



**ZF Foxconn
Chassis Modules**

Global Logistics Directive ZFFCN

Version 2025



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List of Abbreviations

AEO	Authorized Economic Operator
ADR	Agreement concerning the International Carriage of Dangerous Goods by Road
APQP	Advanced Product Quality Planning
ASN	Advance Shipping Notice
C-TPAT	Customs Trade Partnership against Terrorism
DAP	Delivered at Place (Incoterms® 2020)
EDI	Electronic Data Interchange
EDIFACT	Electronic Data Interchange for Administration, Commerce and Transport
ENS	Entry Summary Declaration
FCA	Free Carrier (Incoterms® 2020)
GLD	Global Logistics Directive
HoMM	Head of Material Management
HoPP	Head of Program Purchasing
HoSM	Head of Supplier Management
IATF 16949	Technical Specification issued by International Automotive Task Force
MMOG/LE	Materials Management Operations Guideline/Logistic Evaluation
Incoterms	International Commercial Terms
ISF	Importer Security Filing
JIS	Just in Sequence
JIT	Just in Time
MRP	Material Requirement Planning

MVOS	Material Visibility Overseas Process
RFQ	Request for Quotation
SupplyOn	ZFFCN web-based Supplier Portal
TAPA	Transported Asset Protection Association
TOMS	Transport Order Management System
TTOP	Title & Risk Transfer Our Premises
VMI	Vendor Managed Inventory
WORKING DAY	Monday to Friday without bank holidays in the country of the ordering ZFFCN plant
WebEDI	Web-Interface for Electronic Data Interchange
ZFFCN	ZF Foxconn Chassis Modules GmbH and all affiliated companies, in which ZF Foxconn Chassis Modules GmbH holds directly or indirectly at least 50 % of shares

1. Scope of Application

The present Global Logistics Directive (GLD), Version 2025 is valid for all production materials and associated spare parts purchased by ZFFCN plants worldwide. It applies to all suppliers providing those production materials and associated spare parts to ZFFCN. This directive replaces all prior versions of the ZF GLD. Additional agreements, guidelines, etc. may be appended by ZFFCN, including but not limited to:

- Regional, plant and/or project specific logistics directives or agreements
- Delivery performance target agreement

2. Securing the Supply Chain

Supplier acknowledges and agrees to adhere to all necessary trade programs and security procedures required by ZFFCN and any government or customs authorities.

Security procedures required by ZFFCN:

Supplier hereby declares that Goods which are produced, stored, forwarded, or carried by order of ZFFCN, and which are delivered to ZFFCN, or which are taken for delivery by ZFFCN:

- are produced, stored, prepared, and loaded in secure business premises and secure loading and shipping areas (e.g. site protection, air freight security) and:
- are protected against unauthorized interference during production, storage, preparation, loading and transport.

Furthermore, supplier ensures that:

- reliable staff are employed for the production, storage, preparation, loading and transport of these Goods.
- screening of employees and business partners against all applicable antiterrorism and denied party lists takes place regularly, to guarantee all applicable antiterrorism and denied party regulations are adhered to.
- business partners, who are acting on behalf of supplier, also ensure the supply chain security as mentioned above.

Security procedures required by any government or customs authorities, for example:

- ISF (Importer Security Filing) applies to Goods that are shipped in containers to the USA by sea.
- ENS (Entry Summary Declaration) is an entry summary declaration, which must be submitted electronically via the Import Control System, containing security relevant data for all Goods entering the customs territory of the European Union from a third country.

Participation in international security initiatives, such as the following, is strongly recommended:

- C-TPAT (Customs-Trade Partnership Against Terrorism) is a voluntary US program for supply chain security against terrorism. C-TPAT is an equivalent to the US counterpart to the European Authorized Economic Operator (AEO).
 - AEO-S (Authorized Economic Operator-Security) is a status for companies established in the European Union to secure international supply chains.
 - other equivalent international security initiatives.
- At supplier-controlled transports (according to the agreed Incoterms®), supplier shall

be responsible to ensure the security within the supply chain and meet the relevant security standards e.g. Transported Asset Protection Association (TAPA) standards.

The Programs are beneficial for any supply chain (national and international) and offer security. Since there are different security programs in the areas of customs and transport, the supplier should participate in one of the security programs.

3. Information and Communication

The information flow is the basis for a well-functioning supply chain. Supplier ensures that goods are delivered to ZFFCN in accordance with the transmitted material requirements planning (MRP) data. If for any reason supplier is unable to meet the delivery call-offs and without affecting any other rights and remedies of ZFFCN, supplier will notify ZFFCN by email and by phone proactively and without undue delay once the issue is known.

3.1 Contacts and Accessibility of Supplier

Supplier shall provide a contact person for daily business as well as for logistics issues and a suitable trained back-up contact (name and contact details). All contact persons can fluently communicate in English, to provide all necessary information and support for ZFFCN. The respective national language is sufficient if the supplier and the affected ZFFCN plant are in the same country (same language area).

Supplier ensures that supplier's contact data in SupplyOn Business Directory are always up to date.

3.2 Supplier's Planned Production Shutdown Time

Supplier ensures the delivery of Goods according to the MRP data also during supplier's planned production shutdown time. Supplier shall provide a listing of planned down times for holidays, vacations, etc. to the affected ZFFCN plant once the planned down times are defined by supplier. When requested by ZFFCN, supplier shall develop and implement plans to maintain and ensure the continuity of supplies.

3.3 Electronic Data Interchange

Data exchange between supplier and ZFFCN either via EDI or WebEDI is mandatory. Supplier shall use communication mode and format for the applicable electronic process as shown in the table below. The determination which electronic processes shall be used, will be agreed between the respective ZFFCN plant and supplier. Costs incurred for technical connection of the supplier system shall be borne by supplier.

WebEDI - SupplyOn

ZFFCN uses the SupplyOn portal to exchange data. The application and use of the SupplyOn portal are mandatory for all suppliers who are connected via WebEDI. Suppliers who use classical EDI are required to use only selected processes via SupplyOn.

Electronic Communication VDA- EDIFACT SupplyOn

Electronic Process	Communication Mode	VDA- Recommendation	EDIFACT Format	SupplyOn
Delivery Schedule / Purchase Order	EDI or SupplyOn	VDA 4984	DELFOR D04A	Format description is available on SupplyOn Guidelines
Advanced Shipping Notification (ASN)	EDI or SupplyOn	VDA 4987	DELFOR D04A	
Credit Note	EDI or SupplyOn	VDA 4938	INVOIC D07A	
Performance Monitor	SupplyOn			
Transport Order Management System (TOMS)	SupplyOn			

4. Capacity Planning, Flexibility, Monitoring and Scheduling

4.1 Capacity Planning

The overall obligation of ZFFCN's suppliers is to secure the delivery of ZFFCN. This requires supplier to make a regular comparison between the MRP data from ZFFCN and supplier's available short-, mid- and long-term capacities. Furthermore, ZFFCN may provide separately additional project horizon demand (on the basis of OEM Customer demands). Supplier shall take also such additional demand data into consideration for its capacity planning. ZFFCN receives delivery call-offs and forecasts from its OEM Customers. These OEM Customer's demands are the basis for the MRP data to determine the quantities and delivery dates for all goods within the short- mid- and long-term period. ZFFCN's OEM Customers are constantly changing delivery schedules and forecast quantities, because the automotive and industrial markets are fast moving and volatile. ZFFCN and ZFFCN's suppliers must follow these fluctuations. For that reason, ZFFCN requires a high flexibility from its suppliers. ZFFCN transmits the respective MRP data

consisting of the quantities and delivery dates to supplier on part number level, pursuant to the agreed call-off procedure described in Chapter 5. Supplier receives MRP data with the current required delivery dates and quantities for each product with up to 24 months forecast depending on the Goods and respective ZFFCN plant. This forecast data is non-binding for ZFFCN, if not otherwise described below. ZFFCN provides on a regular basis (e.g. daily or weekly) updated MRP data and/or provides updates if a change of the delivery dates and/or quantities is necessary. Accordingly, only the respective most recent MRP data is relevant for each product.

4.2 Validity of MRP Data

MRP data become binding for supplier if supplier does not object within 2 working days after provision of the respective MRP data. An objection is excluded, if:

- the quantities are within the flexibility rates as defined in the short-term flexibility below; or
- the quantities do not exceed the capacity that needs to be reserved as defined below.

However, a supplier's objection is only possible if volumes exceed the capacity that needs to be reserved as defined below.

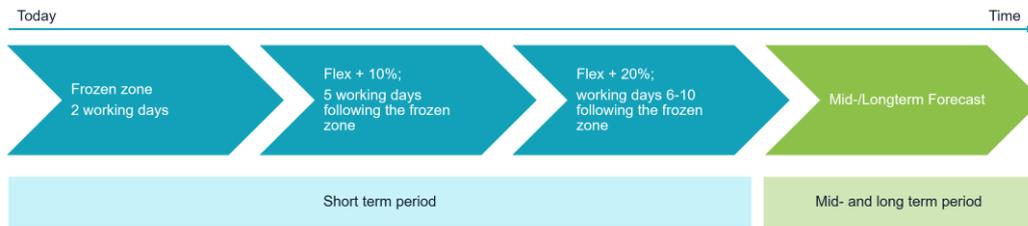
4.3 Short-Term Flexibility

As indicated above, the MRP data consist of information regarding quantities and delivery dates in the short-, mid- and/ or long-term horizon. The short-term period is divided into a period with fixed dates and quantities (frozen zone) and a period that requires a short-term flexibility as defined below:

- The frozen zone period, which is binding for supplier and ZFFCN, shall be, based on the actual calendar date, the next 2 (two) working days.
- The remainder of the short-term period shall be binding for supplier in this regard that supplier shall only be authorized to object against MRP data by ZFFCN if the quantities within:
 - the 5 (five) working days following the frozen zone exceed plus 10 (ten) % compared to the latest MRP data.
 - working days 6 (six) to 10 (ten) following the frozen zone exceed plus 20 (twenty) % compared to the latest MRP data.

However, in case supplier should be authorized to object against MRP data, the objection is only allowed regarding volumes exceeding the aforementioned or agreed flexibility rates.

Production View Supplier



Quantities and dates of the Goods that are already in transit will not be changed.

4.4 Capacity to be reserved & mid- and long-term flexibility

ZFFCN forward the call off based on the latest provided MRP data for the next consecutive 12 months.

The capacity to be reserved including yearly volume flexibility shall be based on a capacity of 5 working days per week. Furthermore, any possible ramp up curves during the year need to be considered. The capacity to be reserved by supplier for directed-buy business must be negotiated and confirmed between the supplier and the OEM Customer.

4.5 Monitoring

In case supplier has any capacity constraints or shortages, supplier shall contact the affected ZFFCN plant immediately, providing a robust recovery plan to ensure deliveries in accordance with the provided MRP data considering the capacity to be reserved and the volume flexibility. Caused and related costs incurred are to be borne by Supplier if not otherwise agreed. Cost coverage by ZFFCN, require ZFFCN's prior written authorization.

4.6 Scheduling

ZFFCN orders Goods either on Pick-up date or on Goods receipt date depending on the respective ZFFCN plant and incoterm.

- **Goods receipt date:** Supplier shall consider the planned transport time and method of transportation (e.g. full container load, less than container load, etc.) to notify the freight forwarder in due time for the pickup of the Goods. -> Incoterm® DAP
- **Pick-up date:** Supplier shall notify the freight forwarder in due time to pick up the Goods on the shipping date. -> Incoterm® FCA

The respective ZFFCN plant will inform supplier, if Goods receipt date or Pick-up date will be used, and which freight forwarder shall be used. The transport notification at the ZFFCN chosen forwarder must be done by the supplier.

5. Call-Off Procedures

The following definitions describe the different types of call-off procedures which are in use at ZFFCN. The applicable call-off procedure may vary for different ZFFCN plants and will be defined between ZFFCN plant and supplier.

5.1 Definitions

Delivery Call-Off procedure

Delivery call-off procedure is a demand-driven scheduling procedure. Delivery call-offs consist of multiple dispositions characterized by quantities and respective due dates, shown in the Short-, Mid- and Long-Term MRP data, which are updated regularly. These dispositions serve as a planning forecast and include all supplier-relevant information. Only the respective most recent delivery call-off is relevant for the delivery of the respective Good. The following procedures also include the logic of delivery call-offs for planning but have a different trigger for deliveries.

The Call-off procedures can be:

Just-in-Time (JIT)

Just-in-Time (JIT) is a more detailed demand-driven call-off procedure, but with an even more limited inventory range of coverage. JIT is to be understood in this context in such a way that the supply from the supplier is close to ZFFCN's production plant. Delivery call-offs are the basis for the supplier's production planning. Detailed JIT call-offs are the trigger for the deliveries to ZFFCN plants.

The details of the short-term horizon for deliveries to ZFFCN in accordance with Chapter 4 must be agreed through regional, plant and/or project specific logistics directives or other agreements.

Just-in-Sequence (JIS)

Just-in-Sequence (JIS) is also a more detailed demand-driven call-off procedure, in which the delivery of Goods follows exactly the OEM Customer's assembly sequence and fits completely into the sequence. Delivery call-offs are the basis for the supplier's production planning. Different part numbers are arranged in a pre-determined order onto a carrier. Goods arrive at the assembly line as planned, just in time and in the sequence of the assembly sequence, before they are assembled. This requires a high degree of synchronicity between supplier and ZFFCN.

The details of the short-term horizon for deliveries to ZFFCN in accordance with Chapter 4 must be agreed through regional, plant and/or project specific logistics directives or other agreements.

KANBAN

KANBAN is a consumption driven call-off procedure. Delivery call-offs are the basis for the supplier's production planning. The trigger for replenishment is the consumption of a KANBAN container. Supplier is obligated to supply new container in the defined replenishment time.

The details of the short-term horizon for deliveries to ZFFCN in accordance with Chapter 4 including the replenishment time must be agreed through regional, plant and/or project specific logistics directives or other agreements.

5.2 Purchase Order

For sporadic or one time demands, a purchase order (single order) is created. Such single order determines, in addition to the standard agreements such as price and Incoterm®, usually only one delivery quantity and one delivery date.

5.3 Deviations in Deliveries

ZFFCN expects 100% delivery reliability. Deviations in quantity and quality will not be accepted and the right to claim any deviation is reserved. Please refer to the related purchasing documents in regard to the claim costs. All related costs arising from a deviation in delivery will be forwarded and charged to the party responsible.

ZFFCN may return any over-delivered goods back to supplier at the expense of supplier. The unconditional acceptance of late-, partial-, or over-deliveries does not include a waiver of compensation claims of ZFFCN because of late-, partial- or over-delivery.

5.4 Minimum Order Quantity

Minimum order quantities requested by the supplier that exceed the smallest packaging unit are not accepted.

5.5 Cancellation of MRP Data

In exceptional cases, a complete cancellation of the quantities set forth in the respective MRP data may become necessary for ZFFCN, even if such quantities are already deemed to be bindingly scheduled (Frozen Zone) in accordance with the respective call-off procedure and this GLD, regional, plant and/or project specific logistics directives or other agreements. Cancellation is carried out by ZFFCN setting the quantities set forth in the MRP Data to zero.

Upon such Zero cancellation by ZFFCN, ZFFCN will purchase the quantities of the Goods for the respective order price bindingly scheduled within the frozen zone at the issue date of the cancellation. Furthermore and subject to OEM Customer refund, ZFFCN will pay supplier the following:

- (i) the order price for all finished Goods scheduled within the remainder of the Short-term Period following the frozen zone for which Supplier has not been paid.
- (ii) if Goods have not yet been finished, which have been scheduled within the Short-Term Period, Supplier's reasonable actual costs of merchantable and usable work-in-progress and the parts and materials.
- (iii) Supplier's reasonable actual cost of settling claims regarding its obligation to its subcontractors or sub-suppliers required, to the extent directly caused by the cancellation of the quantities, but limited to raw materials / components necessarily required in order to manufacture the quantities scheduled within the Short-term period and then currently outstanding; and
- (iv) any additional costs agreed between the parties. Always provided that Supplier can verify that Supplier cannot cancel or otherwise use or sell the Goods, semi-finished Goods, parts and materials and upon demand of ZFFCN subject to the handover and transfer of title of such Goods, semi-finished Goods, parts and materials.

6. Packaging and Labeling

The ZFFCN Company Standard "General ZFFCN Packaging Specification Logistics, Environmental Protection" Appendix is available on www.ZFFCN.com.

6.1 Packaging Requirements

The design of the packaging must be agreed in writing with the respective ZFFCN plant or central logistic department of ZFFCN, prior to start of series production delivery. Any changes in packaging must be mutually agreed in writing by ZFFCN. Supplier ensures that all deliveries are packaged solely in clean, dry, protected, and non-defective packaging. Typically, pallets are packed with only one type of material. Only if requested by the respective ZFFCN plant supplier loads pallets with different types of materials.

6.2 Labeling Requirements of Packaging Units

ZFFCN uses the Global Transport Label VDA 4994 as standard. If ZFFCN plants do not yet use this standard, the content and format of the label shall be agreed between supplier and the respective ZFFCN plant. Supplier will label all packages and containers only with correct labels/tags. Containers shall be free of obsolete labels. Self-adhesive labels for reusable packaging are to be used only if requested by the respective ZFFCN plant. The labels shall be electronically readable.

7. Dispatch and Transport

ZFFCN uses the Incoterms® 2020 as the basis for the shipping conditions. The standard Incoterm for all shipments to ZFFCN is FCA (Incoterms® 2020).

Definition of the Incoterm® FCA:

- FCA free carrier (place of departure)
In addition, the amendment TTOP (Title and Risk Transfer Our Premises) to the Incoterm® FCA is possible.

Definition of the Incoterm® FCA plus modification Title and Risk Transfer Our Premises:

- FCA free carrier (place of departure) + TTOP.
- Specification of FCA + TTOP: For all shipments, title and risk of loss in the Goods shall pass to Buyer (ZFFCN) when the Goods have been delivered in the condition and to the ultimate consignee address specified in the order, and the Goods are booked in the ZFFCN Enterprise Resource Planning System (ERP). ZFFCN informs the supplier about the goods receipt booking in due course of business. Since the regulations on TTOP can be different in the regions, an individual review and coordination takes place before the implementation.

In exceptional cases the Incoterm® DAP can be agreed.

- DAP delivered at place (to named place, delivered duty unpaid). If there is a risk that the Goods ordered cannot be delivered on time, supplier will initiate a premium transportation at its own expense to meet the originally scheduled delivery date/time window. Premium transportation costs from ZFFCN to ZFFCN's OEM Customer due to a delayed delivery attributable to supplier itself must be paid by supplier.

7.1 Transport Ordering and Advance Shipping Notice

For transport paid by ZFFCN, supplier uses only nominated freight forwarders of ZFFCN for all transport modes. As a standard, the supplier is responsible for the timely ordering of the transport at the nominated freight forwarder. Depending on the receiving ZFFCN plant a ZFFCN nominated Transport Management System needs to be used by the supplier for transport orders, transport updates and the upload of shipping documents. Globally there are several systems in use at ZFFCN, and it will be communicated by the receiving ZFFCN plant to the supplier which system is to be used. The following systems are currently in use:

- SupplyOn TOMS (Transport Order Management System)
- SupplyOn Process Weaver
- Penske TMS

If not otherwise agreed with the respective ZFFCN plant, supplier sends Advance Shipping Notice (ASN) electronically via EDI or WebEDI to ZFFCN at the time of the cargo transfer to the freight forwarder. For deliveries of full containers, ZFFCN uses the Material Visibility Overseas Process (MVOS) for tracking long supply chains and for updating delivery dates in case of any delays or changes during transportation. The main goal is to provide close-to-real-time data to material planners. Upon request of ZFFCN, the supplier shall provide tracking-relevant data for full container load shipments on Incoterm[®] FCA (Named Place). Such data consists of packing lists naming delivery notes per container number. Depending on the MVOS concept of the specific ZFFCN plant, the supplier shall provide the data in the ASN (mandatory) or in PDF Format (only exceptional).

ZFFCN reserved the right to claim missing / wrong ASN and charge the related costs accordingly.

7.2 Forwarding Instructions

The general ZFFCN forwarding instructions as well as any regional-specific forwarding instructions are available on www.ZFFCN.com.

7.3 Delivery and Transportation of Hazardous Materials

ZF Foxconn Chassis Modules GmbH refer to the latest version of the ADR (Agreement concerning the International Carriage of Dangerous Goods by Road). The Document can be found on www.zffcn.com.

For Goods containing hazardous and/or restricted materials, supplier provides ZFFCN safety data sheets together with all other applicable information for safe use. Supplier agrees to furnish sufficient warning to ZFFCN before shipping the Goods and notice in writing (including appropriate labels on the Goods, containers and packaging) of any hazardous material that is an ingredient or a part of any of the Goods, together with such special handling instructions necessary to advise the involved freight forwarders, ZFFCN, and their respective employees how to exercise that measure of care and precaution, that will best prevent bodily injury or property damage in the handling, transportation, processing, use or disposal of the Goods, containers and packaging shipped to ZFFCN. Supplier shall comply with all applicable federal, state, local and foreign laws and regulations pertaining to product and warning labels. Supplier shall notify ZFFCN of the classification of the dangerous Goods per Transportation of Dangerous Goods regulatory requirements that are in place in the country of the receiving ZFFCN destination. The supplier is responsible for any potential environmental or other damage caused by releases of hazardous materials being delivered until the Goods are physically handed over to ZFFCN at the mutually agreed hand over point.

8. Imports and Exports

8.1 Customs

ZFFCN is obliged to make reliable statements to its OEM Customers regarding the country of origin as well as to the legally preferential status and the Customs tariff number of the delivered Goods.

The designation of the commercial country of origin as well as the Customs tariff number of the Goods delivered to ZFFCN is required by supplier. Supplier will promptly notify ZFFCN in writing of the origin of material or components used by supplier for Goods which are delivered to ZFFCN. Supplier shall furthermore, at its expense and in a timely manner, provide all written documentation and information relating to the Goods being purchased, that is reasonably necessary for ZFFCN to complete any customs related obligations or other governmental agency requirements applicable to ZFFCN.

At the request of ZFFCN, the commercial origin must be verified with applicable certificates of origin. The legal preferential status of Goods that were delivered to ZFFCN, must be substantiated by the submission of suitable preference documents based on ZFFCN-Templates/via WEB Portals (wherever provided) and on timely manner. Refer to Chapter 8.7 Supplier Declaration.

The type of preference document due in each case depends on the preferential agreements in effect.

8.2 Duty Drawback

The rights to and benefits of any duty drawback, to the extent transferable to ZFFCN, are the property of ZFFCN.

8.3 Duties, Import Taxes and Brokerage

The responsibility for customs duties, import taxes, brokerage fees, customs clearance costs and other government fees will be determined in accordance with the Incoterms® 2020 and the shipment and routing instructions stated in the order. If ZFFCN is responsible for customs duties, it will be responsible for normal rates of duty only. Supplier will be responsible for all other duties, including special duties and government fees, but not limited to e.g. marking, anti-dumping and countervailing duties to the extent permitted under the law of the country of importation. Supplier will be responsible for any document turnover fees or other ancillary charges to ZFFCN from supplier's freight forwarder.

8.4 Import Licenses

Supplier will assist ZFFCN in obtaining any required license where such license, per the terms of the contract or applicable regulatory requirements, is ZFFCN's responsibility to obtain. Supplier will provide to ZFFCN and the appropriate governmental agency the documentation necessary to determine the admissibility and the effect of entry of the

Goods into the country, in which the Goods are delivered to ZFFCN. Supplier warrants that the documentation and information regarding the import or export of the Goods supplied to ZFFCN is complete, true and correct in every respect, and that all sales covered by an order will be made at not less than fair value under the anti-dumping laws of the countries to which the Goods are exported. Supplier is responsible for any incorrect or untimely information provided by supplier, supplier's freight forwarder or customs broker, or any noncompliance with government or customs regulations by supplier that results in fines, penalties, damages and/or any additional duties for ZFFCN due to supplier's error or untimely provision of documentation or information.

8.5 Export Licenses

Supplier agrees to adhere to all applicable export control and trade sanctions regulations. Supplier will advise ZFFCN in writing if the exportation of the Goods requires an export license, or if the Goods are subject to any applicable export or re-export controls, including the export classification of the Goods. Should an export license be required to supply the Goods to ZFFCN, the supplier is responsible for obtaining the export license. ZFFCN will provide the supplier with an end use document or certificate if this is required by law to obtain the export license. Should the export license be denied or delayed, disrupting the planned shipment, supplier must notify ZFFCN immediately of the delay.

8.6 Customs Clearance

Customs Clearance lays in the responsibility of the party which is defined in relation to the contracted Incoterms®. However, Export Customs Clearance shall be carried out by Supplier. If ZFFCN is responsible, all dutiable Goods are principally declared by ZFFCN alone or by a representative that is authorized by ZFFCN.

8.7 Supplier Declaration

Delivery of Long-term Supplier's Declaration (LTSD)

- 1. Obligation to Provide LTSD:** The Supplier agrees to provide the Buyer with a valid Long-term Supplier's Declaration for the future delivery of goods. The LTSD must comply with the applicable legal requirements and be provided in the format specified by the Buyer.
- 2. Timing of Delivery:** The Supplier shall deliver the LTSD to the Buyer no later than December 01st of the current year, valid from January 01st until December 31st of the following year. Failure to provide the LTSD within this timeframe may result in delays in payment or other contractual penalties as specified in this agreement.
- 3. Accuracy and Completeness:** The Supplier guarantees that the information provided in the LTSD is accurate and complete. Any discrepancies or errors in the LTSD must be corrected and a revised LTSD must be submitted to the Buyer immediately upon discovery.

- 4. Retention of Records: The Supplier shall retain copies of all LTSDs provided to the Buyer for a minimum period of 10 years and make them available for inspection upon request.**
- 5. Consequences of Non-Compliance: In the event that the Supplier fails to provide a valid LTSD, the Buyer reserves the right to withhold payment, seek damages, or terminate the contract as per the terms outlined in this agreement.**

9. Supplier Assessment and Development

In order to control the logistical performance of the supplier and to be able to take measures, if necessary, ZFFCN can measure supplier’s delivery performance. On the request of ZFFCN, supplier and the respective ZFFCN plant agree on a target agreement regarding the delivery performance. For materials where it is not possible to comply the exact target delivery quantity (e.g. coils, bulk material) an individual agreement shall be made with the respective ZFFCN plant.

Delivery Performance Calculation formula

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Delivery Performance (%) =

$$\frac{\text{Number of correct individual evaluations (100\%) in the evaluation period}}{\text{Total number of evaluations in the evaluation period}}$$

An individual evaluation can be rated only 0% or 100% per item number:

- Delivery Reliability = 100% Time and quantity have been met
- Delivery Reliability = 0% Time and/or quantity have not been met

.....

The result of the delivery performance will be communicated to supplier on the “SupplyOn Performance Monitor”. If there are undesirable developments in the delivery performance, supplier shall define and realize countermeasures.

9.1 Supplier Auditing

For a holistic assessment of suppliers and to develop the supply chain quality, ZFFCN uses a standardized Logistics Evaluation audit (current standard GMMOG or equivalent by ZFFCN choice).

The audit process includes two stages:

- In the first stage, supplier performs a self-assessment and submits the English version of the self-assessment to ZFFCN in the Odette portal (<https://www.odette.org/mmog>).
- In the second stage, an on-site audit or a remote audit is performed by ZFFCN, the date of which is mutually agreed between ZFFCN and the supplier.

Suppliers in the new supplier approval process are always subject to a two-stage audit process.

9.2 ZFFCN Escalation Model

If performance problems are detected at the supplier, an escalation process occurs. The ZFFCN escalation process comprises three escalation levels - EL1, EL2 and EL3 - with increasing criticality

(Figure 1). The escalation process is initiated /starts with EL1.

However, in case of imminent threats to the ZFFCN supply chain and/or supply of ZFFCN OEM Customers, affected suppliers may be escalated directly to higher escalation levels.

Supplier will designate an escalation coordinator who will have the decision-making authority to resolve the performance problems in coordination with ZFFCN to return to normal operation.

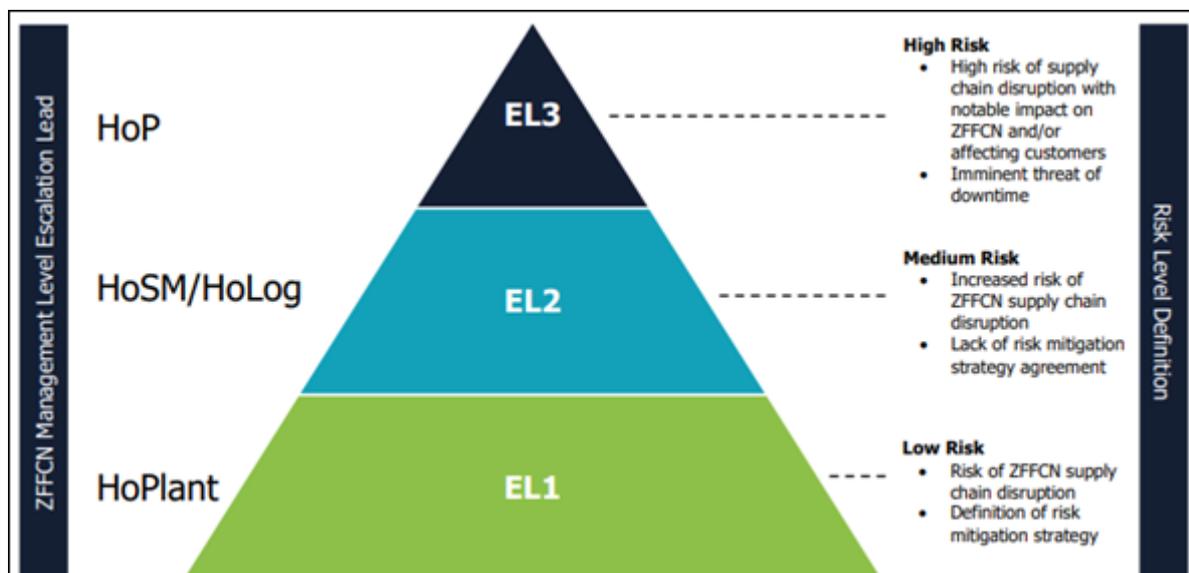


Figure 1

The ZFFCN escalation process differentiates three different types of escalations:

- Financial Risks including supplier financial distress, high supplier dependency from ZFFCN and supplier insolvencies
- Performance Risks including quality and SCM risks, e.g., supply of defective parts, inadequate delivery reliability (quantity and/or scheduling), lack of supplier production capabilities endangering future supply, failure to implement corrective actions, insufficient collaboration in APQP, supplier readiness and launch
- Other Risks including supply risks such as natural disaster, fire, sustainability and EHS risks (product-related environmental protection) and/or Geo/country risks

These escalation types are depicted schematically together with the respective escalation leads in the three escalation levels (Figure 2). Detailed information regarding

procedure and responsibilities of the ZFFCN escalation model described in this chapter is available in the process descriptions performance risks, financial risks and other risks, respectively.

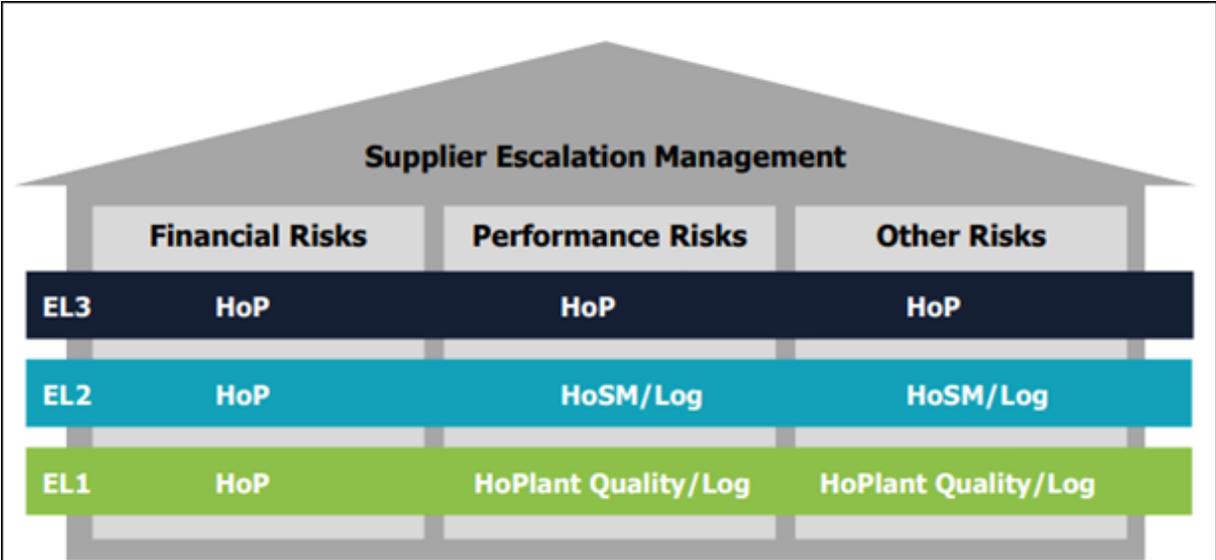


Figure 2

Typical escalation triggers and thresholds specific to each type of escalation are described in the process descriptions performance risks, financial risks and other risks respectively. These triggers and thresholds are not complete as supplier and ZFFCN supply chain risks can be triggered and increase in criticality due to a very wide range of causes.

If an affected function identifies escalation triggers, it initiates the escalation process according to the relevant process descriptions performance risks, financial risks or other risks.

The escalation lead together with his/her escalation team defines the exit criteria which the supplier needs to fulfill in order to be de-escalated. These criteria must be described clearly meaning measurable and quantifiable. The progress of escalation measures to reach these exit criteria is to be followed up and reported on a regular basis, in EL2 and EL3 a high tracking frequency is recommended.

In case the exit criteria on EL1 or EL2 are not reached and/or can foreseeably not be reached despite deployment of all possible actions, the escalation lead and/or risk manager respectively must promptly escalate the case to the higher escalation level.

If the exit criteria are sustainably reached, the escalation lead applies for de-escalation into the lower escalation level or full de-escalation in the relevant cadence meeting which needs to confirm the de-escalation.

In general, the maximum period for a supplier with performance risks to remain on EL1 is 6 months,
on EL2 it is 3 months.

10. Emergency Concept

To ensure the continuity of supply of Goods, ZFFCN requires supplier to have a risk management process in place. The objective is to identify and mitigate risks with material impact on ZFFCN's business, related to the delivery of supplier's parts to ZFFCN. Supplier shall carry out a risk assessment to implement a contingency plan to secure deliveries of products to ZFFCN. Supplier shall be prepared to present these to ZFFCN if requested. This should follow the IATF 16949 norm.

Supplier regularly reviews and updates the contingency plan for effectiveness. If interruptions occur within the process chain at supplier or its sub-suppliers that could jeopardize the deadlines planned by ZFFCN, supplier informs ZFFCN immediately. In addition, a competent contact person who is available always must be named for every emergency.

11. Compliance

ZFFCN reserves the right to claim costs and damages from the supplier in the event of non-compliance with the requirements set out in the GLD.