

Logistics Agreement

Version 2



Introduction

The present recommendation offers operational guidelines for logistics exchanges between parties, in the attempt to clarify traditional rules, to avoid misunderstandings and conflicts, to clear up expectations, responsibilities and commitments. The document is divided into two sections:

- a description of the general exchange process , covering all contractual high level data, and general issues, with no frequent changes,
- Annex(es) which may vary as times goes by, which imply a formal exchange of information between the Parties but not to re-sign the Agreement.

The objective of such a structure is to avoid a re-validation procedure of the Protocol between the Parties each time secondary data changes.

Management of the Agreement falls under the responsibility of each Party's quality system; archiving and updating procedures shall be fixed by each Party.

Because the Logistics Protocol deals with Parties' responsibilities, it should be considered as an Annex to the existing sales contract.

Depending on the operational mode, another Party, e.g.:, warehouse, carrier, internal Department etc.), may be associated with this agreement.

This recommendation;

- applies to:
 - current production, original equipment, spare parts and accessories,
 - non-current production;

 - does not apply to:
 - prototypes,
 - pilot build,
 - initial samples
- for which specific procedures have been defined separately.

The body of this Agreement contains recommendations *in italics* or check-lists of advisable data to be adapted, depending on each case.

This Agreement may be supplemented with operational documents which detail some of the working conditions in the following domains:

- transport,
- delivery,
- reception,
- etc.

LOGISTICS AGREEMENT n°

BETWEEN

· **SUPPLIER: (*the Company*) / site of**

Head office address:

Site address:

· **CUSTOMER: (*the Company*) / site of**

Head office address:

Site address:

· **OTHER PARTY**

Designation:

Address:

CHANGE N°	DATE	MODIFICATION	
Supplier		Customer:	Other:
Name:		Name:	Name:
Function:		Function:	Function:
Signature:		Signature:	Signature:
Date:		Date:	Date:
Name:		Name:	Name:
Function:		Function:	Function:
Signature:		Signature:	Signature:
Date:		Date:	Date:

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A - Foreword

Article A1 – Scope and field of application

The scope of this document, hereafter designated 'the Agreement', is an Annex to the contractual relations which may exist between the Parties. It is designed to define the conditions applicable to logistics operations between these Parties.

The present "Agreement"

- applies to:
 - current production, original equipment, spare parts and accessories,
 - non-current production;

- does not apply to:
 - prototypes,
 - pilot build,
 - initial samples

Unless explicitly mentioned, the present "Agreement" does not give dispensation to the contractual conditions already existing between the Parties. The parties shall define which contract comes into operation if deviations or inconsistencies arise.

Article A2 - Definitions

The words hereafter in block letters are defined as follows:

- **Allocation of returnable packaging:** quantity of packaging within a supplying loop;
- **Capacity:** quantity of a product or family of products which the Supplier is able to supply over a given period (day or week);
- **Date of availability:** date at which the products are made available at an agreed place.
- **Delivery time:** period of time between a request and its fulfilment (*the Parties will define the unit of time*);
- **EDI:** Electronic Data Interchange;
- **E-Form:** Pre-designed Electronic Form for use with electronic data over the Internet by a Party;
- **End of Life:** final production end date of a Customer's product;
- **End of Current Production:** stop made by the Customer, to the assembly of a part in a production run;
- **Original Equipment :** product used on the customer's production line;
- **Horizon:** valid period for requests, firm/provisional;
- **Incoterms:** terms which give the sales conditions for International business (International Commercial TERMS 2000);
- **Out of Current Production** status of a product manufactured or delivered after the **End of Current Production**;
- **Pre-production:** period of time which precedes the series production of a product;
- **Current Production:** product manufactured in series;
- **Reset information:** data which allow a Supplier and a Receiver to re-synchronise the requirements.
- **Dormant stocks:** products which have been mentioned in a delivery forecast by the Customer, but without the relevant calls-off, and which remain in stock regardless of their location in the supply chain (advanced stock, consigned stock, ...)
- **Spare parts:** component manufactured to replace original equipment;

Article A3 - Effect, modification, severability of terms

Article A3.1 – Effect

The present "Agreement" is valid from the signature date of the last Party, unless otherwise specified.

Article A3.2 – Modification

Modifications or amendments to this Agreement shall be agreed in writing and enter into force upon signature by both Parties. This also applies to any discontinuation of the written form requirement

Article A3.3 - Severability of the terms

The present "Agreement" may be terminated by one of the Parties, with written pre-notice of a period to be agreed by the parties . The termination shall be sent by registered mail with acknowledgement of receipt, stating the reasons for this severance.

Article A4 - Management of the "Agreement"

The Parties define the maintenance mode and the medium of the "Agreement" in the Annex:

e.g.:

- *paper,*
- *from one of the parties' Extranet.*

B – Working conditions

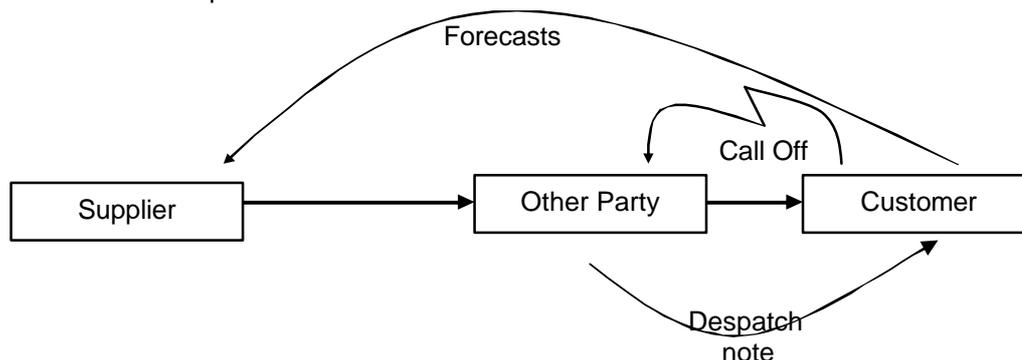
Article B0 - Synopsis of the process

The parties agree to the following procurement process: (e. g. JIS, Kanban, Consignment stock, vendor managed inventory, etc.)

The necessary material and information flow regarding the procurement process is described below. Details shall be given in the following articles.

A synopsis can make clear which entities act under this "Agreement" and how the flows are linked to them (physical and logical flows).

Non-exhaustive example:



Article B1 – Means of communication

The Parties state which system is most appropriate to their environment (EDI, fax, E-Forms, paper, ...)

Non-exhaustive example:

Message Type	Short description	Medium (Standard: VDA, EDIFACT, ...)	Relevant (yes/no)	Frequency	Remark
Delivery schedules	Enables the Supplier to ensure his ability to manufacture (production capacity, delivery time, ...)	e.g. DELFOR	Yes	weekly	
Call-off	Allows the Supplier to start delivering or making the product available to his Customer.	e.g. DELINS	Yes	Daily	
ASN	Advanced shipping notification	e. g. Fax	yes	Every delivery	
Inventory	Stock and movement information	e. g. INVRPT	yes	Daily	Necessary for consignment stock
Invoice	Invoice or self-billing	e. g. INVOIC	yes	Every delivery	
...					

Article B1.1 - Details

In addition to the table in B1, the following details should be defined between the parties (Unless already agreed in any other contracts or agreements). Non-exhaustive example:

Delivery schedules:

- *Frequency of the schedules,*
- *Date-time for the availability of the information,*
- *Quantity/date or quantity/period (daily, weekly, ...),*
- *Delivery schedule in terms of date of departure, arrival, consumption,*
- *Etc.*

Commitment period of the Customer towards his Supplier (e.g. firm period, firm with increase, ...):

- *For delivery,*
- *For production,*
- *For supply.*

Possible reset information..

Article B2 – Basics regarding the procurement process

Article B2.1 - Capacities

The Parties agree to the capacity to be secured and to its availability.

Any deviation shall be notified in writing to the Logistics and Purchasing departments immediately.

The Parties define the management of the capacities, and especially any modifications to the capacities:

- *Commitment period of the Customer's needs,*
- *Notification to the Customer in the event of Supplier's doubt or impossibility to supply,*
- *Pre-notice of request for capacity increase,*
- *Implementation time,*
- *To whom the costs are charged.*
- *Etc.*

Article B2.2 – Flexibility

Flexibility considers the Supplier's policies in finished products and raw materials, lead-times and production cycle duration.

The Parties define the flexibility expected by the Customer and what is possible by the Supplier. This implies agreements on the variation of delivery needs (expressed in quantity or percentage)

Article B2.3 – Securability

This ability avoids breaks in the flows by considering the risks which the Customer and the Supplier may encounter.

The Supplier implements and describes the means used to solve the risks in supply, production, storage and despatch.

A general agreement regarding the range (time and quantity) considering the security of the supply chain is reasonable . Presence or absence of a security stock and, if applicable, its volume and range are defined by the Parties in the Annex.

Article B2.4 – Packaging

The requests for quality, the increase of the delivery frequency and the identification of the deliveries imply monitoring the packaging.

Article B2.4.1 – Packaging definition

The Parties define the packaging and its conditions of homologation when the flow starts.

The use of standard returnable packaging will be preferred. The applicable standard should be defined e.g. ODETTE, VDA, GALIA, etc. Failing a suitable model, the packaging shall be selected from those offered to the market by manufacturers' catalogues. The packaging to be used is described in the Annex, including any substitutes.

To comply with the environmental regulations, all packaging shall be marked with the nature of the material used. This marking shall comply with ISO 14001 when applicable.

Article B2.4.2 – Allocation, management and maintenance of returnable packaging

The following items are agreed by the Parties and regularly updated to match the Parties' needs:

- *Allocation and the ownership of the packaging,*
- *The point of pick up and of delivery of empties,*
- *The possible third party,*
- *The packaging code,*
- *The management conditions and the supply responsibilities,*
- *The maintenance and cleaning conditions,*
- *The substitute packaging.*

A stock taking at an agreed frequency is made by the Parties, with a complementary audit in the event of variations. The responsibility, the costs, etc. regarding the stocktaking shall be agreed between the parties.

The Supplier delivers his products in clean and good condition packaging. In the event of damaged packaging, he informs its owner in a "reasonable" time (has to be agreed) and makes it available to him.

Article B2.4.3 – Labelling

Labelling shall comply to an applicable Odette standard or to another one to be stated in the Annex.

In case of deviations, the number and placement of labels are stated in the Annex.

Article B2.5 - Product traceability information

The logistics process may be a medium to convey product traceability information.

The need for traceability data is defined by the Companies' Quality organisation and managed by the supply chain actors' information system. These data are stated in the Annex.

The access key (i.e. the transport unit unique identifier) to the traceability data can be printed on the label and on transport documents, whether electronic or not.

Traceability is maintained, even when using emergency procedures.

Article B2.6 – Transport and delivery

The responsibility for transport is defined in the commercial contract or in the order, which binds the Parties (Incoterms 2000).

The carrier's identity, delivery and unloading constraints, opening hours and frequency, the normal transport means, the normal estimated transport time, etc..., are defined:

- *either in this paragraph,*
- *or in the Annex,*
- *or in a separate document.*

The parties shall arrange it with the carrier in a reliable way.

The Parties agree to the time of availability at the agreed place.

All deliveries are accompanied by:

- *the despatch note, compliant to the Odette model, which may be tele-transmitted in addition,*
- *the transport document,*
- *possible customs document,*
- *Etc.*

Tolerances on delivery should be defined (packaging rounding up, modular quantity, tolerance on unit of measure etc).

Other documents may be requested, e.g. quality or certificate of analysis.

The routing order is agreed by the Parties: route, access map, transport change, unloading point, advanced warehouse etc.

Additional specifications, such as transport-insurance, costs for delay etc., shall be agreed upon in the Annex, unless otherwise specified.

Article B2.7 - Management of special warehouse or procurement methods

If not described in B0, the detailed management mode, i.e. pulled by Customer or pushed by Supplier, contacts and means of communication, can be described here in a detailed form.

Article B2.8 - Reception control

Within a time limit (to be defined) the Consignee shall notify any discrepancy in the condition of the goods or of missing quantities compared to that declared, and make reserves in writing to the carrier immediately. He informs the Supplier accordingly.

This claim shall be raised before any action is taken on the goods in question.

Article B2.9 – Key performance indicators

The Parties may define performance indicators to be implemented at both ends, as well as on the products subject to measurement, e.g. products at the beginning of current production/end of life.

These performance indicators are defined in this paragraph.

If the parties agreed on the definition of performance indicators these can regularly be distributed to the concerned staff and sent to the requesting Party on application.

Key performance measuring is done in compliance with the Odette standard, when available.

An action plan is set-up when a discrepancy is noted.

Article B2.10 – End of Current Production, Out of Current Production and End of Life

Article B2.10.1 - End of Current Production

The Parties define the steps to be taken in order to minimise the costs of End of Current Production (*internal procedure if any*). The objective is to come to End of Current Production without residual stock.

With advanced-notice (period to be defined by the parties) the Customer sends all information suitable for the good management of End of Current Production to his Supplier.

The parties shall define the take-over of any costs (e.g. stocks in finished or in production products, raw material, special supplies, transports, etc ...) in one of the following cases:

- *missing information within the agreed advanced-notice period,*
- *some elements of the required information are not respected.*

Article B2.10.2 - Out of Current Production

The Parties define the production and delivery conditions of products that are Out of Current Production: packaging, size of production batches, means of production, ordering and delivery lead time, stock policy for finished the products and their components.

Article B2.10.3 - End of Life

The Parties define the end of life of the products: stocks, decision on the halting of current production.

Article B2.11 - Waste disposal

In order to comply with applicable environmental regulations, the parties shall define the pick-up (frequency and place of picking) of waste.

Article B3 - Management of discrepancies and emergency procedures

Article B3.1 - Obligation to inform

In the event of uncertainty or impossibility to fulfil a commitment, the Party who meets a difficulty informs the other one. The communication forms and the time limit shall be defined by the parties. The Parties shall investigate the steps to be taken in order to manage the situation in a common way.

Article B3.2 - Transmission data

In case the agreed communication form fails, the Parties agree to any emergency concept for communication.

The Party who discovers a discrepancy notifies the other one immediately by any suitable means. This also applies for a temporary breakdown of the supplier's information system. All necessary data must be transmitted in coherence to the automated system.

Article B3.3 – Delivered quantities

Any deviation from the accepted call-off is subject to written acceptance prior to delivery.

Article B3.4 - Packaging

The Supplier shall inform the Customer of the use of substitute packaging prior to delivery. All documents sent to the Customer should contain the information about the chosen substitution.

In case a substitute packaging has to be used at the request of the Customer, the extra costs incurred are negotiated between the Parties, case by case and prior to packaging.

Article B3.5 - Transport

In the event of any problem with transport, the consignor notifies the consignee within a specified time period (*to be defined*).

Article B3.6 - Defective products

Within (*time to be defined*), the Party who detects a discrepancy informs the other one, e.g. the Quality or Logistics contact, depending on the case.

Written permission shall be obtained from the Supplier prior to returning a product.

Any return of product without prior authorisation by the Supplier may be refused.

The Customer is not allowed to invoice or to send a debit note without prior explicit approval by the Supplier.

Article B3.7 - Charging of extra costs

The Supplier binds himself to bear any extra costs resulting from the non-fulfilment of a delivery request he has accepted.

The Customer binds himself to bear any possible extra costs in the event of a variation beyond the flexibility limits agreed between the Parties.

All other consequences resulting out of a non-delivery are negotiated by the Parties in advance.

Article B3.8 - Dormant stocks

The parties agree to treat the Supplier's dormant stocks in a reasonable way, including their costs.

The Customer's commitment is limited by the variations agreed between the Customer and his Supplier; they are defined in B2.2

ANNEX

The following topics (non-exhaustive) are suggested hereafter for inclusion in this Annex:

- *List and details of contacts, e.g. Supplier, undertakers, Consignee, including help mode running;*
- *Management mode of the "Agreement" and carrier;*
- *List of documents used in application of this "Agreement", e.g. capacities, flexibility, delivery time;*
- *List of authorised substitute packaging, by product;*
- *Fac-simile of documents to be used, with user's notice;*
- *Packaging unit and type;*
- *Delivery unit;*
- *Labelling standard;*
- *Number and placement of label(s);*
- *Requested traceability data;*
- *Information specific to the holiday period;*
- *Help mode data:*
 - *help desk call number 24/7;*
 - *special transport;*
 - *packaging;*
 - *management of returns,*
 - *...*