

# Strategic Supply Chain Guideline



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## 1 Target

The aim of this logistics guideline is to place the logistical cooperation between Voith and the supplier on a formal basis. The following objectives are thereby pursued:

	Target	Via
1	Standardised Kommunikation	Long-term focus on EDI and Web-EDI connections.
2	Strategic selection of suitable delivery concepts	Consideration between Kanban, VMI / consignment and delivery plan / individual order.
3	Focus on standardised Incoterms	Focus on Incoterm FCA with exemption for DAP deliveries.
4	Standardization of SOTIF targets and quantity tolerances Central	SOTIF Target of 95% and quantity tolerances of 0% for over/under delivery.
5	Increasing process efficiency in logistics	Cross-partner process design, standards and guidelines (e.g. packaging).

## 2 Communication

As part of the cooperation, continuous work should be done to improve the exchange of information and, where possible, to switch to electronic transfer methods such as EDI, supplier portals (Web-EDI) or similar. If possible, existing standards are adhered to by suppliers and Voith or common market standards (e.g. VDA, VDMA guidelines) are used. The initial setup as part of the initial agreement is to be shared between Voith and the supplier on the expense side.

A separate EDI agreement is required for EDI procedures. This can be set up in coordination with the responsible buyer.

Voith is currently planning a Web-EDI solution for all suppliers who supply European Voith plants. The aim is to connect all suppliers to the Voith ERP system either via EDI or Web EDI. Information on setting up Web-EDI can be found in the supplier ecosystem (currently being processed: [Link](#) → Downloads Voith Turbo → Logistics).

For general obligations and definitions within the scope of communication, see "External Logistics Guideline for Suppliers", Chapter 4 (: [Link](#) → Downloads Voith Turbo → Agreements & Guidelines).

As part of its own further development, Voith reserves the right to make new or changed demands on the communication objects and methods. Any resulting IT costs on the part of suppliers and/or Voith will be billed according to the cause.

### 3 Taxes & Customs

The legal basis for taxes and customs duties apply to delivery schedules and individual orders. Special features arise for VMI / consignment and Kanban.

The delivery concept VMI / consignment requires a legal entity (supplier), free/foreign trade zone (Voith, forwarder), bonded warehouse (Voith, forwarder) or a fiscal agent (supplier). To define further details, a regional specific consignment contract must be used.

With regard to Kanban, no special features need to be taken into account unless there are two different tax regions (supplier & Voith).

### 4 Delivery concepts

Voith strives to keep supplies from its suppliers to a minimum. Therefore, the concepts of Kanban, consignment and vendor-managed inventory must be evaluated in advance for each supplier and, if necessary, introduced.

The following prioritization of the concepts results:

1. Kanban: preferred delivery concept, if possible.
2. Vendor-managed inventory/consignment: preferred concepts, depending on product groups.
3. Call-offs / Individual orders: relevant delivery concepts if (1) and (2) are not possible.

### 5 Incoterms

Incoterms describe standardized international delivery clauses between Voith Turbo and its suppliers: generally FCA is to be preferred as standardized Incoterm; Exceptions apply to overseas transport and dangerous goods. DAP is to be used here in each case.

Regulations that deviate from the standard must be justified (e.g. TCO calculation within Use Case).

Transport mode	Sourcing	Incoterm
Road freight	Individual order, Scheduling Agreements, Dropshipping	FCA
	Kanban / Consignment / VMI (Post-run)	
	Dangerous goods	DAP
Oversee	General	
Other	Kanban / Consignment / VMI (Main-run EU)	DDP
	Kanban / Consignment / VMI (Main-run non-EU)	

When selecting FCA forwarders, Voith must take the “Preferred Forwarder List” into account.

Exceptions to the standardized Incoterm are explicitly conceivable for suppliers from the countries of origin India (FOB) and road freight from East Asia/Asia (starting with Turkey).

## 6 Advance Shipping Notification

The Advance Shipping Notification (ASN) gives Voith an outlook on the specific delivery date and quantity at the time of loading at the supplier.

With the loading by the supplier, an Advance Shipping Notification (ASN) is transmitted electronically. The communication methods EDI or Web-EDI should be used for this. The ASN contains at least the reference to the order, the materials, the quantities and the notified delivery date at Voith.

## 7 Packaging

The preferred packaging for deliveries to Voith locations is returnable packaging. For overseas deliveries, disposable packaging is preferable in most cases.

Unless otherwise agreed, reusable packaging will be taken over by Voith up to a defined amount on agreed storage days in the supplier's warehouse. The account management and the monthly reconciliation of the reusable packaging is to be carried out by the supplier. Disposable packaging is procured and paid for by the supplier.

The packaging instructions of the individual Voith locations can be found on the supplier ecosystem ([Link](#) → Downloads Voith Turbo → Logistics).

Voith packaging regulations apply. These are recorded in corresponding guidelines for the company, the place of delivery or material-specific in a packaging data sheet. Packaging costs are to be shown separately on the supplier invoice in order to enable a transparent breakdown of the additional delivery costs.

Regardless of whether the packaging is transport, sales or secondary packaging, the supplier must comply with the obligations under the German Packaging Act. At the request of the customer, the supplier must take back packaging free of charge after use and reuse it or recycle it. The place of return of the packaging, if a return is requested by the customer, is the customer's factory gate. (see Voith General Terms and Conditions, Chapter 7).

## 8 Delivery quality

The delivery quality regulates the guidelines for quantity tolerances, deadline tolerances and SOTIF regulations for deliveries to Voith plants. The following standards apply:

Quantity tolerances	<ul style="list-style-type: none"> <li>▪ Overdelivery: 0% of ordered quantity</li> <li>▪ Underdelivery: 0% of ordered quantity</li> </ul>
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Date tolerances	<ul style="list-style-type: none"> <li>▪ Delivery before appointment: 0 days</li> <li>▪ Delivery after appointment: 0 days</li> </ul>
SOTIF (Supplied On Time In Full)	<ul style="list-style-type: none"> <li>▪ SOTIF Target: 95 %</li> </ul>

## SOTIF-Measurement

Compliance with the defined regulations is a prerequisite for a smooth logistical process. Nevertheless, deviations can occur. The evaluation is based on SOTIF entries.

Examples of SOTIF evaluation:

- Poor adherence to delivery dates and deadlines measured by “Supplied On Time in Full (SOTIF)”
- Order confirmations from the supplier that deviate from the agreed quantity and date agreements
- Falling short of the agreed guaranteed absolute coverage/capacities within the framework of delivery schedules or similar agreements

In the event of a delay in delivery/service, the General Purchasing Conditions of Voith must be taken into account. The evaluation takes place in a periodic cycle and will be reflected in the general supplier evaluation. Voith will regularly evaluate the supplier's performance and discuss the result with the supplier.

KPI	Definition	Calculation	Target
SOTIF	Measurement of quantities <u>and</u> time deviation per confirmed delivery: - 0 error points: delivery on time and with the required quantity - 1 error point: Delivery is unpunctual with missing quantity - 0.5 error points: delivery on time with missing quantity - 0.5 error points: Delivery arrives late and in the required quantity.	$\frac{[\text{Error Points Deliveries}] * 100}{[\text{Number of Deliveries}]}$ Punctual delivery taking into account the agreed tolerances.  Missing quantities taking into account the agreed tolerances.	95%

The agreements of this chapter represent target values which, depending on the situation on the procurement market, should be achieved in the medium to long term.

## 9 Return deliveries

Return deliveries are deliveries from Voith to the supplier where the previously delivered materials are returned for legitimate reasons. Legitimate reasons may include: excess quantity above the agreed tolerance, quality defects, wrong delivery or corresponding commission

agreements. The legal consequence of this return delivery is that no delivery has taken place on the part of the supplier.

The costs for the justified return delivery, any necessary replacement delivery and the processing itself are to be borne by the supplier. For a necessary replacement delivery, the date and quantity must be confirmed to Voith.

## 10 Invoicing

This section regulates the settlement of freight costs and special freight. The following regulations apply:

Freight cost invoicing	The invoicing takes place according to the agreed conditions after the planned goods receipt at Voith. If the supplier pays for all or part of the transport, the resulting freight costs must always be shown separately on the invoice in order to enable a transparent breakdown of the ancillary purchase costs.
Expedited delivery	If special freight is necessary in the event of a delay in delivery and additional costs are incurred as a result, these are to be borne by the responsible contract partner.
Credit note procedure	If possible, the credit note procedure between Voith and the supplier is to be preferred.

## 11 Escalation management

Escalation Management involves delivery and supply difficulties.

If the supply cannot be 100% guaranteed by the supplier in accordance with the delivery call-off/individual order, the supplier must report the possible risk of shortages immediately.

General and principles:

- Escalations do not necessarily imply that the supplier is at fault, but generally serve to avert impending damage.
- Commercial negotiations/discussions must not lead to a delay in delivery.
- Even if the supplier reports supply difficulties, this does not per se release him from the delivery obligation and delivery reliability. Deviating delivery dates can (but do not have to) be checked manually on the Voith side and adjusted if possible. This is considered goodwill and cannot be demanded by the supplier unless the delivery call-off was objected to in good time or the individual order was confirmed differently. This means that even after notification of supply difficulties, the supplier must take all necessary and possible measures to keep the damage and the deviation as small as possible.
- The supplier must ensure that supply difficulties are communicated appropriately. In general, delay issues should be clarified at operational level. If the following criteria are met, Voith Strategic Purchasing must be involved.

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- Clarification (to prevent line standstills or runtime damage on the part of Voith) not possible at the operational level: if no clarification can be made because there is no contact at the operational level or even after an attempt at clarification it is clear that financial damage to Voith cannot be prevented
  - Supply difficulties without a solution horizon: If a supplier identifies a supply problem for which he cannot name a solution date, strategic purchasing must generally be involved.

## Requirements:

- Voith will announce an escalation in writing. The respective escalation level is specified. If an escalation is announced, Voith will communicate both the cause and the objective to the supplier.
- The requirements for an escalation are defined in the escalation matrix (see below) for each level. If a specific requirement is met, an escalation can begin at an advanced level (1, 2 or 3).

## Consequences and delimitation:

- If caused by the supplier, all costs incurred directly due to the delay in delivery will be charged back to the supplier (e.g. production downtime, extra trips)
- Further possible consequences are defined in the escalation matrix (see 9.d).
- The consequences named in the escalation matrix can be applied on a case-by-case basis.
- Time limit (maximum duration per escalation level)
  - Escalation level 1: Max. 4 weeks
  - Stage 2: Max. 6 months
  - Stage 3: Max. 6 months
- ➔ If the criticality (impending production stoppage, impending financial damage in the short-term) requires it, Voith can set shorter periods.
- ➔ If the maximum duration of an escalation level is reached without the goals communicated by Voith (see escalation letter) being reached, the escalation automatically moves to the next level.

## Escalation matrix:

Escalation - Liefertermin nicht konform / Lieferperformance n.i.O.				
ESL	Eskalationsstufe	Eskalationsstufe	Eskalationsstufe	Eskalationsstufe
	[0] = Tagesgeschäft	[1]	[2]	[3]
Voraussetzungen	<ul style="list-style-type: none"> <li>- Tagesgeschäft</li> <li>- Angezeigte Lieferschwierigkeiten</li> <li>- Lieferrückstand</li> <li>- Bedarfserhöhung</li> <li>- Auftragsbestätigung weicht vom Wunschtermin ab</li> </ul>	<ul style="list-style-type: none"> <li>- Keine Auflösung der Probleme auf operativer Ebene möglich</li> <li>- Akuter Produktionsstopp</li> </ul>	<ul style="list-style-type: none"> <li>- Keine Auflösung der Probleme in den vorherigen Eskalationsstufen</li> <li>- Performanceschwierigkeiten (Soft)</li> <li>- Anhaltender, zusätzlicher Arbeitsaufwand seitens Voith durch Performanceschwierigkeiten (Calls, Expediting, Sonderfahrten, Tracking u.a.)</li> <li>- Drohender Produktionsstopp oder Auftragsverzug</li> <li>- Nicht genehmigte Verlagerungen</li> <li>- Liefer- / Produktionsstopp seitens Lieferant</li> </ul>	<ul style="list-style-type: none"> <li>- Keine Auflösung der Probleme in den vorherigen Eskalationsstufen</li> <li>- Kommerzielle Probleme (die versorgungskritisch sind)</li> <li>- Gesetzliche Änderungen (z.B. Werkstoffverbote)</li> <li>- Insolvenz seitens Lieferant</li> <li>- Abkündigung</li> </ul>
Verantwortlicher / Rolle Lieferant	Operativer Ansprechpartner für Tagesgeschäft	Vorgesetzter oder Teamleiter / Key Account Manager / Vertrieb	KAM / Vertrieb (/ Management)	Vertrieb / Management (KAM)
Erwarteter Output	<ul style="list-style-type: none"> <li>- Umgehendes Klärungsgespräch</li> <li>- Eigenständiges Ergreifen aller möglichen Maßnahmen zur Lösung der Störung</li> <li>- Analyse der Situation (was ist passiert (Probleursache), wie ist der aktuelle Stand, was wurde bisher getan, wie sieht ein mögliches Lösungsszenario aus)</li> </ul>	<ul style="list-style-type: none"> <li>- Detaillierte Ursachenanalyse</li> <li>- Erstellung Maßnahmenkatalog mit Verantwortlichkeiten und Zeitschiene</li> <li>- Lessons Learned und Optimierung für zukünftige Vermeidung</li> </ul>	<ul style="list-style-type: none"> <li>- Ursachenanalyse</li> <li>- ggf. neue Erstellung Maßnahmenkatalog</li> <li>- Einhaltung / Aktualisierung Maßnahmenkatalog mit Verantwortlichkeiten und Zeitschiene</li> <li>- Lessons Learned und Optimierung für zukünftige Vermeidung</li> <li>- Erkenntnisse aus der Umsetzung bisheriger Maßnahmen</li> <li>- Persönliches Eskalationsgespräch / Regeltermin</li> <li>- Kurzfristige, mittelfristige &amp; langfristige Ausrichtung / Optimierung besprechen</li> <li>- Priorisierung der Voith-Aufträge gegenüber anderen Kunden</li> <li>- Priorisierung der Voith-Aufträge (innerhalb der bestehenden Aufträge) gem. Rücksprache mit Voith</li> </ul>	<ul style="list-style-type: none"> <li>- Projekthafte Lieferantenertüchtigung / Verbesserung:</li> <li>oProjektteam / Taskforce seitens Lieferant definieren</li> <li>oProjektplan erstellen</li> <li>oMeilensteine und Zeitschiene definieren</li> </ul>
Konsequenzen / mögliche Maßnahmen seitens Voith	---	Offizielle Eskalation -> Wird angekündigt seitens Voith	<ul style="list-style-type: none"> <li>- Expediting bis zu 1xWoche</li> <li>- Regeltermine (online oder Vor-Ort)</li> <li>- Kostentrückbelastung für alle Eskalationsaufwendungen (Zeitaufwand für Termine, Reisekosten, Sonderfahrten)</li> <li>- Strafe für Lieferantenverursachten Produktionsstopp bei Voith: 50.000 EUR / Schicht</li> </ul>	<ul style="list-style-type: none"> <li>- Expediting bis zu 4 Arbeitstagen / Woche</li> <li>- Proaktives Bauteilsourcing / Evaluierung alternativer Lieferanten seitens Voith</li> <li>- New Business hold</li> <li>- Beistellung Berater auf Kosten des Lieferanten</li> <li>- Phase out</li> </ul>