

LOGISTIC REQUIREMENTS FOR SUPPLIERS

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1. INTRODUCTION

Within the last years the competition in national and international markets has become even more intense.

Therefore our products and services have become more complex and the individuality of our customers increased. In order to deal with these challenges, we need our suppliers as competent and reliable partners.

We expect our suppliers to familiarize themselves with our global procedure (GP). It was created to ensure for both, the supplier and Vibracoustic (VC), that projects are handled smoothly, punctually and without logistical disruptions.

This global logistics procedure was defined by VC as a minimum standard. All suppliers are expected to meet the requirements and take suitable actions to guarantee security of supply on a permanent basis.

VC reserves the right to assess the logistical processes of the suppliers, to validate them and to define actions for improvements where necessary.

Due to changing boundary conditions it might be necessary to update the GP from time to time. The supplier is obliged to check regularly if his version of the GP is up-to-date.

3	31.0.2017	various	complete revision (all changes in the text in blue and complete chapter 5.3.5)
2	29.04.2016	6, 7, 14, 18	5.2.1 delivery release indicators 5.2.3 delivery time windows appendix taken out, reference to separate document
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2. PURPOSE

This GP describes requirements regarding the procurement of production material in relation to the logistical requirements for all of the VC plants. With this GP we want to ensure, that suppliers structure their logistical processes in such a way, that they make all of their products available

- in the quantity specified in the delivery requests from VC,
- at the time specified in the delivery requests from VC,
- in the place specified in the delivery requests from VC,
- according to the agreed packaging specification
- according to all requirements regarding labeling, shipping documents, ASN, etc.

3. SCOPE

This GP shall apply to all procurement processes for production material and merchandise for all of the VC companies including partner production and shall supplement the provisions of the respective sales contracts and terms of purchasing. Deviations from this VC GP must be agreed with VC logistics in writing.

4. TERMS / DEFINITIONS / ABBREVIATIONS

ASN	Advanced Shipping Note
CIP	Continuous Improvement Procedure
EDI	Electronic Data Interchange
FMEA	Failure Mode and Effect Analysis
GP	Global Procedure
IHK	Industrie- und Handelskammer (chamber of commerce and industry)
LP	Local Procedure
OPI	Operational Process Instruction
SOP	Start of Production
VC	Vibracoustic
WIP	Work in Process

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5. PROCESS / METHOD / PROCEDURE

5.1 Organization

5.1.1 Principles

These global logistics requirements constitute the basis for the handling of the logistics processes between VC, its subsidiaries and its suppliers.

5.1.2 Initiation of continuous improvement processes (CIP)

The supplier has to implement a process of continuous improvement within Logistics. Responsible persons must be defined, employees trained, the CIP/Kaizen idea implemented, results reported regularly and visualized transparently.

This shall enable the supplier to correspond to changing logistical requirements of VC.

5.1.3 Emergency concepts for Logistics

The supplier has to inform VC about his organization, the contact data (e-mail, phone, mobile) and communicate changes immediately. It has to be clear who within the supplier's organization has the authority to make decisions and to release special actions (e.g. special transport operations) in emergency situations.

In order to ensure continuous supply according to VC's requirements, the supplier has to create emergency concepts, communicate them to VC **before SOP** and update them permanently. **These concepts should address labor work stoppages, power outages, failures of electronical data processing etc.. Especially for the facility and equipment used to produce the goods for VC an emergency concept has to exist.**

In case of emergency the supplier has the responsibility to create a detailed action plan in order to inform VC about the measures, responsible, timing etc. to solve the problems. The action plan needs to be agreed between VC logistics and the supplier. It has to be followed up by the supplier. Any disturbances against the plan have to be communicated to the VC logistics contact immediately.

If possible, the Failure Mode and Effect Analysis (FMEA) method has to be used.

In the case of force majeure/ acts of god VC has to be informed immediately and an action plan has to be presented as soon as possible in order to minimize the impact on the supplies to VC.

5.1.4 Availability of contacts

In order to assure efficient communication, the supplier has to define a key contact person for VC Logistics, that must have the necessary expertise to handle each issue regarding products and orders. The communication language has to correspond to the location of the individual VC plant or has to be English.

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The **key** contact person from the supplier has to be **reachable** during VC's working hours. For the period outside of these working hours, appropriate emergency contacts must be installed and VC has to be informed about them. The supplier is expected to be reachable at any time (Mon - Sun / 0 - 24 hrs.). An adequate substitution must be arranged in case the **key** contact is not available.

The complete contact list (name of contact, substitute and superior) has to be communicated to VC Logistics before SOP and must be updated permanently.

5.1.5 Technical communication

The supplier must ensure that a failure of data processing/ loss of data does not lead to production and delivery problems.

All suppliers of VC are expected to send ASN and to receive the delivery schedules of VC via EDI. In order to ensure optimum logistical handling between the supplier and VC, the supplier must always satisfy the minimum technical requirements, which will be defined in the EDI guidelines.

Please refer to OPI-01-7.4-0047 "Global EDI Implementation Guideline DELFOR D04A" and OPI-01-7.4-0048 "Global EDI Implementation Guideline DESADV D07A" on the VC website.

The systematic connection of the supplier systems must be performed by the supplier. Any costs at the supplier's side to exchange data with VC via EDI must be borne by the supplier.

For suppliers, that are not EDI-enabled, **it is mandatory** to use the defined WebEDI platform. Out of that the supplier has to create delivery notes, labels, transport documents and advanced shipping notes (ASN) and process the delivery schedules of VC. The prerequisite of this shall be registration on the supplier platform. The supplier will be charged for this connection.

5.2 Processing customer (VC) demand

5.2.1 Delivery schedule releases

The delivery schedules can be updated several times each week. VC's philosophy is to inform the supplier about any customer demand changes immediately in order to check the feasibility.

The delivery schedules contain specific information regarding part numbers, delivery quantities and dates.

The delivery dates are reflecting the planned receiving dates at the VC plants within the warehouse opening hours, if nothing else is agreed. The information about goods reception opening hours must be obtained from the respective VC plant.

For technical reasons the delivery schedule lines within the release are marked as "firm" or "forecast". Please note that notwithstanding this categorization the indicator "firm" does **not** mean, that the relevant order days and/or quantities are fixed (in the sense of a frozen period). Subject to any specific rules on order changes and/or order cancellation that may govern the specific supplier – VC relationship, VC is free to change any dates and/or quantities irrespective of such marking.

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5.2.2 Processing delivery schedule releases

VC transmits standardized delivery schedules to the suppliers. The supplier must ensure that:

- the receipt of data is guaranteed permanently,
- the delivery schedules are received and processed on the transmission date of VC,
- missing and incomplete data transmissions are recognized and reported to VC,
- all of the transmitted data fields can be processed.

The release of VC is valid until it is replaced by a new one. This means all open quantities remain valid until they are shipped to VC, changed or canceled by VC.

The supplier has to consider the cumulated quantity received by VC and the goods in transit to determine which quantities and delivery dates are open. In case of any doubts the supplier should contact VC logistics of the receiving plant.

The received delivery schedule [release](#) must be checked (best case: with an automated processing system) for their integrity, particularly with regard to quantities, dates and master data (unloading points, carriers, carrier capacities). Contradictions must be clarified with VC within 24 hours after transmission of the delivery schedule by VC.

The specified volumes and dates must be observed without fail, regardless of supplier plant shut downs, official national or church holidays or any country- or state-specific limitations. Every expected supply bottleneck, that can have consequences for dates or quantities, must be notified immediately to VC logistics within 24 hours after transmission of the specific delivery schedule. If the supplier does not refuse the delivery schedule in writing within 24 hours after the transmission, the delivery schedule is considered to be accepted.

Demands for changes or negotiation about price adjustments shall not relieve the supplier from his duty to deliver and shall not constitute a right to refuse delivery schedules or existing supply contracts.

The supplier must ensure delivery of the parts even if no approved packaging is available. In this case, after discussing the matter with VC logistics, the agreed alternative packaging must be used.

5.2.3 Evaluation of the supplier delivery performance

The supplier must deliver the goods according to the delivery schedules of VC.

- The supplier is responsible for the delivery of the goods in the correct quantity and on time depending on the agreed Incoterms.
- The delivery date and the delivery quantity must be based on the delivery schedule of VC.
- The goods receipt times at the respective VC site must be observed and followed depending on the agreed Incoterms.
- Delivery time windows (certain time slots on specific days, e.g. Monday 9.00 a.m. to 10 a.m.) have to be respected, based on the request of the different VC plants.
- Special deliveries or late deliveries must be coordinated with the responsible logistics contact.
- Every delivery will be part of the evaluation of the delivery performance of the supplier.

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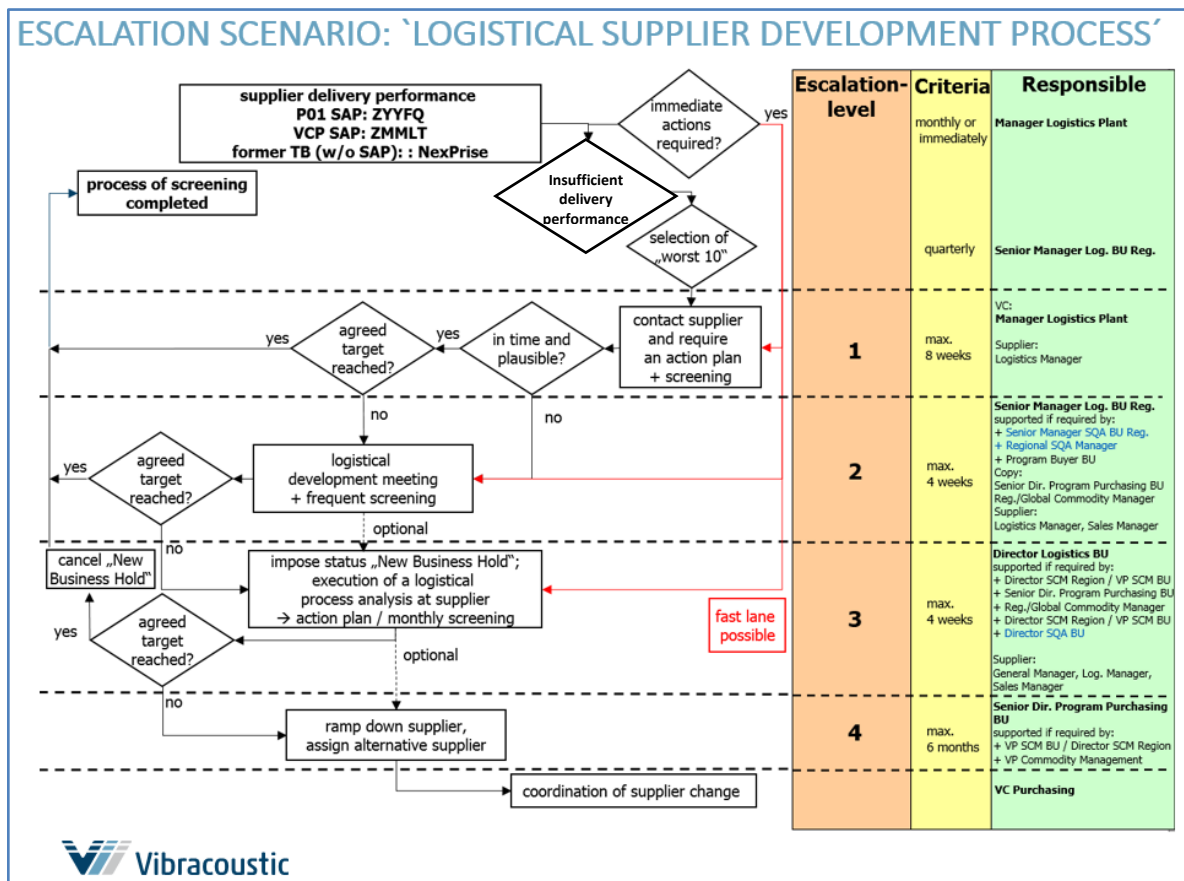
Due to the different ERP- systems used in VC, please refer to the plant logistics manager for detailed information about the calculation of the supplier delivery performance.

5.2.4 Delivery Reliability

Any changes regarding delivery dates and quantities have to be released by VC Logistics.

In case of a poor delivery reliability of the supplier, actions have to be taken to improve the delivery performance. The final agreed action plan between VC Logistics and the supplier has to be followed up by the supplier. Any disturbances against the plan have to be communicated to the VC Logistics contact immediately.

If delivery disturbances caused by the supplier lead to additional costs at VC or its customers, the supplier is responsible to take over these costs.



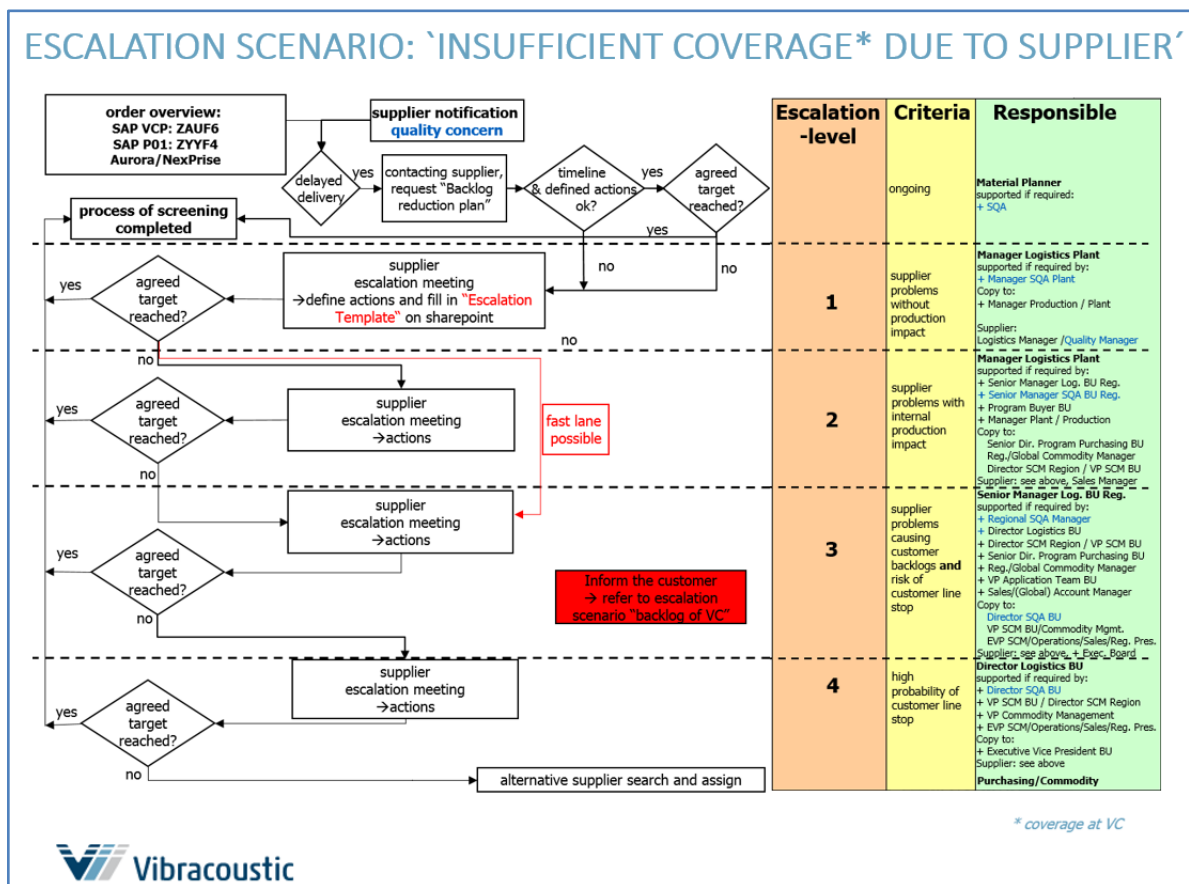
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5.2.5 Handling supply backlogs

In case of supply backlogs, due to capacity, quality issues etc., special actions must be taken to eliminate them as soon as possible. In parallel VC must be informed with a detailed action plan, planned delivery quantities and dates. The final agreed delivery plan between VC Logistics and the supplier has to be followed up by the supplier. Any disturbances against the plan have to be communicated to the VC logistics contact immediately.

If the supply dates and quantities of the valid VC delivery schedule are not fulfilled, the supplier shall be in default without any reminder being required and will be responsible for all related costs, which might occur.



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If a special transport is necessary, the following process has to be followed:

Process step	Action	Responsible
1	Agree with VC on the quantity and latest arrival date/time in written.	Supplier
2	Define the pallet quantity/size/weight, transport mode (air, truck or mixed) and assess the risk based on timeline, weather circumstances, circulation restrictions, strikes, delays at the border, customs clearance, etc.	Supplier
3	Agree with VC on the transport mode and timeline in written taking into consideration possible risks (see above).	Supplier + VC Plant Logistics
4	Define with the forwarder in written: - timeline (arrival date and time at VC) and - the requirement to send the status min. twice a day via SMS or e-mail to Supplier and VC Plant Logistics In case of unplanned delays, VC Plant Logistics has to be informed immediately	Supplier
5	Follow up continuously the special transport(s) until final and approved reception from VC.	Supplier
6	Assure the next deliveries to VC to get back to the normal supply situation with a backlog reduction plan, which has to be provided to and approved by VC Plant Logistics.	Supplier

5.2.6 Nonconformities with VC requirements

In case the requirements of VC are not fulfilled by the supplier, VC reserves the right to charge the supplier accordingly.

In case VC charges the supplier for logistical disruptions, he will receive in advance written notification of the reasons and if possible an estimation of the costs. If the supplier does not send a written objection within ten working days after receipt of the notification, the charging will be done. Objections sent within the allowed period will be checked by VC. In justified cases, the supplier will not be charged.

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The following list shows the failure codes, for which the supplier will be charged in case of non-conformities with VC requirements.

failure code	failure description
0001	goods not (correctly) labeled
0002	shipping documents incorrect/incomplete
0003	ASN missing, late or incorrect
0031	packaging is damaged
0032	packaging not according to agreed instruction
0033	use of plagiarism packaging
0034	wrong quantity in delivery note
0051	early delivery
0052	late delivery
0099	other services
0100	administration effort
0131	repair of packaging
0151	additional expenditure in production
0152	special transport

5.3 Production planning and manufacturing at the supplier

The supplier must follow the FIFO rules and guarantee a 100% traceability throughout his complete supply chain.

5.3.1 Notification of changes

The supplier must give written notification to VC of every change that affects Logistics, accompanied by a detailed schedule in sufficient time. This shall apply to the following changes in particular:

- site relocation (at least 24 weeks before the scheduled relocation date)
- change in IT system
- organizational changes
- material and design changes.

The obligation to notify the quality assurance department and the purchasing department at VC of e.g. site relocations shall not be affected by the above.

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5.3.2 Annually planned volume

A non-binding annual volume will be provided within the supply contract prior to the SOP.

5.3.3 Transparency in respect of capacity

The production planning department of the supplier must ensure that there is permanent transparency regarding the capacities of the overall production operations, the production lines and the individual products, taking all of the quantities ordered by VC into account.

The supplier has to provide before SOP the following data and update it immediately if necessary:

- the weekly capacity within 5 working days (15 shift model) and additional flexibility of 20% continuously available, if nothing else is defined in the contract or ramp-up plan
- the replenishment lead time for release changes exceeding the agreed capacity including the 20% flexibility

The agreed production capacity must be available for every VC part number and product family all over the product life-time.

For each production line, the capacity-critical operations (bottleneck) must be identified and secured with an emergency concept by the supplier, which has to be presented to VC on request.

If the required quantities within the delivery schedule exceed the agreed capacity, VC must be informed immediately. Actions have to be taken to assure the deliveries to VC. The final agreed action plan between VC Logistics and the supplier has to be followed up by the supplier. Any changes of the agreed action plan have to be communicated to the VC logistics contact immediately.

5.3.4 Security stock of finished goods

The security stock of finished goods must have a range of at least one week if not defined differently. An additional week of stocks has to be available in WIP and raw material in order to meet delivery schedule changes on a short term basis.

5.3.5 Inventory responsibility at subcontractors

In case a supplier works as subcontractor for VC and receives components from VC or directly from a third party on behalf of VC in order to perform any services, the subcontractor shall be responsible that the number of components received is the same as mentioned on the delivery documents (e.g. delivery note, label, invoice) issued by VC or the third party.

In case of any differences, VC has to be informed immediately. Otherwise the subcontractor will be liable for the resulting inventory deviations.

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5.4 Packaging, Transportation and Warehousing

5.4.1 Packaging

The regulations contained in the packaging guidelines must be followed. Please refer to the regional packaging guidelines on the VC website.

5.4.2 Advanced shipping notes (ASN)

The supplier has to transmit an advanced shipping note for each delivery and part number immediately after dispatch of the parts from his plant.

5.4.3 Goods labeling and shipping documents

All necessary transport documents, e.g. delivery notes and customs documents, have to be set up by the supplier at his own risk and expense and passed to the carrier or forwarder.

The specific requirements concerning all shipping documents and labels have to be agreed before the SOP (first delivery) with the VC plant to which the goods will be delivered.

It is VC's target to receive all goods with a Global Transport Label (GTL), corresponding to OPI-01-7.4-0020 "Global Transport Label (GTL) Implementation Guideline".

The change will be implemented plant by plant from end of 2015 on. VC will inform the supplier in advance granting a reasonable time period to apply the new labeling standard.

5.4.4 Delivery concepts and stock handling

The various forms of delivery and/or logistics concepts can cause additional logistics requirements. A distinction shall be made between traditional stock handling, KANBAN deliveries and delivery to consignment stock.

Traditional handling means, that the stock is handled through a VC warehouse.

Instead of pushing goods into the production, some VC plants started to use the pull principle. Therefore KANBAN deliveries were established with suppliers.

For detailed information please refer to the plant logistics manager of the VC plant you supply to.

Concerning deliveries to consignment stock, please refer to 5.5 "consignment guidelines".

Any additional agreements have to be made together with the corresponding logistics contact in written form.

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5.5 Consignment guidelines

5.5.1 General provisions and scope of consignment stock

VC aims a continuous optimization of all processes alongside the supply chain from the suppliers through VC's own production up to the client with the goal to achieve mutual advantages for all parties involved.

VC wants to give more responsibility for the supply process to the supplier. The supplier should have the opportunity to improve his own production processes in a self-dependent way. In addition to that material stocks at the supplier's location can be reduced and the supplier may use the new available storage area for new value-added processes.

The supply process standardization of VC with the objection to smoothen the material and information flows along the supply chain and to minimize both, coordination effort and complexity of interfaces to the suppliers, has a high priority at VC. By setting up a consignment stock between VC and the supplier mutual cost saving potentials shall be realized.

The supplier shall set up a consignment stock for the products ordered from the supplier by VC. Concerning agreements relating to the accompanying documents, terms of payment, order and terms of deliveries the General Framework Agreement shall apply, unless otherwise agreed by the parties in this consignment handling agreement.

The supplier shall store all parts he delivers to VC in this consignment stock as well as all parts purchased by VC from the supplier in the future unless otherwise agreed by the parties to this consignment handling agreement.

Concerning each of the goods to be delivered by the supplier the following additional agreements shall be made:

- Packaging unit according to the actual valid VC packaging guidelines.
- Contact person both at VC and the supplier.

5.5.2 Installation of consignment stock and stock management

VC provides the storage space required for the consignment stock and bears all costs related to installation and handling of the storage.

VC may assign handling and managing of the consignment stock to a third party provider. In case that VC assigns the consignment stock to such third party provider after commencement of the consignment handling agreement. VC shall inform the supplier before such assignment becomes valid and of any relocation of the goods stored.

The place of consignment stock may be located inside or outside of the VC plant independent of the fact whether the consignment stock is handled and managed by VC or by a third party provider.

The supplier shall inform VC about all details concerning the storage conditions of the goods in order to meet the quality and safety requirements. This should be considered while concluding the packaging agreement.

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Prior written announcement provided the supplier shall be entitled once a year to inspect the goods delivered and stored within the consignment stock and to control the condition and the correct storage of these goods as well as the correct management of the inventory of the consignment stock at the VC location within the normal local working hours of the consignment stock.

VC will make sure that all goods delivered to the consignment stock will be registered as supplier's property within the corresponding IT-system of VC or the third party provider or are defined in any other way as supplier's property. The stock management system shall ensure that the owner of a specific consignment good can be determined at any time. It is a general strategy of VC to withdraw goods from the consignment stock only at the time the production process requires such withdrawal.

In case of compulsory enforcement measures against VC or any other unauthorized access of a third party in relation to the goods delivered to the consignment stock, VC will reveal these consignment goods as the supplier's property, will protect them in adequate manner and inform the supplier at once.

The supplier may upon prior written request ask for a physical inventory once a year free of charge.

The supplier is entitled to inspect its stored goods at any time within VC's regular business hours or the regular opening hours of the consignment warehouse. A notice of at least two days in advance is required. Furthermore the supplier shall have the right to request that VC releases the goods stored in the consignment warehouse during regular business hours and grant the supplier access to the consignment warehouse so that the supplier may pick up its goods.

5.5.3 Delivery and inspection of delivered goods

The suppliers shall deliver the goods to the consignment warehouse in accordance with the Framework Agreement and/or the applicable delivery terms. The risk of accidental loss or damage shall pass from the supplier to VC at the time of withdrawal of the goods from the consignment warehouse. The supplier shall retain title to the goods delivered and stored into the consignment warehouse, the title shall pass to VC only with the removal from the warehouse by VC.

The supplier shall comply with all applicable VAT and other tax and financial laws and regulations and shall apply for a VAT registration if so required.

VC will inspect goods delivered to the consignment stock by

- identification by means of packing units
- examination whether the packaging and goods delivered show any obvious defects, especially defects caused by transport

In case a defect is identified by VC, VC will notify the supplier immediately in writing.

VC shall notify the supplier immediately in writing of any defects not recognized during the inspection of the delivered goods in accordance with the criteria mentioned above as soon as such defects have been discovered in accordance within the conditions of the usual course of business.

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5.5.4 Withdrawal

VC shall be entitled to withdraw goods from the consignment stock in order to sell such goods to VC's customers during the usual course of business or in order to process the goods and to pass the ownership relating to these goods to third parties during the usual course of business. VC determines the point in time of the particular withdrawal. The goods withdrawal shall basically follow the FIFO principle (First-in-first-out-principle).

VC shall keep a detailed log about the withdrawals, so the current stock, the withdrawals and the delivered goods can be identified. A notification of the withdrawals will be sent to the supplier minimum once a month. VC reports the time of withdrawal, the VC-material number and the quantity.

After VC has given the information about the withdrawals from the consignment stock which are relevant for the invoices, the invoicing is made as agreed in the General Framework Agreement and the supplier shall comply with the applicable sales/value added tax regulation. If requested by VC, the supplier shall agree to the Self-billing Procedure. In that case a Self-billing Agreement shall be signed between the parties.

5.5.5 Scope of storage, planning and scheduling

Scope of storage, planning and scheduling shall comply with this GP.

5.5.6 Insurance

VC shall insure the goods stored in the consignment stock against elementary risks such as damage, theft as well as to insure these goods against fire, stroke of lightning, explosion and thunder storms, or - as the case may be – have the goods insured by the third party provider. In case of occurrence of any such insured event, VC shall reimburse the supplier by the amount paid by the insurance to VC.

5.5.7 Cancellation of the consignment handling agreement

The parties shall be entitled to terminate the consignment agreement for cause (breach of contract) by giving a 6 month prior notice or upon mutual agreement.

The termination of the consignment handling agreement shall not affect the legal validity of the General Framework Agreement.

Upon completion of this consignment handling agreement the supplier is retrieving the consignment goods immediately from VC or from the third party provider.

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5.6 Certificates of preference and origin

It is mandatory for the supplier to provide preferential certificates and certificates of origin for the products delivered.

5.6.1 Proof of origin

5.6.1.1 *Deliveries from third countries*

To confirm the non-preferential origin of the supplies, the supplier has to provide either a Long-Term Declaration-IHK for the non-preferential origin (for a period of 12 month) or alternatively a certificate of origin (with each delivery).

5.6.1.2 *Domestic deliveries or deliveries within the European Union*

In regards to domestic deliveries, it is mandatory for the supplier to provide evidence of the non-preferential origin according to their national law.

In regards to deliveries within the European Union, the non- preferential origin has to be declared on the long-term supplier declaration (please see 5.6.2.2), only if the non-preferential origin is within the European Union.

If the supplies are not of preferential origin, but the non-preferential origin is within the European Union, the non-preferential origin has to be declared on a long term IHK-declaration.

If the non-preferential origin is not within the European Union, it is mandatory for the supplier to provide a certificate of origin with every delivery.

5.6.2 Proof of preferential origin

5.6.2.1 *Deliveries from third countries*

In regards to deliveries from third countries, with which the country of destination has concluded a preferential agreement, preferential certificates specified by each preferential agreement have to be provided with every delivery.

5.6.2.2 *Domestic deliveries or deliveries within the European Union*

In regards to domestic deliveries, it is mandatory for the supplier to provide evidence of the preferential origin to VC customs according to their national law.

In regards to deliveries within the European Union, it is mandatory for the supplier to provide an evidence of preferential origin relating to the consignment concerned in the terms of a long-term supplier declaration, according to VO (EU) [2015/2447](#).

The long-term supplier declaration including the attached product list, has to be completed, signed and returned to VC within 14 days of receiving the request.

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The long-term supplier declaration has to be provided unrequested to VC before the first delivery is executed.

If requested by VC, the supplier has to provide evidence of the preference by means of inquiry INF 4.

Without delay, VC must be informed in writing of any changes regarding the preferential and non-preferential origin.

It is mandatory for the supplier to declare the HS-code according to the Harmonized System.

The supplier has to contact the relevant customs department of VC with regards to any questions or instructions relating to customs duties or certificates of preferential and non-preferential origin.

5.7 Export controls

It is mandatory for the supplier to declare, if the goods are subject to the US export control regulations (EAR/ITAR) and to declare the ECCN/EAR99.

In regards to domestic deliveries or deliveries within the European Union, the supplier is mandatory to declare whether the goods will be subject to permission according to the relevant national export control regulations.

The supplier will be held liable for any damage attributed to non-compliance with the rules mentioned above.

The purpose of this procedure is to develop programs and implementation of systems to prevent our natural resources for exploitation and to control and minimize our environmental impact.

This procedure focuses on issues that have a potential to cause direct or indirect damage to the external environment or have a significant environmental impact, such as pollution, resource consumption, etc.

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6. APPENDIX / ENCLOSURES

No.	Type of Document	Title / Description	Enclosure
1	FO	Packaging Agreement	FO-01-7.4-0044
2	LP	Packaging Guideline Asia-Pacific	LP-55-7.4-0001
3	OPI	Packaging Guideline Europe	OPI-01-7.4-0058
4	OPI	Packaging Guideline North America	OPI-52-7.4-0013
5	OPI	Global Transport Label (GTL) Implementation Guideline	OPI-01-7.4-0020
6	OPI	Global EDI Implementation Guideline DELFOR D04A	OPI-01-7.4-0047
7	OPI	Global EDI Implementation Guideline DESADV D07A	OPI-01-7.4-0048

7. VALID SUPPORTING / REFERENCE DOCUMENTS

General Framework Agreement

8. DOCUMENTATION

VC will keep this procedure on file.

In case of a revision the latest edition will be kept for at least 3 years after revision.