

Global logistics directive

Voith Turbo



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Abbreviations

EDI	Electronic data interchange
EDIFACT	Electronic data interchange for administration, commerce and transport
GGVSE	Dangerous Goods Regulation on the Transport on Road and Rail
HGB	German Commercial Code
StVO	Road Traffic Act
StVZO	Road Traffic Licensing Act
TRGS	Technical Rules on Hazard Substances
UStG	Value Added Tax Act
VDA	Automotive industry association
VDI	Association of german engineers
VDMA	Association of german machinery and equipment constructors
VN	Factory standard
VT	Voith Turbo
WebEDI	Web interface for electronic data interchange

1 Objectives and structure

Inspiring Technology for Generations – the goal to which J. M. Voith SE & Co. KG has committed itself.

Not only Voith with its diverse markets and industry solutions has been growing fast in the last years, but also the whole

concept of globalization. Processes have to become faster, simpler and be clear structured. Therefore it is necessary, both for Voith Turbo (VT) and its suppliers, to perform efficiently in global markets.

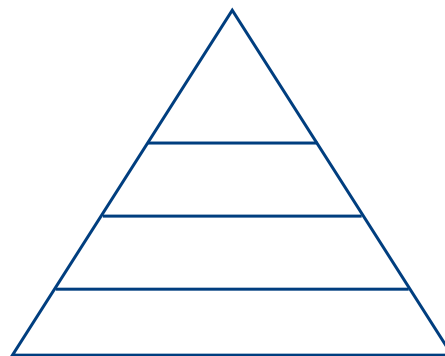
The global logistics directive including Germany-wide valid logistics requirements of VT should serve this purpose. The structure of this directive follows the general logistics process and explains further relevant topics afterwards.

2 Scope

The global logistics directive contains standard supplier information valid for all Voith Turbo plants in Germany. All general agreements and directives can be found in our supplier ecosystem which includes e.g. general purchasing conditions. Plant-specific information must be inquired from the respective Voith Turbo plant.

These directives form the basis for potential individual logistics agreements.

Global logistics directive



Supplier agreements

Plant-specific directive

Global logistics directive

General directives

Please be aware that as a supplier you are obligated to handle in accordance with the regulations stated in this agreement.

3 Logistics process

The global logistics directive mostly follows the structure of the general process flow (see respective figure) divided into plan, order, confirm, deliver, receive, invoice and return.

These areas along with their directives are discussed separately in the following. Voith Turbo is named as customer henceforth.

General logistics process



3.1 Plan

Plan



Description

Planning describes the forward-looking organization of an activity and results in plans for each organizational unit. Often planning also includes controlling of these plans. Planning is the starting point of the procurement process and the first interface between supplier and customer.

Commitment

As a part of periodical negotiations or individual assessments both, supplier and customer, should be prepared to exchange their planning decisions, values and parameters. Depending on the project volume, the supplier must dispose an appropriate project management, which includes the required steps during production and process development.

3.2 Order

Plan



Description

The order process results in a sales or purchase order. There exist plenty of procedures and methods explaining how to order. Significant aspects are the determination of an agreement period, quantity allocations and deadlines.

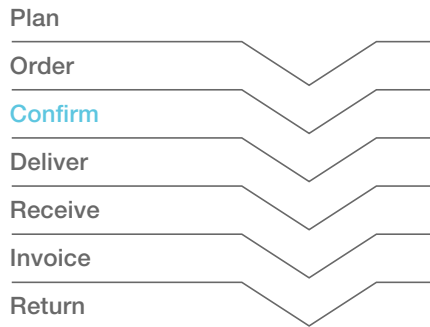
Commitment

The order can take place through different methods and ways, dependent upon demand and material (see respective table).

Order processes and ways

Type	Short explanation	Usage
Individual order	Binding individual one-off purchase of clear defined quantities and deadlines	Material with low frequency and low consistency in demand behavior
Delivery plan	Temporary restricted quantity agreement with periodically defined flexible quantity allocations	Material with high frequency and low consistency in demand behavior
Framework order	Temporary restricted quantity agreement without defined delivery allocations	Kanban deliveries, vendor managed inventories
Special handling	Differing ordering procedures from above e.g. reorder point based ordering	Specific solutions

3.3 Confirm



Description

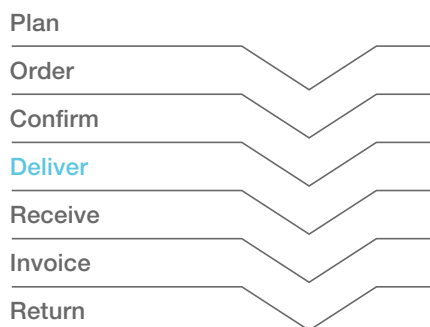
The confirmation is a response from the supplier ensuring the acceptance of the order. After checking the material availability, quantities and dates are assured to the customer. In consequence, the order becomes fully effective.

Commitment

The supplier is obligated to accept the order within a period of 2 weeks through sending an order confirmation.

Generally, there is also a duty to confirm in case of deviations from contractually guaranteed quantities and/or deadlines.

3.4 Deliver



Description

The delivery describes the planning and execution of transport from the point of dispatch to the defined delivery destination. It includes the organization of a damage-free transport, both, for the goods and the environment.

Commitment

The delivery must be made according to the following directives (see section 3.4.1 - 3.4.4) on the committed date and at the agreed destination. Delivery points and times are different for all plants and have to be inquired by the supplier. The customer informs the supplier immediately about suspensions and postponed delivery dates of orders caused by his customers.

3.4.1 Packaging

Description

Packaging is a cover to protect a good and the environment from damage. There are two kinds of packaging – primary and secondary packaging.

- The primary packaging is the last packaging for end-customer use.
- The secondary packaging is used for combining several pre-packaged goods.

Commitment

The supplier is responsible for the packaging. The type of packaging has to be reconciled with the relevant Voith departments until initial sampling of the material. Packaging and transport methods must ensure that all parts will be delivered without damage, impurity, change and under avoidance of any quality risks, directly and on schedule to the workbenches and assembly lines of

the customer. The packaging must guarantee the fulfillment of required component cleanliness according to VN3221.

The material specific packaging data sheets are to be taken from the respective plants, who are gladly available for any inquiries.

3.4.2 Hazardous substances and goods

Description

Hazardous substances and goods may in consequence of their nature (e.g. toxic), features (e.g. acids) or condition (e.g. melted) endanger public safety or order, especially the community, important common goods, the life and health of people as well as animals and objects while being transported.

- Hazardous substances are defined in the Chemicals Act and in the Ordinance on Hazardous Substances. These include explosive, highly flammable, oxidizing, toxic, caustic, irritant, carcinogenic, sensitizing, environmentally dangerous, teratogenic or mutagenic substances.
- Hazardous goods are substances, which can endanger people and environment while being transported. These include explosive substances, flammable liquid, solid and self-igniting substances, gases, self-decomposing or oxidizing substances, toxic, radioactive, caustic and contagious substances as well as organic peroxides.

Commitment

For materials classified as hazardous substances and/or hazardous goods regulations stated in the Laws on Hazardous Substances and Goods apply. The customer may agree on additional regulations with the supplier. The supplier is obligated to inform the customer before dispatching any hazardous material and to gather a sufficient warning and written notification for each material to be dispatched.

Packaging / Transport

Hazardous substances must be packed upright in an approved container. Frost-sensitive hazardous substances must be protected from frost damages with an appropriate packaging. During transport, frost-sensitive hazardous substances cannot be confronted with any outside influences like weather conditions.

Labelling

Labelling must be done in accordance with the Law on Hazardous Substances.

Safety data sheet

According to the TRGS220 the supplier has to send safety data sheets for haz-

ardous substances to Voith Turbo before the first delivery and after any change in the substance. The safety data sheet is to be send via email to the responsible operative purchaser on customer side.

Loading safety

To further protect goods also a sufficient and appropriate loading safety on the transport vehicle is necessary. This is regulated in the Road Traffic Act (StVO), the Road Traffic Licensing Act (StVZO) and the Dangerous Goods Regulation on the Transport on Road and Rail (GGVSE) and is explicitly demanded by the customer.

According to the §22 StVO and §412 HGB all persons participating directly or indirectly in the loading process (truck driver, shipper, sender, carrier) are responsible for a proper loading safety. Apart from law regulations the VDI-directive 2700 with recommendations for traffic and reliable handling of loading on road vehicles is to be met. For sea transports notes of VDA-recommendation 4525 have to be considered.



3.4.3 Transportation and delivery

Description

The delivery to the customer on the requested delivery date has to be made through a transport.

Commitment

Dependent upon weight and dimensions of a shipment the suppliers are obligated to notify the transport provider or parcel service chosen by the customer.

According to the agreed Incoterm suppliers may be allowed to deliver on their own. This information is to be deducted from the respective order. The notification about shipment collection must

be sent early. The delivery date at the customer corresponds to the confirmed delivery date. The runtime table of a transport provider must be taken into consideration. Partial deliveries and resulting additional costs for the customer will not be accepted without previous agreement and written approval from customer.

3.4.5 Empties pool

Description

At some plants, there is a possibility of providing the supplier with returnable load carriers free of charge from the empties pool.

Commitment

If the customer provides packaging material, expediency must be proved, and the usage and volume in circulation has to be defined.

Reference to individual empties pools:

- Crailsheim:
 - Empties-Pool
 - Request for empties
- Heidenheim:
 - Request for empties

Regarding other plants, suppliers should ask directly if necessary.

The customer reserves the right for charging incidental repair costs plus a handling fee for defect load carriers.



3.5 Receive

Plan

Order

Confirm

Deliver

Receive

Invoice

Return

Description

The process of receiving goods including the initial test (e.g. material quantity differences, packaging damages) takes place with unloading at the plant-specific receiving point and date/time.

Commitment

For the receipt of the incoming goods, the customer must be provided with a delivery note documenting the whole shipment. Without delivery note no shipment will be accepted. The validity of given data must be ensured.

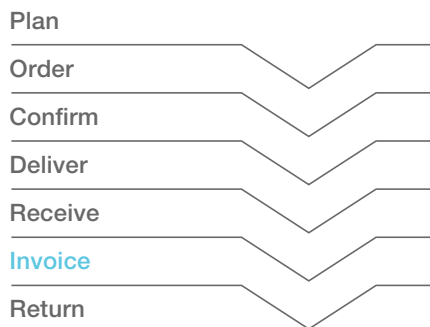
Following information must be stated in the delivery note:

- Consignor
- Delivery address
- Delivery note number with barcode (code 128), if possible
- Order number with barcode (code 128), if possible
- Material number
- Material name
- Quantity
- Gross- and net weight per delivery position
- Unloading point (if known)

Each non-conform shipment must be notified to the customer for approval. In case of huge differences goods may not be accepted (e.g. violation of safety regulations) and the supplier will be charged for additional and return transports.



3.6 Invoice



Description

With the invoicing the supplier is paid by customer in accordance with agreed conditions.

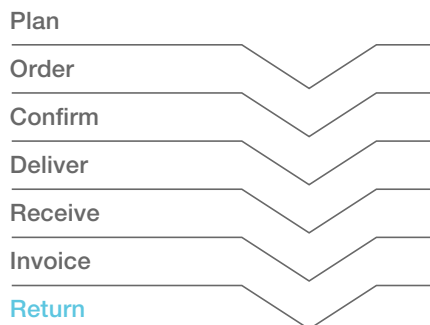
Commitment

The invoicing usually takes place through creating a supplier invoice after receiving. However, there may be other material-specific processes which must be previously agreed, like the usage of credit

note. In this case the customer issues credit notes to the supplier for received materials over a certain period. Especially when using consignment and Kanban the credit note procedure is applied.

Invoices have to be issued according to § 14 UStG. The Voith Turbo order number has to be noted.

3.7 Return



Description

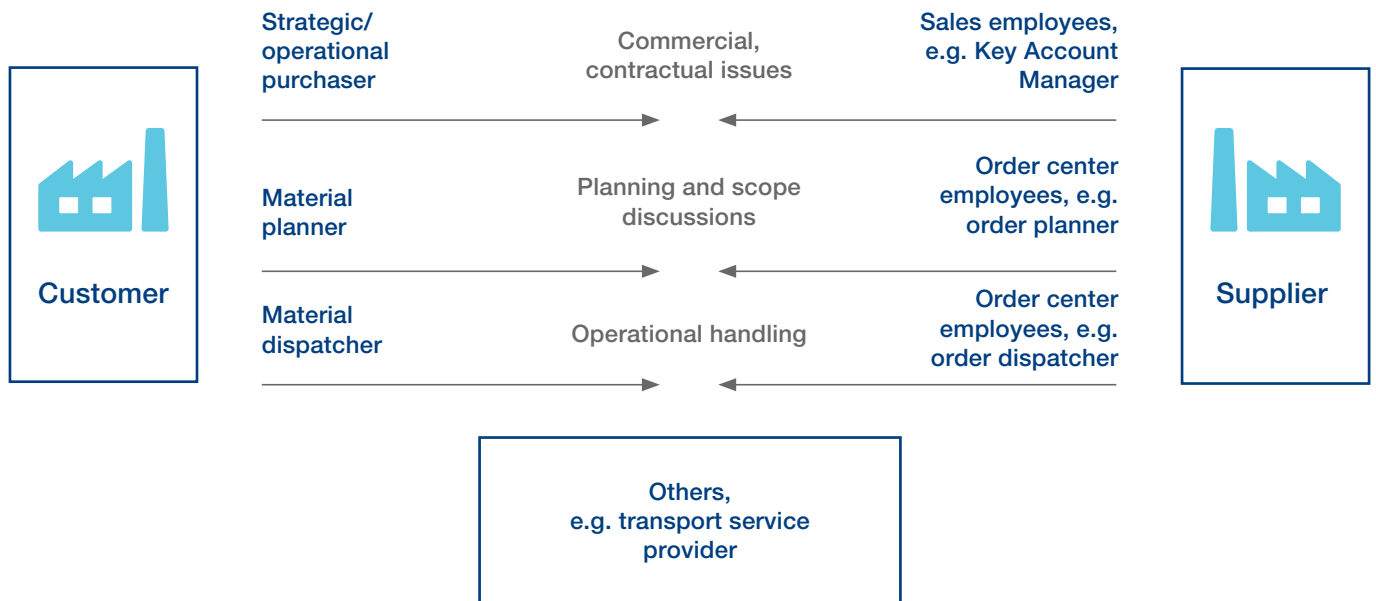
Returns are goods sent back from the customer to the supplier for some legitimate reason. Legitimate reasons are, e.g., quantity differences above agreed allowance; quality defects, incorrect delivery or respective commission agreements. In consequence, the previous delivery is made undone.

Commitment

Returns are ordered and handled in the same way as deliveries. However, the customer notifies the supplier in each case. Costs for a legitimate return, potentially for a necessary replacement delivery and the handling of the return itself, are to be paid by the supplier. If the damage has been revealed during the quality check and is caused by damaged packaging, wrong handling and/or usage of inappropriate or damaged load carriers, the supplier will be charged retroactively.

4 Communication

Communication processes



To ensure a smooth communication between both parties during dispatch and logistics handling, this section describes the roles and responsibilities as well as communication objects and methods in detail.

Following roles (see the figure regarding the communication methods and the table regarding roles and responsibilities) are to be named by suppliers and customers (including substitutes) within dispatch and logistics handling.

Roles and responsibilities

Role	Responsibility
Strategic / operational purchaser	Main contact for commercial issues on customer-side, depending on value limits
Material planner	Definition of requirements across locations towards material supply in regard to quantity and delivery date at the location or also for certain material groups
Material dispatcher	Handling day to day procurement and dispatching tasks. Detailed date and quantity control and medium-term demand management
Sales employees, e.g. Key Account Manager	Main contact for commercial issues on supplier-side
Order center employees, e.g. order dispatcher	Handling day to day order processing and dispatching tasks
e.g. transport service provider	Performing the shipping activity after the order has been placed by the customer / supplier

With respect to the cooperation one should continuously work on the improvement of the information flow and, where possible, implement electronic transfer methods like EDI, supplier portals (Web EDI) or similar (see the table on information exchange). If possible, current standards at both supplier and customer side are met or market standards will be used (e.g. VDA, VDMA directives).

In the course of individual development, the customer is allowed to formulate new or changed requirements regarding communication objectives and methods. Possibly arising IT costs at supplier or customer side will be appropriately shared between the parties, as far as possible on a 'user pays' basis.

Information exchange

What	from	to	Preferred means	EDIFACT Format
Order	Customer	Supplier	SAP-printout: 1. EDI 2. WEB-EDI 3. Email 4. Post	ORDERS
Delivery plan	Customer	Supplier	1. Email 2. Post	-
Delivery schedule line	Customer	Supplier	1. EDI 2. Email	DELFOR
Order confirmation	Supplier	Customer	1. EDI 2. Web-EDI 3. Email	ORDERS
Shipping notice	Supplier	Customer	1. EDI 2. Email	DESADV

5 Deviation from agreed directives

The course of action in case of a deviation from agreed directives is defined in the General Purchasing Conditions of J. M. Voith SE & Co. KG.

In general, agreements made with the supplier apply (cf. purchase conditions). Each non-conform shipment must be accepted by the customer in advance.

Not accepted deviations will be complained by a logistics notice of defects which also impacts the supplier valuation.

6 Used norms and directives

Being a large engineering company, Voith Turbo is tied to many norms and directives which apply for the suppliers as well. Additional plant-specific directives have to be inquired directly at the respective plant or gathered oneself.

Used directives in this document

- § 14 UStG
- § 22 StVO
- § 412 HGB
- Chemicals Act
- Code 128
- Hazardous Goods Law
- Law on Hazardous Substances
- Ordinance on Hazardous Substances
- GGVSE
- STVZO
- TRGS220
- VDA-Suggestion 4525
- VDI-Directive 2700
- VN3221

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