



# **Logistics Guideline**

**Logistical requirements**

**Preh GmbH to suppliers**

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## Introduction

Clear and binding communication and information is the basis for a partnership-based cooperation between you as the supplier and Preh GmbH (hereinafter referred to as Preh).

This particularly applies when it concerns the supply logistics to safeguard our production. It is essential to have a functioning logistics system with agreed regulations in order to ensure an efficient and smooth production process.

We have summarised our requirements for all parties concerned in the current Logistics Guidelines to clarify them and draw up binding regulations. These guidelines form an essential part of our contractual relationship.

Processes are continuously reviewed in the interests of a partnership-based cooperation. By carrying out regular audits and process analyses, we work together to ensure that there is continuous improvement.

### 1. General Information

#### 1.1 Objective

The current Logistics Guidelines define the basic requirements that a supplier must meet in order to maintain a successful supplier relationship with Preh. It is essential that they are observed when developing, designing and planning logistics concepts.

These guidelines describe the logistics requirements for delivery of parts and materials to Preh, a logistics partner of Preh or an external unloading site specified by Preh.

#### 1.2 Scope

These guidelines apply to the delivery of all parts and materials for the Preh Group and their current and future unloading sites.

### 2. Principles of Cooperation

The following regulations must be observed so that the cooperation between Preh and the supplier is effective.

#### 2.1 Duty of Disclosure

The supplier should respond to enquiries and queries immediately, particularly regarding adjustments, delivery call-offs and delivery status; if the information is unavailable, a deadline for submission of this information must be agreed with the contact person.

#### 2.2 Availability of the Contact Persons

Dedicated contact persons and representatives should be designated to the Preh Group for the delivery process in each case. They should be able to make decisions in a competent and reliable manner. Written notification is required for any changes. The supplier must be available

at all times during Preh's production times; an emergency number should be provided for contact outside of normal business hours.

Any general requests for information from Preh to a supplier require feedback on the same working day. It is essential to ensure that appropriate rules on representation are used in the absence of any of the supplier's individual employees.

### **2.3 Duty to Give Notice**

The relevant Material Planner / Supply Manager should be informed immediately of any anticipated supply shortages and this should be documented in writing.

### **2.4 Works Calendar**

The supplier must submit his works calendar as well as his shift patterns to the Preh plants concerned on request and inform them in good time of any planned deviations.

## **3. General Information on Delivery Service**

### **3.1 Capacity Planning**

The demand/capacity planning is agreed in conjunction with the supplier and a demand fluctuation margin is defined. The extent of the demand fluctuation margin generally depends on the individual requirements of Preh's customers (vehicle manufacturers). The supplier guarantees to provide Preh with 100% supply within the defined demand fluctuation margin. A capacity adjustment will be agreed with the supplier in good time in the event of substantial changes in demand. The supplier is not entitled to request that Preh accepts the quantities available.

Preh generally expects that the Supplier holds available capacities for fluctuations in demand within a fluctuation range of up to +/- 15% without additional costs or investments for Preh. Deviations from this value can be defined individually during the initial discussions. The supplier guarantees the scheduled supply of all parts even during his planned plant shutdown or during any other incidents/disruptions in his company at no extra cost.

### **3.2 Safety Stocks**

The supplier is obliged to hold appropriate safety stocks if necessary to safeguard against possible shortages of primary materials, fluctuations in the delivery schedule call-off and quality defects.

### **3.3 Definition of Delivery Date**

The agreed delivery times, dates and quantities on the order or delivery schedule call-off are binding. The delivery dates are generally considered to be arrival dates at the goods inwards department at Preh or the agreed place of use. Any deviating regulations must be agreed in writing. In this case, it depends on the receipt of the goods at the unloading site specified by Preh or the timely provision date of the goods, taking into account the normal time for loading and despatch, depending on the agreed delivery conditions.

### **3.4 Early / Late Delivery**

Preh is not obliged to accept early deliveries or part deliveries that have not been agreed. If the supplier deviates from delivery dates without prior agreement, Preh is entitled to refuse these deliveries and send them back or temporarily put or take them into stock at the supplier's costs. This also applies to obvious defects with transport carriers and transport containers.

### **3.5 Special Deliveries**

The supplier must guarantee on-schedule deliveries, even if special freight is required. If part of the shipment or all of the goods are not available on the agreed date due to the fault of the supplier, the supplier must arrange special freight. In addition to providing information about the reasons for the special freight, this also needs to be agreed and arranged accordingly with the relevant Material Planner and Preh needs to be advised in writing. The supplier must initiate correction actions immediately and the supplier bears the resulting additional costs. Special freight that was the fault of Preh and that was not caused by a breach of contractual obligations by the supplier, are also paid by Preh. The supplier must use a service provider selected by Preh. If this is not possible, the resulting costs for the service provider selected must be agreed and stipulated in writing between the supplier and Preh.

### **3.6 Ability to Provide Information**

The supplier must ensure that information about the delivery status is available at all times along the entire delivery process chain. It is important to ensure the availability of the supplier including the relevant freight carrier.

## **4. Electronic Data Exchange**

### **4.1 EDI**

Electronic Data Interchange (EDI) is an essential prerequisite for Preh for efficient cooperation with its suppliers. For this reason, it is a general requirement that all suppliers have the ability to transfer data electronically.

### **4.2 Point-to-point connection**

Preh provides an EDI point-to-point connection in accordance with EDIFACT DELFOR or VDA 4905 standards. Delivery call-offs agreed with the supplier within this framework are preferred, but it is also possible to use normal orders.

### **4.3 WEB-EDI**

Preh offers the option of a browser-based WEB-EDI solution in special cases if the technical requirements at the supplier's premises are not indicated or the delivery volumes do not justify a RDT (remote data transfer) connection. This can be used in conjunction with delivery schedules but also for the processing of individual orders.

#### **4.4 Fax/e-mail**

The transmission of Preh orders by fax/e-mail are only accepted in exceptional cases.

#### **4.5 Notification**

The supplier generally sends a notification about a delivery as advance information alongside the delivery. This notification should be sent electronically if an EDI connection exists. The delivery note is generally completed according to the guidelines of the respective standard formats.

#### **4.6 Hardware and software equipment**

All hardware and software equipment required by the supplier as well as any adaptation of computer systems is borne by the supplier himself.

### **5. Delivery Contracts and Management of Call-offs**

#### **5.1 Messages to suppliers**

The supplier is generally informed of the demand on the basis of delivery schedules or normal orders. Furthermore, it is a basic requirement that the supplier is prepared to use special calloff management systems, such as KANBAN and JIT, or set up consignment warehouses and this is agreed separately in the event that they are used.

Delivery contracts (order and acceptance), delivery schedules as well as all other declarations relating to the respective delivery contract must be made in writing. However, delivery call-offs can be made in text form (including fax and e-mail).

#### **5.2 Orders**

Orders are generally confirmed precisely in terms of quantity and date. The buyer is entitled to cancel the order if the supplier does not confirm an order within one week of its receipt.

#### **5.3 Scheduling agreement**

A separate delivery schedule agreement is concluded for the use of delivery schedules. The object of this contract is the definition of the conditions for the assured fulfilment of demand and delivery using delivery schedules. To do this, a contract product and plant is agreed for each delivery schedule. The delivery schedules and delivery schedule call-offs are based on the contractually agreed prices and delivery conditions.

#### **5.4 Effectiveness**

Delivery schedule call-offs are generally transmitted by EDI or fax and a written order confirmation is not required. Delivery schedule call-offs are effective no later than 3 working days after their receipt if the supplier does not disagree.

### **6. Packaging and Transport Safety**

#### **6.1 Packaging Concept**

The individually agreed packaging instructions generally apply to the supplier in accordance with the current packaging concept. These are agreed between Preh and the supplier prior to the delivery relationship and documented in a packaging data sheet.

Deviations in justified cases should be agreed in good time with the respective contact persons. An appropriate note should be added to the delivery note. If the supplier does not comply with the agreed packaging, Preh reserves the right to invoice him for the incidental and proven handling and repackaging costs.

#### **6.2 General Packaging Requirements**

Packaging:

- Protection of the parts against mechanical damage especially for airfreight and LTL as well as humidity/wetness has to be ensured
- Stability with regard to condition, geometry and volume has to be ensured
- Compliance with standard dimensions and standard packaging shall be ensured
- Weight of shipping containers including parts may not exceed 12kg
- Due to the increased risk of injury, boxes must be sealed with adhesive tape
- Metal strapping, clips, staples or buckles are prohibited
- environmentally-friendly packaging that can be reused or disposed of cost-effectively

Pallets:

- Have to be basic measurements of 800 mm x 1200 mm (European standard) or 1.000mm x 1.200 mm (European industrial standard/NAFTA)
  - 4-way-entry-pallets with skids shall be used
  - In case of wooden pallets these need to be treated in accordance with ISPM15 (IPPC)
  - Presswood / INKA-Pallets are not accepted.
  - The external contours of the shipping units must not be exceeded
- 
- Non-stackable loading units with pallets are not permitted and incomplete layers are also not permitted.
  - Suitability for stacking of the shipping units must be observed. Empties containers shall be added and Identification of the max. lifting capacity or stack factor is necessary
  - Stretch film must be clear in color. Stretch film must have enough clarity to enable bar code scanning of labels



- Plastic strapping is required and a minimum of two vertical bands lengthwise and two vertical bands widthwise shall be used.

All materials should be packaged in such a way that no damage can occur to the goods being transported in the way specified or agreed by Preh and to enable them to be stored effectively or supplied to production without the need for any repackaging.

### **6.3 Returnable packaging**

Preh favors returnable packaging, which should be provided by supplier and used preferably.

The returnable packaging is only to be used for the particularly ordered Preh product. Returnable packaging is not to be used for purchasing and stocking of raw material, single components, semi-finished goods, buffer stock production, etc. Any deviations need to have a special approval from Preh (part number, type and amount of carrier, duration of approved deviation).

In addition, also sub-suppliers are not allowed to use the loading units, which are directly or indirectly financed by Preh.

The supplier is responsible to keep the returnable packaging in proper condition and clean. In case of packaging damage or need of repair the supplier has to inform Preh immediately. The expenses are borne regarding the costs-by-cause principle. Damaged loading units put into circulation by suppliers are either rejected by Preh or the costs for repair / replacement will be charged to the supplier.

### **6.4 Temperature-controlled / Dangerous Goods Transport**

The regulations for the transportation of temperature-controlled and dangerous goods loads should be observed. The supplier is liable for any damage that occurs from failing to comply with statutory regulations. The supplier is responsible for the grading/classification, type of transport and transport permit as the distributor of dangerous goods.

The supplier has to ensure that safety obligations of all participants involved into dangerous goods transports are adhered within its area of responsibility (e.g. acc. ADR/RID chapter 1.4)

Only type-tested and authorised packaging and packaging approved by Preh should be used for the transport. The required data sheets, authorisation notices, etc. should be made available to the carrier in good time prior to the despatch.

## **7. Requirements before Commencing Deliveries**

The following points must be handled in consultation with Preh prior to the first delivery and agreed with the relevant buyer and responsible Logistics Planner.

- Packaging Concept
- Delivery concept
- Data integration (EDI / Web- EDI)
- Order handling (LPA/order)
- Contact person at the supplier's premises
- Emergency concept

## **8. Labeling and Accompanying Documents for Deliveries to Preh Plants**

### **8.1 Identification**

All deliveries should always be labelled in such a way that all products can be clearly identified. The goods label must be attached so that is easily visible from the outside and must not exceed the dimensions of the packaging.

For non-European supplier the Odette label standards are also applicable. The labels must be attached to a flat surface to avoid the goods label being damaged and to ensure that the barcode can be read.

With one-way packaging, the inner packaging (e.g. PE bags) should also be labelled with the fill quantity and Preh article number. The article number and quantity should also be indicated for each barcode.

Samples, scheduled goods and replacement deliveries should clearly be labelled as such. Samples should be delivered with a separate delivery note that clearly includes the word "Sample."

### **8.2 Perishable goods**

With goods that have a limited shelf-life, the minimum shelf-life date should be indicated on both the individual container label and the delivery note with barcode. The detailed label request is defined in Preh packaging guideline. With perishable goods and granulated material, it is absolutely essential that a test certificate and the product-specific currently valid MSDS (Material safety data sheets) is enclosed for each batch that is delivered. The inspection certificate of each batch is sent by e-mail in advance to the employees responsible for goods inwards inspections. All invalid labels should be removed.

### **8.3 Dangerous goods**

For dangerous goods transports with respective Preh location, the supplier is obliged that deliveries are handled according to the respectively valid legal requirements of the particular mode of transport. Thereby domestic and international transports have to be considered. The ICAO / IATA-DGR regulations should be observed for air transport.

### **8.4 Mixed loading units**

Mixed loading units (mixed pallets) should be kept to a minimum. Mixed pallets require additional information on the pallet stating "Mixed pallet" and each packing unit must be identified with a VDA label.

### **8.5 Handling information**

Specific handling information (e.g. "Protect from moisture," "Do not drop") should also be attached in symbol format. Information on the stacking capacity is essential.

## 8.6 Accompanying documents

Delivery documents (delivery notes, transport documents, export documents, customs documents, certificates, test reports, etc.) should be handed over in their entirety with the goods.

It is absolutely essential to include the Preh order number on the delivery note. A delivery note should be used for each material number and revision status. The contact person / recipient should be clearly identified in case of deliveries for specific people. The Preh order number and delivery note number as a minimum should also be shown on the delivery notes in clear text and as a barcode.

Deliveries with incomplete documents or labels can be rejected at the supplier's expense or Preh may claim additional expenses.

The following accompanying documents are generally expected and should be handed over at the goods inwards department:

- delivery note in accordance with DIN 4991 and the EDI shipping list in accordance with VDA 4912
- In a customs shipment the invoice and the customs document T1 is mandatory • Freight order

The driver receives an electronic signature on the terminal of the freight forwarder or a signature and stamp on the freight order as acknowledgement of receipt of the delivery documentation. However, the goods are only accepted under reserve.

## 8.7 Miscellaneous

The detailed specification about label, its barcode and sector-specific information can be found in the latest version of the Preh Packaging Guideline.

## 9. Customs Formalities, Origin of Goods, Declaration on Export Restrictions

### 9.1 Export Controls

The supplier gives the buyer an undertaking that he will comply with all German and any applicable European and US export control regulations.

In addition, the supplier undertakes to automatically provide information on his quotations and invoices at the respective positions concerning any exports subject to approval under German, European and US law. This information includes, in particular, the export list number of the German Annex AL to the German Foreign Trade Regulations as well as the corresponding Export Control Classification Number (ECCN) according to the US Export Administration Regulations (EAR) in the case of US goods. The supplier hereby indemnifies the buyer within their internal relationship against any damages that the buyer incurs due to his noncompliance with the aforementioned obligations.

## 9.2 Security of the International Supply Chain

The supplier declares that he is a certified authorised economic trader and verifies this by indicating his AEO certification number.

If the supplier is not an authorised economic trader he undertakes to guarantee to meet the requirements outlined in the safety declaration in his company on an ongoing basis and forward the safety declaration to the buyer immediately, duly signed and legally binding. If the supplier is not in a position to meet the requirements outlined in the safety declaration, he undertakes to immediately inform the buyer of this in writing.

## 9.3 Customs Planning

- a) Customs clearance of the export is the duty of the supplier. The supplier is responsible for the correct preparation of customs documents according to the current legal status in each case as well as for the proper customer planning (tariff classification) for the goods being imported into the recipient country. All paperwork and documents required for the crossborder shipments (especially preference certificates) must be produced at the supplier's costs and made available to Preh. The supplier is charged for any costs and consequential losses as a result of missing or incorrect customs documents and / or customs planning (e.g. duties with incorrect preference certificates). At the request of Preh, the supplier undertakes to provide a detailed certificate of origin for the delivered parts according to the current import regulations.
- b) The supplier undertakes to list the export classification for each position on all delivery notes and invoices. These include (upon request) labelling in accordance with European/German and American export law (yes/no), declaration of the European/German export list number (AL) and declaration of the American Export Control Classification Number (ECCN) in so far as the goods concerned are subject to American export law. The statistical commodity code and the country of origin according to commercial law should be documented on every delivery note and invoice.
- c) The following should be taken into account in the context of duties and taxes:
  - All duties (export and import duty) in accordance with the customs regulations of the export and also the import country as long as these are payable by the supplier in accordance with the agreed delivery conditions. All costs and charges relating to the customs formalities as long as these are payable by the supplier in accordance with the agreed delivery conditions. These include the customs agent's handling costs, amongst other things.
  - All taxes in accordance with the tax legislation of the export and the import country that are not refundable as long as these are payable by the supplier in accordance with the agreed delivery conditions.
  - Information on duties, taxes and other charges imposed by various countries are issued by the fiscal and customs authorities, your customs agent or the Chambers of Industry and Commerce at your production location. Please take the current statutory regulations into account for your logistics cost calculation.
- d) If questions or problems arise relating to customs issues, the supplier undertakes to clarify these with Preh prior to the delivery or collection of the goods.

## **10. Logistics Quality**

### **10.1 Emergency Situations / Emergency Concept**

The supplier's management team undertakes to prepare emergency plans in the event of disruptions, such as technical defects, capacity shortages or quality problems, and introduce corrective and preventive measures in such a way that the problems cannot have a lasting impact on the operations at Preh. The supplier must initially report the disruption to Preh immediately in writing.

The emergency plan always includes the actions and deadlines to resolve the problem. The emergency concepts devised by the supplier must be agreed with Preh.

Preh also expects its suppliers to initiate actions to guarantee supply during the abovementioned exceptional circumstances. To do this, the supplier must hold safety stocks if necessary or demonstrate a flexible production model. The alternative/strategy selected must be disclosed at any time should Preh request it.

The supplier undertakes to immediately inform the relevant employee/Material Planner at Preh in writing of any potential supply shortages and unforeseen transport incidents and to introduce a practical proposal to solve the supply problem.

Should it emerge that the agreed actions are inadequate, Preh reserves the right to demand the provision of additional safety stocks.

Should a delivery to Preh be at threat as a result of an incident that was not caused by Preh (e.g. truck accident, production stoppage, damage or similar), the supplier must immediately arrange a delivery from the safety stock held on his premises.

If damage to the parts is only established once they are on Preh's premises, the supplier must also be in a position to re-deliver immediately from the safety stock held on his premises if the production at Preh cannot otherwise be safely maintained.

### **10.2 Logistics Failure**

The non-compliance with the agreed provisions constitutes a failure and is documented in a test report by Preh.

Preh immediately sends the test report to the supplier for his comment. The supplier must give his comment no later than the following working day. Preh can also indicate on the test report that a 3-D or 8-D report is required. In this case, the supplier must immediately start processing the report and supply Preh with the 3-D report within 3 working days and the 8-D report within 10 working days.

### **10.3 Transport Damage**

Preh immediately informs the supplier and carrier in the event of transport damage. The damage is documented on the consignment note and in corresponding photos.

Preh has its own transport insurance and waives insurance protection of the goods during transportation (Waiver/Customer exempted from transport insurance).

## 11. Amendments / Additions

Additional logistics agreements can be made in writing as required.

The current version of the Logistics Guidelines can be viewed at any time on the portal and is updated by changes.

| version | description / changes  | date       | name     |
|---------|--|------------|----------|
| 01      | Creation of version 01   | 2013       | M. Lucht |
| 02      | Modified for global logistics guideline<br>Additions at point 6 Packaging and<br>Transport Safety.<br>Additions for point 8.1 Label (Odette for<br>non-European suppliers) | 01.05.2015 | M. Lucht |
| 03      | Adapted to international convention and<br>Preh-specific requirements<br>Adding chapter 6.3 returnable<br>packaging  | 18.06.2020 | M. Lucht |
| 04      | Extention of shelf-life date requirement<br>with barcode   | 28.06.2023 | L. Sun   |

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