

SCHAEFFLER

Logistics Guideline

Schaeffler's Logistics Requirements for Suppliers

Level: 2018/03



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1. Introduction

The integration of external suppliers into the Schaeffler production system contributes significantly to meet the requirements of our customers in a sustainable manner. The focus here is on securing market supply and meeting cost and quality targets.

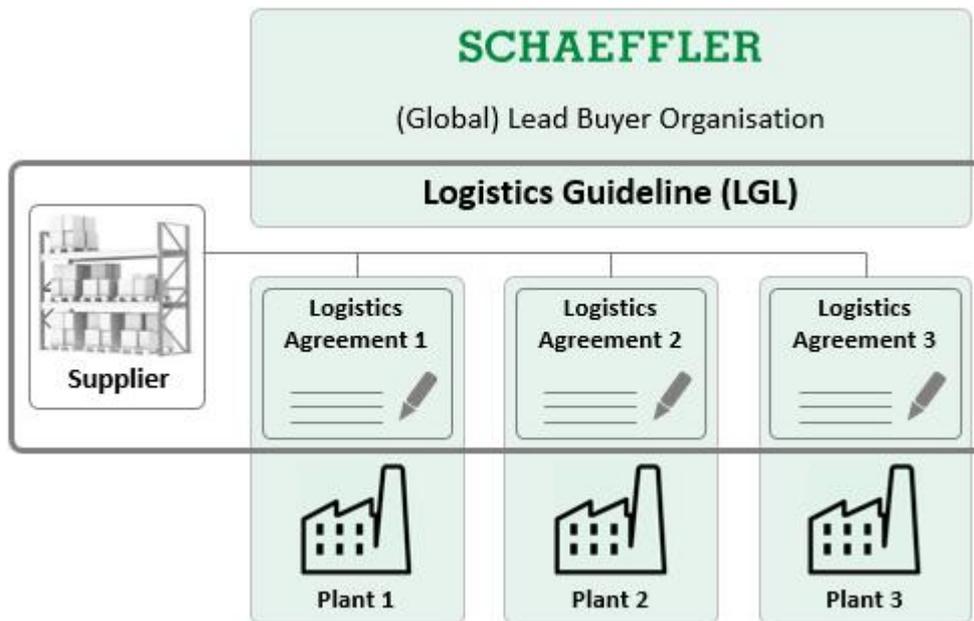
Achieving these goals requires a close cooperation with our suppliers. The relevant specifications are described in the following chapters.

2. Scope of applicability

The Logistics Guideline (LGL) serves as a basis for the structuring and implementation of logistics purchasing and procurement processes for the supply of companies of the Schaeffler Group (i. e. all companies in which Schaeffler AG directly or indirectly holds a majority interest) by external suppliers. It is valid worldwide. A list of the current Schaeffler Group companies can be found in the Corporate Report of Schaeffler at www.schaeffler-annual-report.com.

Insofar as a General Agreement (GA) has been concluded or the validity of a Quality Assurance Agreement (QAA) or Schaeffler's Terms and Conditions of Purchase has been agreed, these shall take precedence over the Logistics Guideline (LGL).

Any additional requirements from a plant shall be agreed to in writing using the form entitled "Logistics Agreement (LA)" (see "13. Appendices").



Relationship of Logistics Guideline (LGL) and Logistics Agreement (LA)

The Supplier is also obligated to supply other companies belonging to Schaeffler in accordance with the provisions of this LGL.

Delivery contracts are concluded exclusively between the supplier and the ordering company of Schaeffler and do not affect any claims or obligations for other Schaeffler companies.

The company of Schaeffler, with which the respective supply relationship with the supplier exists is hereinafter generally called Schaeffler.

In order to take account of customer requirements, the LGL can be adapted in individual cases. These adjustments shall be made in coordination with the Supplier. The supplier shall not unreasonably refuse these required or appropriate adjustments to the LGL.

3. General requirements for the supplier and supplied products

The Supplier is obligated to observe and comply with the statutory, official or other legally binding provisions and directives that apply to him and his products, in particular with respect to applicable foreign trade and customs laws. This applies irrespective of the level in the supply chain that the Supplier occupies.

4. Capacity and flexibility

By providing adequate capacity (personnel, production facilities, raw materials, etc.), the Supplier will guarantee a secure supply of materials at all times, which also takes into consideration and compensates for fluctuations in requirements, including the supply of raw materials by pre-suppliers.

4.1 Procedure

To comply with the stated requirements, the Supplier is obligated to conduct capacity and resource planning on a regular basis and to provide evidence of same when necessary.

For this purpose, the Supplier will provide a regular reconciliation of requirements (forecasts, delivery schedules and individual orders provided by Schaeffler) with the available capacities for the short, medium and long term.

In the event of recognizable critical deviations, the Supplier shall contact Schaeffler proactively and without delay (self-disclosure) and reach an agreement on suitable measures.

In the event the Supplier is facing impending or existing capacity or supply bottlenecks, Schaeffler may require notification and demonstration of capacity and supply related figures (e.g. capacity, inventories, shift models, etc.). Schaeffler reserves the right to examine the capacities and ability to supply at the Supplier's site.

4.2 Flexibility in the volume production process

The flexibility requirements for supplying Schaeffler, which are applicable to the Supplier in individual cases, will be defined jointly with the Supplier in the document "Logistics Agreement (LA)" (see "13. Appendices").

4.3 Changes in production

The Supplier shall report changes in the production process (including volume-production startups and phase-outs) and production relocations as well as significant changes to the pro-

duction site itself, to Schaeffler proactively and promptly. The changes must not be carried out until Schaeffler has provided approval.

Any plans for relocating production and/or for changes in the manufacturing process for spare parts requirements shall be announced at least six months in advance. For this purpose, the Supplier must submit detailed action plans that guarantee supply during the period of relocation and/or conversion. The Supplier must also inform the employee(s) responsible in the quality assurance department(s) as well as Schaeffler's central purchasing department of such plans.

In each of these cases, the Supplier must coordinate continuation and compliance with production and supply capacity with Schaeffler and ensure that the required resources are available.

Prior to the cessation of production of a contractual product and/or before volume production phase-outs, Schaeffler shall be given the final opportunity to order the contractual product that will no longer be produced in the future in unlimited scope. For this purpose, the Supplier shall announce the cessation of production and/or the phase-out of a series in a timely manner, but at least six months before the respective termination date, in writing or electronically.

4.4 Measures taken during disruptions

In the event of disruptions, the Supplier shall work out an emergency plan for correcting the disruption and publish it within his organization if the disruption is capable of adversely affecting the supply of Schaeffler with contractual products. The following are examples of disruptions:

- Machine or plant defects
- Broken tools
- Capacity problems
- Quality problems
- Damage or delays in shipping
- Disruptions in the Supplier's supply chain
- IT problems
- Other events (strikes, accidents etc.)

If a disruption occurs the Supplier shall notify the affected Schaeffler plants without delay and describe the emergency plan. If Schaeffler deems the emergency plan to be inadequate, Schaeffler is entitled to propose measures for correcting the disruption, taking the Supplier's interests into account. The Supplier is obligated to implement these measures if these measures and the implementation of them is reasonable.

Special freights caused by the supplier must be reported to Schaeffler.

5. Supply methods and transmittal of requirements

5.1 Data analysis

Prior to establishing a suitable method of supply, a procurement and structural analysis of the affected materials will be conducted in collaboration with the Supplier. Schaeffler's overall requirements shall be taken into account.

5.2 Requirements planning and forecast

Long-term planning is required to ensure the Supplier has the capacity to supply. Schaeffler will provide the Supplier with a long-term, non-binding demand forecast on an item or a jointly coor-

minated aggregation level. In addition to the existing orders, this forecast is also based on a mid and long-term requirements estimate.

Binding production, materials and supply approvals will be issued in accordance with the Framework Agreement and/or other agreements existing between Schaeffler and the Supplier.

5.3 Supply methods

A variety of supply methods is required to secure materials supply.

The standardized materials requirements planning procedure that is to be used will be established by Schaeffler depending on the materials and supplier-specific requirements and with the goal of high supply security, minimal inventories, standardization of the procurement processes, etc. taking the interests of the Supplier into account.

Schaeffler uses the following standardized materials requirements planning methods:

Plan-driven methods	
Scheduled agreement procedure	<p>Description</p> <p>For a period of up to 12 months the supplier will regularly receive requirements information (quantities and delivery dates) in the form of scheduling agreements.</p> <p>Schaeffler will regularly update the scheduling agreements on in the LA specified weekdays, whereby the dates indicate the arrival date (all-day event) in the respective Schaeffler plant.</p> <p>Other than the given delivery dates are permitted only if coordinated with Schaeffler.</p>
	<p>Communication by Schaeffler</p> <ul style="list-style-type: none"> • Rolling communication of forecast values on in the LA specified weekdays • Taking the in the LA agreed capacity and flexibility limits in the established timeframes into account • Maintenance of the planning parameters at item level <p>Duties of the Supplier</p> <ul style="list-style-type: none"> • Delivery of the scheduled quantities on the requirements date • Provision of the in the LA promised capacity and flexibility • if delivery call-offs are not accepted, these must be objected to in written form by the end of the next working day after transmission • for consignment processing, the between the parties defined minimum and maximum stock quantities must be respected at article number level

Plan-driven methods	
Vendor-Managed-Inventory (VMI)	<p>Description</p> <p>The Supplier assumes complete supply responsibility for a defined range of items in a plant. For this purpose, he will be kept informed of Schaeffler's plans in this regard.</p> <p>VMI may be agreed to in conjunction with consignment processing between Schaeffler and the Supplier.</p> <p>The framework conditions, that are required for this, shall be specified in a supplementary agreement to the <i>Consignment Store Agreement</i>.</p>
	<p>Communication by Schaeffler</p> <ul style="list-style-type: none"> • Provision of planning figures for the defined range of items • Establishment and maintenance of minimum and maximum inventory limits <p>Duties of the Supplier</p> <ul style="list-style-type: none"> • Sole responsibility for materials supply of a plant's defined range of items • Independent planning and control of the materials supply by processing the continuously provided planning figures

Consumption-driven methods	
KANBAN	<p>Description</p> <p>If the inventory of defined materials and/or number of containers falls to low levels, the Supplier will be given a signal to resupply in the short term.</p>
	<p>Communication by Schaeffler</p> <ul style="list-style-type: none"> • Definition of the KANBAN procedure (containers KANBAN, eKANBAN) • Container selection, number and volume • Definition and maintenance of the cycle and the organization <p>Duties of the Supplier</p> <ul style="list-style-type: none"> • Keeping the defined number of containers and parts in reserve • Compliance with agreed response times
Reorder point procedure	<p>Description</p> <p>A release order to the Supplier is triggered when Schaeffler falls short of a defined stock on order.</p>
	<p>Communication by Schaeffler</p> <ul style="list-style-type: none"> • Definition and maintenance of the order points taking the Supplier's response time and capacity limits into account • Timely release of the order <p>Duties of the Supplier</p> <ul style="list-style-type: none"> • Delivery of the ordered quantities while adhering to established response and capacity commitments defined in the LA

5.4 Consignment

In coordination with the Supplier consignment processing may be set up for the respective Schaeffler plants. Details of the consignment processing arrangement shall be specified in a separate *Consignment Store Agreement*.

Consignment processing may be combined with all supply methods listed in item “5.3. *Supply methods*”.

6. Communication

The basis for successful cooperation between the Supplier and Schaeffler is properly conducted communication. For this reason the Supplier has to inform Schaeffler of the responsible contact persons. The Supplier shall promptly report any changes of the contact person.

6.1 Ongoing obligations to provide information

The Supplier shall make the following information available to the Schaeffler plants that are to be supplied with respect to every contractual product and update this information at least every 12 months:

- inventories
- any expiration of service life
- replenishment lead time
- tool data (initial quantity and/or period of tools in use, remaining quantity and/or period of tools in use)

6.2 Obligations to provide information in special cases

The Supplier shall promptly report all information that can adversely affect the contractual relationship with Schaeffler.

In urgent cases, in particular if timely or orderly deliveries made to Schaeffler by the Supplier are at risk, the Supplier shall also ensure that a contact person appointed by the Supplier is available at any time (i.e. also outside of normal business hours and on weekends and holidays).

If supply obligations (e.g. delivery quantity and/or date) cannot be met, this has to be reported to the respective Schaeffler employee responsible in a timely manner and without request.

6.3 Response time in special cases

When Schaeffler has questions (e.g. regarding inventories, production or delivery status, delivery schedule and changes) the Supplier has to respond until end of the next working day.

6.4 Data exchange

In order to ensure a rapid data exchange between Schaeffler and the Supplier, data transfers shall normally be performed electronically via a variety of transfer procedures.

Schaeffler uses the Internet marketplace SupplyOn for bidirectional electronic message exchange. In this way, the supplier can receive call offs, purchase orders, etc. via (indirect) EDI or retrieve this procurement-relevant information in WebEDI. The supplier can use the same systems to send messages (order confirmation, shipping notification, invoice) to Schaeffler. Partici-

pation in the Internet marketplace SupplyOn is therefore a prerequisite for supplying Schaeffler. The use of indirect EDI requires the signing of an EDI contract that regulates EDI-specific details.

Schaeffler is currently using EDIFACT standard formats for data transmission in accordance with the SupplyOn Guidelines (details in the EDI contract).

If the supplier decides to use the WebEDI solution, data is accessed via the Internet-based web frontend provided by SupplyOn. Details and training are provided separately by SupplyOn. Further modules of the SupplyOn platform, such as the Empties Management System (EMS), can be used at Schaeffler's request.

6.5 Electronically exchanged documents / messages

The following documents/messages will be exchanged with the Supplier using SupplyOn-EDI or WebEDI.

6.5.1 Messages to the Supplier

For communication directed at the Supplier, depending on the agreed supply strategy, the following messages will be transmitted:

- Release orders
- Orders and order changes
- Credit notes (in conformance with the statutory provisions at respective Schaeffler's place of business)
- Inventory report data
- Inventory and gross demand information (VMI)

EDI transmittals of other messages will be reviewed individually.

6.5.2 Messages to Schaeffler

The Supplier shall make the following information available via SupplyOn (WebEDI or SupplyOn-EDI):

- Order confirmations (for individual orders)
- Shipping notifications
- Transport notifications

The type of information shall be coordinated with Schaeffler in detail.

6.5.3 Transaction data for consignment processing

The data to be exchanged is individually coordinated case by case.

6.5.4 Data exchange in the VMI process

Pursuant to the agreed supply strategy the VMI process (Vendor Managed Inventory) may be used. VMI messages are provided via the SupplyOn-VMI solution. In the VMI process the following information is transmitted to the SupplyOn VMI monitor and is updated daily and made available to the Supplier:

- Gross demand
- Warehouse inventory

This information is also made available to the Supplier in the form of an EDI message if necessary.

7. Delivery reliability

Delivery reliability from the supplier is valued with the 3 key figures Date Reliability (LZ1), Quantity Reliability (LZ2) and Logistics Complaints (LZ3).

Document “S296001 – Part 5 - Supplier Evaluation” and to its “Annex 1 - Supplier Evaluation – Valuation Criteria” shows up the types of validation logic and valuation criteria.

8. Terms of delivery (Incoterms)

To define the terms of delivery for trading goods internationally, Schaeffler uses the Incoterms (International Commercial Terms) compiled by the ICC (International Chamber of Commerce). They facilitate internationally consistent interpretations of standard delivery conditions.

Incoterms shall be agreed to contractually and documented (e.g. *(Purchasing) Framework Agreement, general conditions of purchase, order, etc.*). If no other agreement is reached, the designation of the terms of delivery refers to the most recent version of the Incoterms.

The standard incoterms are FCA or DAP (in both cases designated place).

Current version of Incoterms: iccgermany.de

9. Packaging

The Supplier is responsible for protecting his products and delivering them in compliance with the agreement. He shall use proper and suitable packaging/outer packaging and a mode of transport that meets the same requirements.

9.1 General requirements

When selecting suitable packaging for delivery of the products the following points shall be primarily taken into account:

- Protection of the parts
- Costs of the packaging, handling and application
- Environmental compatibility
- Storability
- Ability to load and transport
- Integration into an existing packaging concept
- Compatibility (the material can be incorporated into Schaeffler's production in the packaging in which it was delivered)

9.2 Detailed information

For INA and FAG additional information is provided in the packaging manual.

www.schaeffler.de ⇒ *Schaeffler Germany* ⇒ *Suppliers* ⇒ *Logistics*
 ⇒ *Sets of rules* ⇒ *Packaging Handbook INA/FAG*

For LuK, the following specifications must be observed:

*www.schaeffler.de*¹ ⇒ *Schaeffler Germany* ⇒ *Suppliers* ⇒ *Logistics*
 ⇒ *Sets of rules* ⇒ *LuK Documents*

- Packaging Handbook LuK
- Overview of packaging materials
- Packaging datasheet
- Empties requisitions

10. Labeling

When goods are delivered, both the (outer) packaging as well as the products themselves must be labeled in accordance with the agreements reached with Schaeffler and the co-applicable rules for packaging.

10.1 Labels to be used

Consignments must be marked in accordance with the Schaeffler GTL standard, as per the internationally recognized Global Transport Label Standard (Version 3) of the Joint Automotive Industry Forum (JAIF). The exact specifications of the TTL can be found in the "Schaeffler GTL Implementation Guidelines".

www.schaeffler.de ⇒ *Schaeffler Germany* ⇒ *Suppliers* ⇒ *Logistics* ⇒ *Sets of rules*

New suppliers must mark all consignments in accordance with this standard.

Existing suppliers must convert to this standard. The transition is coordinated between the parties.

¹ alternatively: *www.luk.de* ⇒ *Suppliers* ⇒ *Logistics* ⇒ *Sets of rules* ⇒ *LuK Documents*

10.2 Basic requirements for labeling

When labeling (outer) packaging and products the following points shall be observed:

- The labeling must be legible and clear
- Old labels have to be removed
- Labels must be applied in accordance with requirements
- Labels must be affixed so that they cannot be lost (e.g. by securing with a removable residue-free adhesion point)
- Empty small load carriers have to be labeled accordingly
- Mixed pallets (different materials on one pallet) have to be marked as such. Instructions given in the packaging manual must be observed.
- Only one Schaeffler GTL is allowed per material and package (the marking of different supplier batches in a package with several GTLs is not permitted)

Also note that:

- The form and content of the labeling depends on the packaging used
- Existing labeling surfaces or insert pockets will be used if they do not contravene other requirements
- The full-surface affixing of returnable packaging materials is not permitted.
- The application of self-adhesive labels of any kind (e. g. shipping labels) and / or the full-surface affixing of reusable packaging materials is prohibited

All

- Shipping units (e.g. pallet)
- Shipping items (e.g. small load carrier or box)
- Primary packaging (e.g. bag in small load carrier or box)

have to be labeled separately.

Gluing or labelling of customer labels (Schaeffler GTL) with additional labels of any kind (e. g. forwarding labels) is not permitted.

10.3 Requirements for labeling in exceptional cases

In exceptional cases to be approved by Schaeffler the packaging will be labeled with information that cannot be included on the standard label.

The information to be provided in these cases includes:

- Copy of the permission to deviate from specification / special approval issued by Schaeffler (see Appendix 3 QAA / S 296001 Section 3 – *Change Authorization / Special Approval*)
- Note regarding partial or residual shipment
- Labeling initial volume production sample

10.4 Detailed information

For INA and FAG additional information is provided in the packaging manual.

www.schaeffler.de ⇒ *Schaeffler Germany* ⇒ *Suppliers* ⇒ *Logistics*
 ⇒ *Sets of rules* ⇒ *Packaging Handbook INA/FAG*

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 ⇒ *Sets of rules* ⇒ *LuK Documents*

- Packaging Handbook LuK
- Overview of packaging materials
- Packaging datasheet
- Empties requisitions

11. Delivery and documents

11.1 General provisions

The Supplier has to comply with the following requirements when delivering materials:

- The shipments has to be handed over to the freight operator with properly prepared and complete shipping documents according to 11.2.
- Papers must usually be handed over to the driver. If requested by the recipient, it can be bi-laterally agreed that documents should be attached to the package.
- The Supplier has to ensure that the delivery notes are handed over along with the bill of lading at the respective Schaeffler plant.
- Acceptance of shipments that do not have the correct shipping documents may be refused.

11.2 Required shipping documents

The following documents must be handed over upon delivery:

- Bill of lading
- RDT goods receipt note (alternatively delivery note according to VDA / Odette, if no RDT is agreed)
- If applicable, customs documents with customs invoice
- Other documents required in the order

11.2.1 Bill of lading

In all cases, the terms of delivery agreed to with Schaeffler pursuant to Incoterms as amended shall be specified on the bill of lading and shipping order.

11.2.2 RDT goods receipt note and delivery note

The delivery note must contain:

- Delivery note number
- Order number
- Supplier number
- Material number (13 or 15 digits)
- Material abbreviation
- Change index according to drawing

² alternatively: *www.luk.de* ⇒ *Suppliers* ⇒ *Logistics* ⇒ *Sets of rules* ⇒ *LuK Documents*

- Total delivery quantity
- Number, type and quantity per package
- Gross and net weights
- Cubic content for oversized goods
- Unloading point
- In the case of single-variety packages, a separate delivery note must be issued for each material number.
- For mixed pallets (different materials or different vendor batches), a collective delivery note must be created.
- Clear identification of initial samples and mixed pallets
- Separate listing of reusable packaging materials. The packaging material number, quantity and description must be specified for each delivery note. The corresponding data can be found in the packaging data sheet.

11.2.3 Customs documents

The Supplier/exporter must promptly make all documents required for customs/import clearance available, in particular commercial invoices, packing lists, freight documents (bill of lading/AWB) origin/ and preferential documents.

Schaeffler may redebit the Supplier for import duties imposed due to missing customs documents (in particular origin/preferential documents).

The commercial invoices must contain all foreign trade related data, such as

- Customary description of goods
- Value of the goods
- Currency
- Customs tariff no.
- Country of origin
- Weight
- Quantity
- Term of delivery

11.3 Detailinformationen

For INA and FAG additional information is provided in the packaging manual.

www.schaeffler.de ⇒ *Schaeffler Germany* ⇒ *Suppliers* ⇒ *Logistics*
 ⇒ *Sets of rules* ⇒ *Packaging Handbook INA/FAG*

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 ⇒ *Sets of rules* ⇒ *LuK Documents*

- Packaging Handbook LuK
- Overview of packaging materials
- Empties requisitions

Transport instructions LuK

www.schaeffler.de ⇒ *Schaeffler Germany* ⇒ *Suppliers* ⇒ *Logistics*
 ⇒ *Shipping and Transport Instructions*
 ⇒ *Versand- und Transportvorschriften LuK*

www.luk.de ⇒ *Suppliers* ⇒ *Logistics* ⇒ *Shipping and transport instructions LuK*

12. General provisions

The contractual relationship shall be governed by the laws of the Federal Republic of Germany, excluding the German conflict of laws rules and the provisions of the UN Convention on Contracts for the International Sale of Goods (CISG). Unless the Parties agree to the exclusive jurisdiction of another competent court, all disputes between the Parties shall be heard and resolved by a court of competent jurisdiction in Nuremberg, Germany. Notwithstanding the foregoing, Schaeffler shall have the right to file legal actions against Supplier in any other court of competent jurisdiction.

In the event that any provision of this Agreement is invalid or may become invalid, the validity of the remaining provisions shall not be affected thereby and shall remain valid. The Parties commit themselves, in good faith, reasonably to replace any invalid provision with a valid provision that has an economic result equivalent the original provision.

³ Alternatively: *www.luk.de* ⇒ *Suppliers* ⇒ *Logistics* ⇒ *Sets of rules* ⇒ *LuK Documents*

13. Appendices

The documents

- Logistics Guideline
- Vordruck Logistikvereinbarung
- Implementierungsleitfaden GTL

Can be downloaded from the internet at

www.schaeffler.de ⇒ *Schaeffler Germany* ⇒ *Suppliers* ⇒ *Logistics* ⇒ *Sets of rules.*

Shipping and transport instructions are available on the Internet under the following links:

- *www.schaeffler.de* ⇒ *Schaeffler Germany* ⇒ *Suppliers* ⇒ *Logistics*
 ⇒ *Shipping and Transport Instructions*
 ⇒ *Shipping and Transport Instructions INA/FAG*

- *LuK*
 www.schaeffler.de ⇒ *Schaeffler Germany* ⇒ *Suppliers* ⇒ *Logistics*
 ⇒ *Shipping and Transport Instructions*
 ⇒ *Shipping and Transport Instructions LuK*

- or
 www.luk.de ⇒ *Suppliers* ⇒ *Logistics* ⇒ *Shipping and transport instructions LuK*