	<b>Logistics Guideline Appendix II to Vendor Manual</b>	Issuing date: 03.2019
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# Logistics Guideline

for Suppliers of  
production materials  
of



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12500 San Pedro, Ste. 300, San Antonio, TX 78216, USA

**herein referred as 'aeA'**

## Changes overview

Revision status	Description	Name	Department	Date
0.1	First issue	Matu	Logistics	03.2019

## List of Abbreviations

ASN	Advance Shipping Notice
EDI	Electronic Data Interchange
EERP	Technical receipt confirmation for electronically transferred data (End-to-end Response)
ERP	Enterprise Resource Planning
FIFO	First In First Out
FMEA	Failure Mode and Effects Analysis
MRP	Material Requirement Planning
OTIF	On time in Full
SCM	Supply Chain Management
TCO	Total Cost of Ownership
VDA	Association of the automotive industry
AIAG	American Industry Action Group

## Definitions

Working day	Monday to Friday
In writing	Letter or text form (email or fax)

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### 1. Preamble

This document defines fundamental logistical requirements with regard to the suppliers, so that - based on a common SCM-strategy - trouble-free processes throughout the entire supply chain can be ensured, costs can be minimized and the supply relationship between the chain members can be improved. Individual requirements are not considered in this document.

### 2. Scope of application and contract structure

These provisions apply for the entire business relationship between the Supplier and aeA. They complement aeA's General Terms of Purchase in the respectively valid version and shall take precedence over these in the event of contradiction.

With submission of a quotation the Supplier commits himself to complying with the logistics requirements described in this document.

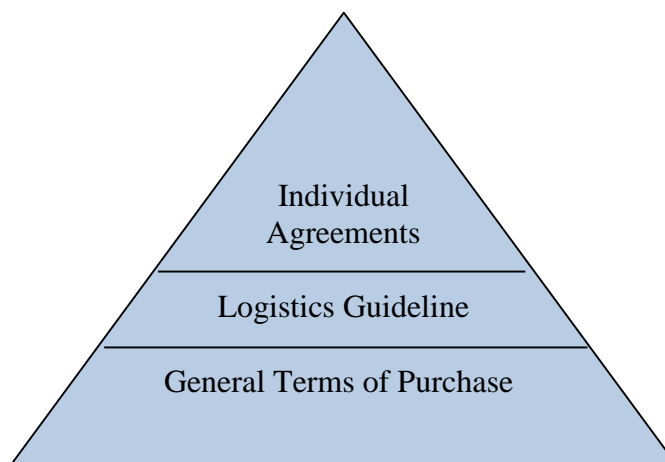


Figure 1: aeA contract structure

### 3. Communication

A trouble-free and preferably automated data exchange is a basic requirement for process efficiency in the entire supply chain. aeA applies EDI procedures in order to simplify the daily operations and shape efficient processes.

Information is sent and received via EDI (delivery schedules, advanced shipping notice, etc.)

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aeA requires the implementation of the following standards:

Exchanged data	VDA recommendation
Delivery schedule	4905
Advance shipping notice	4913

An EERP is mandatory for every exchanged message.

The Supplier will appoint a competent contact person as well as back-up personnel for customer service and EDI connection. The Supplier shall notify the change of a contact person and will provide aeA with the new contact details without delay.

The communication language is English.

#### **4. Planning and scheduling**

##### **4.1 Delivery schedule**

The Supplier will receive on a regular basis from the aeA-Material Procurement Department an updated delivery schedule for each part number, which contains information about the required quantities for a period of up to one (1) year. Each new delivery schedule replaces the respective preceding one.

The ordered quantities consider the agreed packing unit size. If no minimum order value/quantity is agreed, one (1) packing unit will be considered as the minimum order quantity.

##### **4.2 Delivery deadlines**

On time and in full deliveries are of essential importance for aeA and its customers. Therefore the absolute compliance with the agreed delivery deadlines and quantities is expected.

An order confirmation is not mandatory. aeA assumes that the Supplier checks promptly the received delivery schedules regarding the feasibility of providing the required quantities and meeting the deadlines. All aeA delivery schedules will be considered as accepted by the Supplier, if the Supplier does not object in writing and under indication of reasons within two (2) working days upon receipt of the delivery schedule.

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With the objection the Supplier has to indicate the next possible delivery date which becomes binding with aeA's agreement.

In the absence of a receipt confirmation, the EDI-dispatch report or the fax-dispatch report will serve as evidence for sending or alternatively receiving the delivery schedule.

aeA reserves the right to define a day-specific delivery date in addition to the transmitted weekly demand in order to insure a constant workload and efficient handling of each delivery. The Supplier is obliged to deliver in the timeframe agreed with aeA, otherwise the Supplier will be in default even without a reminder.

In absence of individual agreements, the replenishment time of the Supplier is maximum four (4) weeks for each part.

**4.3 Over-delivery**

Over-delivery is given when the delivered quantity exceeds the ordered quantity or when the right quantity has been delivered prior to the agreed delivery date.

Over-deliveries and/or partial deliveries are only allowed with explicit prior consent of aeA. The Supplier shall comply with the agreed quantities per packing unit.

aeA reserves the right to return over-deliveries at the cost of the Supplier.

**4.4 Capacity Planning**

aeA provides on request of the Supplier at the end of each year a non-binding forecast for the following calendar year.

In conformity with the forecast and planned delivery schedule of aeA the Supplier is committed to maintaining a corresponding production capacity and to monitor it for the short-, middle- and long term. The Supplier commits himself to provide information about his production capacities on request.

In case of threatening capacity bottlenecks, the Supplier will inform aeA-Material Procurement Department immediately and will implement all necessary measures in order to avoid delivery bottlenecks and production line stoppages by aeA and its clients. aeA reserves the right to perform an on-site check of the production and delivery capacity of the Supplier.

**4.5 Flexibility**

Through adequate resource planning (personnel, production facilities, raw material, etc.), the Supplier shall warrant a reliable supply of aeA materials which also takes into account demand fluctuations and balances these out.

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#### **4.6 Emergency management**

The Supplier shall conduct a risk assessment for all the processes of its supply chain. Derived from that assessment the Supplier shall define suitable emergency strategies. The Supplier shall send aeA the results of the risk assessment and the emergency plans on request.

aeA recommends the FMEA methodology. In case of incidents, aeA is authorized to conduct process audits at the Supplier's locations.

The Supplier shall immediately inform in writing his contact partner at aeA-Material Procurement Department if - despite implemented measures - the agreements and/or commitments towards aeA cannot be met; the causes and estimated duration of the incident shall be specified. This does not release the Supplier from its delivery obligation.

#### **4.7 Minimum requirements on the planning system of the Supplier**

aeA expects that the Supplier has an efficient ERP system in place which meets the following requirements:

- System-supported receipt of delivery schedules
- System-supported production planning and controlling
- Prompt forwarding of the raw material demands resulted from the MRP to the sub-suppliers
- Status monitoring for delivery schedules sent to the sub-suppliers
- Availability check for due shipments
- System-supported transfer of delivery data

### **5. Packaging, labeling and shipment**

#### **5.1 Packaging**

The Supplier shall comply with the packaging instructions agreed upon with aeA – Submission of packing proposal may be required. In lack of such an agreement, the Supplier shall implement a procedure which excludes improper handling, damage, excess of the storage capacity or other quality impairments during storage and transport.

Special packaging requirements of aeA shall be taken into account.

With the quote submission the Supplier will send a recommendation for packaging (cardboard box, box, palette, cover, strapping tape, etc.), packaging quantities and packaging units.

The packaging recommended by the Supplier will be presented in the course of initial sampling and need to be approved by aeA. aeA will especially evaluate the suitability for its own logistics processes, including filling level of each package.

The Supplier is obliged to test the suitability of the packaging material for secure transport.

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The acceptance of the packaging by aeA does not release the Supplier from his responsibility concerning the suitability of the packaging recommended by him and its proper use.

When selecting the packaging material the Supplier shall take the following items into consideration:

- wood packaging material has to comply to ISPM15 standards,
- packaging material has to be suitable for 3-layer stacking and has to allow a utilization of at least 80% of the truck capacity

For exceptions, reasons must be given and each exemption needs the prior approval from aeA.

## 5.2 Labeling

Ongoing parts labeling and traceability must be ensured by the Supplier over the entire process chain.

Each packaging unit shall be labeled for identification purposes with a label according to AIAG B3 label, the supplier has the option to present any label for approval (bar-code compatible). Each label must include the aeA part number. The quality of the label shall be chosen in such way that despite environmental influences and transport strain the label can be read and scanned at the place of delivery.

In the case also inner packaging units shall be labeled with the aeA-part number, the contained quantity and batch number or production date (FIFO date), both in writing as well as in barcode format.

The deliveries / packages shall be delivered separated to each unloading point according to aeA's demands; the number of the unloading point will be indicated on each pallet label.

Packaging of different articles in one package is not allowed. The label for each handling unit shall be fixed directly on each package.

## 5.3 Shipment

In order to ensure an on-time and trouble-free delivery the Supplier and aeA will agree upon definite notification and pick-up times as well as transport cycles.

- **Chemicals:**
  - Supplier must in writing, before shipment, inform aeA of any chemical to be included in the shipment and any special condition, including but not limited to TSCA (Toxic Substance Control Act) SDS (Safety Data Sheet) special handling instructions, UN number, special personal protection required, handling, storing, and must receive a confirmation from aeA acknowledging this information



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- **Textiles:**
  - Supplier must inform if his product is or has any textile.
- **Conflict Minerals Law:**
  - Supplier must make all necessary investigations and provide evidence that is in full compliance with the Conflict Minerals Law in the US
- **Country of origin Certificate:**
  - Supplier must provide a Certificate of Origin and if applies, a NAFTA Certificate of Origin at the moment the quote is submitted, any deviation from this certificate must be notified in writing before any shipment is done.
- **Marking of Origin:**
  - All boxes and if possible all material must follow the USA marking of origin regulations, with at least printed in the box "MADE IN ..."

The transport will be conducted generally by a forwarding company set by aeA (for FCA Incoterms, detailed information within the routing order) or in particular cases by a forwarding company contracted by the Supplier (for CPT / CIP / DAT / DAP / DDP according to Incoterms).

The following regulations apply for FCA deliveries:

The Supplier has to notify of the delivery until 12:00 pm one day before the pick-up date in conformity with the instructions of the routing order. The notification of the delivery shall be done on the web-portal of the forwarder or by using the delivery notification form provided by aeA. The shipment number shall be indicated on the delivery notification form in order to ensure the traceability. Any exceptions need prior approval of aeA.

The delivery frequency for FCA shipments is generally once a week.

The Supplier is responsible for the proper and complete loading of each delivery and securing of the cargo. The Supplier shall allow the forwarder (driver) correspondingly to the agreed Incoterm to be present during loading. If additionally agreed the Supplier shall seal the transport vehicle / container in compliance with applicable regulations.

#### **5.4 Special transports**

Special transports are carried out in close coordination between the Supplier and aeA, in order to avoid impending, usually cost-intensive disruptions of the production processes at aeA and its customers. In case of extreme urgency aeA is allowed to decide on its own upon a special transport provided that the Supplier was at least informed about the situation and had the opportunity of giving a statement.

If the Supplier is responsible for the cause that led to the special transport the Supplier shall bear the cost of the special transport and as the case may be any additional expenses that are

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due to the special transport.

Special transports on the expense of aeA need prior written approval of the aeA-Material Procurement Department.

## 5.5 Delivery documents and invoicing information

- **For raw materials:**
  - Ship-to address is:
    - autoelectric of America, Inc. – BRAVO Warehouse
    - 3524 Highway 57 North
    - Eagle Pass, Tex. 78852
    - 210.568.5764 ext. 2934 or 2404
  - Paperwork:
    - Country of Origin
    - Packing list
  - Bill-to address is:
    - autoelectric of America, Inc.
    - 12500 San Pedro Ave. Suite 300
    - San Antonio, Texas 78216
    - [accounting@autoelectric.com](mailto:accounting@autoelectric.com)
  - Invoices:
    - PO reference
    - aeA part number reference
    - Unit price
    - Quantity shipped
    - Invoice date

Invoices that lack this information are not correct and may be rejected by aeA.

In case of credit note procedure the payment of the goods delivered in conformity to the contractual terms will be carried out within the agreed payment deadlines, whereas the term of payment starts with the date of the good receipt.

In case of invoices the payment of the goods delivered in conformity to the contractual terms will be carried out within the agreed payment deadlines, whereas the term of payment starts with receipt of an invoice that shall be verifiable and comply to above described customer specifications.

The payment of the goods shall not be interpreted as an acknowledgment of a duly accepted delivery.

Each delivery must be accompanied by a delivery note in accordance to DIN 4991 / DIN 4994 or VDA 4912 requirements. The delivery notes shall be visibly displayed on the exterior side of

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the pallets and marked with a red tape.

The following information needs to be issued in every invoice and delivery note as well as in the EDI ASN:

- aeA part number and aeA order number
- aeA packaging number
- document number
- weight (delivery note)
- unloading point

## 6. Goods receipt

When taking over the delivery aeA cross-checks only the number of delivered pallets / colliers with the information on the (CMR) bill of loading and registers obvious transport damages.

Detailed information regarding the incoming goods control procedure is set out in the Quality Guideline.

## 7. Supply with spare parts

For aeA the delivery of spare parts has for aeA the same significance with regard to their price, quality and delivery performance as the delivery of parts for serial production. The Supplier ensures that he will be able to deliver aeA with spare parts for a period of 15 years from the last serial delivery.

The scrapping of the part-specific production equipment may only take place after written agreement from aeA, regardless of the ownership structure.

## 8. Supplier facilities

Every change of a production or delivery location requires the prior approval of aeA. Plans about a location change must be provided to aeA at least six (6) months in advance.

On aeA's request detailed relocation plans need to be provided.

## 9. Supplier evaluation

aeA regularly carries out a comprehensive supplier evaluation.

aeA monitors each delivery with regard to the logistics performance, particularly the conformity with the EDI-regulations, packaging and labeling regulations, as well as the adherence to the delivery schedules. Deviations will be documented and taken into account within the annual supplier evaluation.

On request the supplier will receive information regarding the current performance evaluation. In case of consistent or repetitive performance problems over a period of time or low scoring

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results on supplier evaluations, the supplier will be requested by aeA to implement measures for improving the delivery performance. These measures shall be presented to aeA and shall be implemented by the supplier in a timely manner.

**10. Process deviations**

In case of deviations from the logistics procedure the supplier can request a deviation permit for substantiated exceptions from the aeA-Material Procurement Department. The concrete deviations, corrective measures and time period shall be indicated in a binding manner.

Costs that are due to deviations from the agreed logistics process and are the responsibility of the supplier, will be charged to the supplier.

**11. Sustainability of the logistics processes**

The supplier bears the responsibility for the design, implementation and operative execution of the logistical processes of its sub-suppliers. This implies in particular the integration of all systems and processes of the sub-supplier in its own logistics processes. The information flow, particularly delivery schedules and forecast data run from aeA through supplier down to the sub-supplier.

aeA reserves the right to audit and evaluate the supplier’s logistics system, including the specifications of this Logistics Guideline. The objective is to support a continuous improvement of the logistics quality, delivery performance, flexibility and collaboration with the supplier. The supplier commits himself to an active cooperation. In this regard, it must be possible to establish the sustainability of the defined logistics processes.

**12. Fulfilment / breach of duties**

The supplier shall inform aeA in writing and without delay about incidents, circumstances or changes which may have a negative impact on the delivery performance, such as but not limited to damage of production tools, quality setbacks, capacity bottlenecks, delivery performance problems at sub- suppliers, force majeure.

In case of impending noncompliance with the delivery commitment the supplier shall take at his own expense all suitable measures which are suitable in order to meet aeA’s product demand (three shifts, weekend shifts, contracting temporary staff, special transports / airfreight). A corresponding plan of measures shall be provided to aeA-Material Procurement Department.

In case that the supplier fails to meet a delivery deadline he will instantly be in default even without a written notice from aeA. A written notification of default from aeA-Material Procurement Department with regard to the outstanding deliveries may be carried out additionally and does not have any postponing effect. The supplier shall respond to a written default notification within one (1) working day.

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Barring any other agreements the delivery of delayed goods / quantities at the ordering plant shall take place within three (3) working days after the occurrence of the default. Even if aeA sets additional deadlines for the delivery of delayed goods the supplier is still liable for damages that are due to the default as of the first (1) day of the default (=day 1 after the original delivery deadline).

If aeA receives nonconforming goods the supplier shall promptly agree with the aeA-Material Procurement Department on a binding delivery date for the replacement delivery of conforming goods. The supplier is liable for the cost of the measures aeA has to take in order to avoid a production line stop until the replacement delivery reaches the production site of aeA, as further outlined in Section 3.6 of the aeA Vendor Manual.

The supplier has the possibility to decide about the further use of the faulty goods: Return delivery or scrapping by aeA, both alternatives at the expense and risk of the supplier. In case of the return delivery alternative the supplier has to pick up the goods within two (2) working days at the consignee address after receiving a notification from aeA. The supplier shall provide aeA with the relevant pick-up information so that the faulty goods can be prepared for return delivery.

If despite a corresponding request the supplier does not make a statement regarding the further handling of the nonconforming goods or if the nonconforming goods are not picked up in due time aeA will organize the return delivery in the name and at the expense of the supplier.

Further details regarding the complaints procedure are specified in the Quality Guideline and Vendor Manual.

**13. Logistics Cost**

aeA uses the TCO-Principle to record the total cost of material procurement. For this purpose the supplier shall submit at aeA´s request a detailed calculation of the logistics cost for each unloading point and part number. The following costs have to be calculated:

- Packaging costs:** Cost for transport-packaging (load carrier) between the last value-added step at the supplier and the agreed transfer point at aeA.
- Freight cost:** Cost for transport between the last value-added step and the agreed transfer point at aeA, including additional charges (road toll)

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Following documents shall be submitted with the logistics cost calculation:

- detailed description of the packaging concept,
- plausible derivation of the packaging- and transport costs,
- other logistics costs (e.g. customs, handling) shall be explained in detail and substantiated

The TCO-calculation model will be completed by aeA with the following costs:

- handling costs
- inventory costs (warehousing + capital lockup + amortization)
- costs of complaints
- costs due to delivery problems (noncompliance with the Logistics requirements)