs) which may occur to PIERBURG are to be borne by the supplier.

Suppliers are to:

- Check the incoming delivery schedules at least once per working day or upon request. Suppliers are to transfer the submitted data to their planning system. Shipments already made, but not yet received at PIERBURG must be considered to determine pending deliveries.
- Perform their own forecasting of in-house capacities, production and materials based on the information provided by PIERBURG
- Ensure a timely transfer of information to their subcontractors (preferably via EDI), as well as ensure the adequate scheduling and realization of PIERBURG orders at the subcontractors
- Inform PIERBURG as soon as possible, no later than two working days after transmission of the delivery schedule of any pending issues which may prevent a delivery as scheduled.
- Immediately and in writing inform PIERBURG of any foreseeable bottlenecks concerning their capacity and obligation of delivery. Suppliers are to forward an action plan, showing countermeasures to be taken to ensure a timely delivery. Any risk of a production loss at PIERBURG must be excluded.

The demand planning at PIERBURG is based directly on known customer requirements and current capacity schedules. PIERBURG reserves the right to change requirements within scheduled deadlines. PIERBURG expects all suppliers to be flexible within their available technical capacities and to accept short term changes of the delivery schedule (dates and quantities) as long as compliant with known and scheduled deadlines. The parties may agree

separately on specific terms concerning the necessity and structure of components to be delivered.

For raw materials with a long lead time, suppliers shall create their own demand forecast. The resulting material requirements need to be communicated with the sub-suppliers. This does not have any impact on existing purchasing commitments with PIERBURG.

## 3.2 Packaging and Material Identification

Unless otherwise agreed upon, it is the supplier's responsibility to procure all packaging materials. This is for returnable packaging as well as disposable packaging.

All deliveries to PIERBURG must consist only of the agreed upon and approved packaging materials.

The following conditions apply and must be guaranteed by the suppliers:

- The previously described release process for the packaging material shall be concluded with the initial sampling of the product (see item 2. "Logistics prior to series production").
- All packaging material required is available to the supplier in a timely manner to ensure the deliveries to PIERBURG.
- The condition of returnable packaging must meet product requirements in terms of quality and further processing.
- The condition of packaging material in general, particularly its cleanliness and physical integrity, is subject to the supplier.
- It is the supplier's responsibility to monitor the inventory of returnable packaging in progress. Increasing demands, replacement of damaged packaging units and/ or the expansion of existing inventory in progress must be taken into consideration.

Delivered materials must be identified in compliance with the following conditions:

- Unique and clear component identification within the entire material flow of the supplier.
- Old/ invalid labels must be removed.
- All packaging units containing components must be individually identified in accordance with the valid labeling requirements of the receiving country (VDA, Odette, Galia, AIAG etc.).
- Labeling requirements
  - All labels must be clearly visible at all times during transport or storage and must be protected against loss or illegibility.
  - Barcode labels must be attached to allow unobstructed electronic processing. All labels must be flat, smooth and completely visible. It is not allowed to cover the labels, e.g. with shrink wrap.
  - In case of returnable packaging labels must be removable.

PIERBURG reserves the right to reject any incorrectly labeled shipments at the supplier's cost.

Special labels, e.g. identifying technical changes, must be eye-catching and attached to all sides of the shipping container.

### 3.3 Shipment and Delivery

- The freight carrier is selected based on logistics, flexibility, quality and environmental parameters.
- Carriers with a low-emission vehicle pool are to be favored. Trucks need to comply with the Euro-5-norm at the least. Carrier should aim for the deployment of Euro-6-norm emission trucks.
- Unloading must be possible by using standard warehouse equipment only without the need of any additional aids (see chapter 2.3 – subsection 9).
- PIERBURG informs the supplier of plant-specific receiving hours which must be observed by the freight carrier.
- The Supplier can be asked to work with PIERBURG's web-based application for unloading timeslots or shall use the tool to announce the arrival time of the deliveries. The Supplier has to respect given unloading time/date.
- Any reloading and/ or temporary storage of shipments at the freight carrier's site shall be avoided.

Suppliers are responsible to ensure an on time delivery of all shipments in accordance with existing quality requirements. Conditions to be met in this context:

- Delivery dates to PIERBURG or agreed upon locations must correspond with the dates of delivery specified on the delivery schedule.
- It is the supplier's responsibility to immediately inform PIERBURG in writing of any problems which may prevent a timely delivery as scheduled.
- Suppliers are to take all necessary steps to prevent any negative impact on PIERBURG production caused by a late delivery.
- The supplier does notify PIERBURG in writing of any special shipments ahead of or in due time including all tracking information (quantity, delivery note number, time of collection and arrival at PIERBURG, the freight carrier's name, the route, and the tracking number and mobile phone number of the driver).
- Suppliers are liable for any cost incurred as a result of delayed deliveries.
- PIERBURG reserves the right to charge back the supplier for any cost incurred by delayed deliveries, e.g. production/ capacity losses or premium freight to the customer.
- In case of late deliveries, suppliers are expected to submit a recovery plan within 24 hrs.
- PIERBURG reserves the right to request a comprehensive root cause analysis of any delayed delivery which led to a serious disruption of the production process (8D-reports).
- PIERBURG reserves the right to return any shipment delivered more than one day prior to the scheduled delivery date (see chapter 3.9).
- The quantity and date of components delivered must correspond with the order quantity and date specified on the delivery schedule. Delivered packaging sizes must adhere to the

information on the packaging data sheet. Any excess quantities must be covered through the delivery schedule.

- Rules for excess deliveries which do not correspond with the above mentioned:
  - PIERBURG reserves the right to return excess quantities
  - PIERBURG reserves the right to return the entire shipment, if it cannot be broken down within means for reasons of quality or cost.
- Suppliers include all shipping documents required by VDA or the requirements of the receiving country. The delivery note represents the main communication medium and must contain the following data:
  - Number and date of the delivery note
  - Name of the sender, including its PIERBURG supplier code
  - Receiving plant and unloading point
  - PIERBURG material number, document version/ index , PIERBURG description
  - Quantity and the unit of measure
  - Gross and net weight
  - Shipping method
  - Terms of delivery (Incoterms)
  - Frame contract number
  - Packaging
    - Number of PIERBURG returnables and PIERBURG description
    - Quantity and the unit of measure
- Special information concerning the delivery must correspond with pallet identification.
- The delivery note must comply with the standards of the receiving country.
- A unique delivery note must be included with all materials delivered. Consolidated delivery notes are not allowed.
- Two copies of the delivery note must be included with the shipment. One copy is attached to the shipment at a clearly visible location stored in a document pouch. The second copy is handed over to the freight carrier.
- In addition, two copies of the bill of lading must be included with the shipment in accordance with the requirements of the receiving country.
- PIERBURG reserves the right to reject entire or partial shipments, if the data on the delivery note do not correspond with the products delivered, or if products are obviously damaged.
- In general, PIERBURG rejects any deliveries, which obviously pose a risk to personnel or the environment.
- It is the supplier's responsibility to immediately send replacements, if PIERBURG has rejected or returned a shipment for above reasons. PIERBURG reserves the right to further claims.

## 3.4 Supply of Secure Goods in terms of “Authorized Economic Operator (AEO)”

Suppliers shall follow the target to be granted the AEO certificate or equivalent.

Suppliers guarantee that:

- Commodities are produced, prepared, processed, stored and loaded inside secure company facilities.
- All members of staff charged with the handling of commodities are reliable.
- Every single consignment is handled with proper protection against unauthorized access during preparation, storage and transportation.
- Consignments do not contain prohibited objects.
- Tamper-proof packaging is used for all consignments so that access to the contents of the packages is not possible without leaving visible traces of tampering.
- The contents of the consignment and the packaging may be inspected for reasons of security.
- Business partners, who act on the supplier's behalf, are informed and obliged to take appropriate measures as well in order to guarantee the security within the entire supply chain.
- Access is granted to the security officer to the company facilities.

## 3.5 Advanced Shipping Notifications (ASN)

Advanced Shipping Notes provide decisive information in regards to quantities dispatched by the supplier and facilitate the planning at PIERBURG.

Suppliers

- Send Advanced Shipping Notes via an electronic medium unless otherwise agreed upon.
- Ensure the ASN does either comply with the standards of the receiving country, or meets PIERBURG requirements
- Ensure the ASN gets transmitted at the time the shipment leaves the supplier location.

## 3.6 Procedures for Incoming Materials at PIERBURG

The supplier sets the stage for an efficient and flawless handling of their shipments by providing all necessary shipping documents.

- For all non-series production components not covered by a valid delivery schedule, and if provided by PIERBURG, the supplier provides the name and department of the responsible PIERBURG representative in the address field of the delivery note.
- At the time of delivery, the receiving department only checks the packaging units for external damage and compares the number of containers delivered with the number of containers listed on the bill of lading. The signature on the shipping documents attests to the correctness of those items only.
- The next step is a comparison of the delivered part number(s) and their quantity to the component(s) and quantities listed on the delivery note. Suppliers will be informed of any

technical defects, which could not be detected during this process as soon as they appear downstream. PIERBURG reserves the right to charge suppliers accordingly.

- Incoming materials are received into our inventory system based on the data shown on the delivery note. Incorrect data on the delivery note pose a risk to all further planning and production processes at PIERBURG. Suppliers will be held liable for any cost incurred by incorrect data on the delivery note.
- PIERBURG reserves the right to request a comprehensive root cause analysis in case of any significant deviations concerning packaging, material identification and shipping documents (8D-reports).

### 3.7 Delivery to/ Replenishment of Supplier Owned Consignment Stock

As commonly practiced in the automotive industry, PIERBURG's future goal is to utilize supplier owned consignment stock. Details are regulated through corresponding contracts. The items outlined below define the minimum requirements for the suppliers to adhere to during the demand planning and the delivery/ replenishment of the consignment stock.

- Suppliers must consider the requested safety stock and component lead times when planning production.
- All containers delivered must apply to the packaging data sheet. Previously specified packaging sizes must be adhered to at all times in order not to create additional handling and cost. Suppliers will be held liable for any costs caused by deviating batch sizes.

### 3.8 Return of Reusable Packaging

In general, there is a difference between special returnable packaging and returnable packaging used for series production materials.

General rule:

- In order to ensure a flawless return of empty packaging materials, the suppliers must clearly identify a ship to address and responsible contact partner to PIERBURG. The appropriate PIERBURG Logistics Department must be notified of any changes to the ship to address. A change of the ship to address must be approved by PIERBURG, if any costs to PIERBURG are involved.
- PIERBURG shall redeliver the packaging after taking the goods without any obligation to clean this packaging.
- All other aspects of returning the packaging are governed by the corresponding terms and conditions of purchase.

Special returnable packaging:

- In order to allow for a proper and flawless return, all containers must be clearly marked including a clear identification of the owner.
- The identification must be attached to all sides of the container. It must be visible from the outside and permanently legible.

- The consolidated return of packaging materials is automatically initiated by PIERBURG.

Pool reusable packaging:

- The consolidated return of packaging materials is automatically initiated by PIERBURG.

Documentation of the exchange of returnable packaging material:

- The quantity of all exchanged returnable packaging is comprehensively documented by PIERBURG. A report of all incoming and outgoing packaging units gets created based on the delivery notes for incoming goods and the delivery notes for returned empties. Suppliers must assure the following:
  - Proper transmission of all necessary data by listing the PIERBURG packaging number (9.xxxxx.xx.x) on the delivery note.
  - When an inventory reconciliation report gets transmitted, the supplier must inform PIERBURG within 10 working days of any discrepancies in reference to the respective packaging item.
  - An inventory of returnable packaging owned by PIERBURG must be performed at least once per year or whenever requested by PIERBURG. Resulting deficiencies at the supplier must be balanced by the supplier.

### 3.9 Return Delivery

PIERBURG reserves the right to return products delivered without an existing order, over deliveries and/ or products which failed quality inspection.

Return of non-ordered products or over deliveries:

- PIERBURG declines to accept products from the freight carrier in accordance with chapter 3.6, section 2, if there was no order placed for the delivered components.
- If products have already been accepted and further processing discloses the delivery of a non-ordered component or an over delivery, PIERBURG will issue a written request to the supplier to collect the products within 24 hrs. If the supplier fails to answer, PIERBURG will organize the return of the entire or partial shipment at the supplier's cost. PIERBURG reserves the right to select a shipping method / freight carrier under the aspect of the obligation of mitigation.

Return delivery as a result of quality failure:

- PIERBURG immediately informs the suppliers of any quality failure.
- The continuous flow of all PIERBURG production processes and consecutively the supply to the customers are top priority. Thus, PIERBURG logistics must be informed of all special arrangements made by the supplier. In order to avoid consequential cost to the supplier, replacement parts will have to be shipped immediately after the supplier's notification concerning a quality issue.
- Suppliers must initiate necessary special arrangements to obtain the PIERBURG

production processes and consecutively the supply to the customers. PIERBURG reserves the right to resolve emergency situations by contracting a third party, or by managing the situation through in-house resources at the supplier's cost.

### **3.10 Special obligations for Third Country Deliveries in regards to the existing Tariff Law**

- Suppliers must issue a certificate of origin for each shipment.
- For goods originating in third countries, the liability for customs clearance is based on the terms and conditions of the purchasing agreement. If PIERBURG is to handle customs clearance, suppliers must adhere to the following conditions:
- PIERBURG must be notified at least 24 hours prior to the shipment passing the border.
- Documents to be submitted to PIERBURG prior to delivery:
  - The delivery note
  - The commercial bill, including a valid tariff number and country of origin
  - Certificate of origin / preference certificate/ movement certificate
  - Bill of lading / CMR bill of lading
  - Point of entry / customs office of entry
- PIERBURG registers the delivery at the customs office of the corresponding destination for free circulation as prescribed by tariff law.
- The originals of all customs documents must be included with the shipment.
- The shipment must completely match the shipping notification (Avis). It is not possible to retroactively alter the documents. Suppliers not following to those rules are liable for any additional cost.
- If the supplier per terms and conditions of the purchasing agreement is to handle customs clearance, the entire procedure must be finalized prior to the goods being delivered to PIERBURG. Suppliers are responsible to factor in the time needed for customs clearance while still managing an on time delivery to PIERBURG. Suppliers, within the means of their responsibility are liable for any additional cost which may occur due to customs delays.