



# KEP 7

## LOGISTICS REQUIREMENTS

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# Introduction :

KEP : KEP is the “Key Elements Procedure” of UD Trucks that all suppliers must follow. “Key specific requirements areas” are as below.

1. General
2. Cost
3. Quality
4. Environment
5. Production & Engineering
6. Social Responsibility
7. **Logistics**

KEP7 is regarding Logistics and this policy applies to all suppliers delivering automotive parts to UD Trucks. This logistic policy defines coordination responsibilities between the Supplier and UD Trucks. This document is a “UD Trucks Procedure” prepared according to UD Trucks General Purchasing Conditions.



# 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://iamapps.udtrucks.com/portal> (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 Material Management Operational Guidelines/Logistics Evaluation (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/JAMA.

4.1. New and existing Suppliers are to be evaluated at each manufacturing site using the Global MMOG/LE.

- 4.2. The SUPPLIER is required to fill in the full UD recommended version of 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 90%.
- 4.4. New supplier audit result is greater than or equal to C 75% accepted and action plan is required for level in between C 75% and A 90%
- 4.5. Audit result below C 75% is a STOP parameter to new business awards.
- 4.6. Existing 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.
- 4.7. 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.
- 4.8. Performed audit results are valid for 3 years.
- 4.9. To order the MMOG/LE self-assessment, please access the ODETTE or AIAG (for US SUPPLIERS) website. SUPPLIERS is responsible one-off payment for MMOG license fee.

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 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 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://iamapps.udtrucks.com/portal>

8.2. WebEDI is a possible solution for low volume Suppliers (with less than 50 parts numbers and/or less than 10 UD Trucks users). Information regarding WebEDI can be found on <https://iamapps.udtrucks.com/portal>

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://iamapps.udtrucks.com/portal/> (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://iamapps.udtrucks.com/portal/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. In the General Purchasing Conditions (GPC), the SUPPLIER has an obligation to ensure that proper Customs clearance supporting documentation is provided in accordance with the GPC and the laws and regulations set by the exporting and importing country. Failure to provide accurate documents can result in delayed deliveries, overtime, incorrect customs duties, and penalties 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, the SUPPLIER must follow by the country's export control regulations.

12.6. 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 UDT Customs and Trade: [UDT.Customs.Trade@udtrucks.com](mailto:UDT.Customs.Trade@udtrucks.com)



### **13. Dangerous goods compliance**

13.1. Parts need to be designed and delivered in compliance with applicable packaging and 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.

### **14. SUPPLIER Pick-up point**

14.1. The SUPPLIER provides UD Trucks with proposed logistics flow between the SUPPLIER manufacturing location and the pick-up point.

14.2. The SUPPLIER owns and manages the inventory and safety stock levels in order to meet UD Trucks delivery demands.

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

14.4. The SUPPLIER manages the transport to Pick-up point location.

14.5. The SUPPLIER is responsible to choose appropriate packaging up to the SUPPLIER pick-up point.

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

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

14.8. 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.

### **15. Batch deliveries**

15.1. The SUPPLIER needs to deliver according to UD Trucks delivery demand, with a minimum order quantity related to the defined packaging instruction.

### **16. Push and Pull Sequence deliveries**

16.1. The setup is unique to each UD Trucks end user, requirement will be specified case by case. SUPPLIER need to follow UD Trucks set up logistics requirement.

16.2. Sequence deliveries are deliveries of equal part types that are packed in the correct assembly sequence (according to UD Trucks production flow).

16.3. Sequence instructions include chassis number, part information, quantity, serial number, line set number, rotation number, use date, etc.

### **17. Vendor Managed Inventory : VMI (Applicable only Bangkok plant)**

17.1. UD Trucks will promote VMI set up especially for long distance suppliers and for other suppliers based on part characteristics and diversity. All VMI set up, suppliers are responsible for recommendation of trade agency for IMPORT of Records and EXPORT of Records register with Thailand Customs House. Incoterm will follow section 18.5 UD Trucks strategy is to have a reliable and stable transport lead time with minimum lead-time for rush transports.



## INCOTERMS

### 18. UD Trucks requires all SUPPLIERS to use Incoterms 2020.

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

18.2. 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).

### 18.3. Definition 2: FCA “SUPPLIER Pick-up point”, Loaded, Incoterms 2020.

- 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.

### 18.4. 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).



#### 18.5. Import Requirements for Vendor Managed Inventory (VMI)

- Incoterms FCA at local Pick-up Point (PUP) and are explained in section 19.2. of the document. The sales invoice must be created/transmitted to UD Trucks using a domestic Supplier ID (Parma) at the time of Pick-up and Post Local Customs Clearance.
- The SUPPLIER shall be the importer of record responsible from point of export, with filing of the 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 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**

### **19. UD Trucks standard packaging material (UD-KMP) is the default packaging for inbound supply.**

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

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

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

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

19.5. 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).

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

19.7. UD Trucks manages the deliveries of empty returnable packaging to the SUPPLIER.

### **20. Packaging Instructions**

20.1. 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.

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

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

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

## **21. Prerequisites to use UD Trucks packaging material**

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

## **22. SUPPLIER Responsibility**

22.1. The SUPPLIER shall order empty returnable packaging to fulfill shipments according to the agreed Packaging Instructions.

22.2. The SUPPLIER shall maintain correct returnable packaging stock balance in compliance with the Packaging User Agreement.

22.3. Whenever UD-KMP is utilized as packaging material to ship parts or components to relevant UD Locations. Goods Issue in OFS4P system (Outgoing) has to mandatorily performed for all the outgoing of UD-KMP with correct packaging types and quantities.

- Invoice (PDF, Word) , Packing Slip (PDF, Word) , CMR (PDF, Word) and Delivery Note (PDF, Word) are the documents which will be generated by Component or Material Supplier's once Ship Confirmation/Goods Issue is done in OFS4P system against UD KMP usage. Make sure to print & handover below documents against UD-KMP utilization along with your regular component shipping documents to the Transporter or Forwarder during cargo pick-up.
- Component or Material Supplier's should utilize UD-KMP only for the approved flows by UD Packaging Engineering Team. Failing to comply will result in stock deviation and overstock fee /Replacement Fee will be applicable.

## **23. Packaging related costs**

23.1. UD Trucks will not charge any cost to the SUPPLIER for use of UD Trucks standard packaging (UD-KMP) unless:

- The SUPPLIER stock of UD-KMP on site for more than 21 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).
- Disposable packaging is ordered from UD Trucks.
- Package deviation from Packaging Instruction.





## **SERVICE MARKET**

UDT 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. UDT Service Parts Operations & Logistics has its own specifications in many logistics processes.

### **24. General**

24.1. The Supplier shall, pursuant to the conditions of the Purchase Agreement and at commercially reasonable prices, supply Parts to such an extent that UD Trucks can offer its customers spare parts for fifteen (15) years after UD Trucks' purchases of the Part for serial production from the Supplier have ceased. Should UD Trucks require supply of Parts longer than the said fifteen (15) years, the Parties shall make a good faith consultation to meet such requirement by agreeing prolongation of such supply periods at commercially reasonable prices or other appropriate solutions. 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.



- 24.2. Service Market orders are not bound by any minimum order quantities, Regardless of if parts are common with production or not.
- 24.3. The SUPPLIER shall be prepared to start supplying spare parts at the same time as production.
- 24.4. When parts are common with production, the SUPPLIER needs to deliver the spare parts with at least the same lead-time as production parts.

## **25. VOR Vehicle off Road**

- 25.1. VOR Vehicle off Road always have the highest priority within UD Trucks, even above production needs.
- 25.2. In case of a VOR, the SUPPLIER shall have the parts ready for pick-up within maximum one day lead-time.
- 25.3. If the SUPPLIER has no stock, he should use his own network and processes to provide the shortest possible lead-time on VOR orders.
- 25.4. The SUPPLIER is obliged to communicate a first status of the VOR request within 2 hours after receipt of the order request.

## **26. Commercial packaging for spare parts.**

- 26.1. 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.
- 26.2. Commercial packaging for spare parts can be subjected to branding requirements for UD Trucks
- 26.3. UD Trucks and the SUPPLIER should collaborate to define the appropriate commercial packaging for each part based on the requirements provided by UD Trucks.
- 26.4. 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.

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

