

Supplier Manual - Section III Delivery Expectations

3.1 General Expectations

Missing a shipment to a customer is never an option. Our customers demand 100% on-time delivery of product and 100% accuracy of the information that accompanies the product. Meeting these expectations requires both a continual focus on the integration of data and systems throughout the supply chain and a continuous improvement approach to materials management. Integration of data and systems empowers the supply chain by providing the visibility necessary to operate a flexible but lean manufacturing process. We strive to improve supply chain performance through:

- Understanding and complying to industry standards such as the Materials Management Operations Guidelines (MMOG), published by AIAG.
- Utilizing continuous improvement teams focused on the development and implementation of best practices throughout Shape/NetShape.
- Frequent interaction with our customers to allow mutual feedback on ways to drive waste out of the replenishment process

3.2 Shipping and Forecasting Schedules

In order to provide some long-range visibility as to expected requirements for raw material and components, we provide the suppliers with Supplier Planning Schedules. Planning schedules are derived from a combination of actual customer orders and forecasted demand. Forecast demand is either provided by our customers or estimated by our planners based on average sales of customer products. The forecasting of our customers' demand is extremely important to provide our supply base with some manufacturing lead-time. Many of our customers demand extremely short lead times (sometimes same day deliveries – zero lead-time) with no forecast information provided to us. We will provide all suppliers with weekly and monthly planned requirements. It is the supplier's responsibility to contact the production scheduler if they are unable to meet these requirements for any reason.

Note: In order to insure 100% on-time delivery of products to meet our delivery schedules, it is strongly suggested that suppliers manufacture to at least the current week's quantity on the planning schedule.

• **Supplier Delivery Schedules**

Shape/NetShape use two systems for releasing of products:

1. MRP generated material requisitions
2. KANBAN or Reorder-point

The lead-time goal for all purchased products is one day (i.e. send Supplier Delivery Schedule today, receive product tomorrow). In some cases, geographical location of a supplier may require longer lead-time due to transportation time. Supplier Delivery Schedules are sent to suppliers indicating quantities of items to be shipped against a P.O. with dates in which the items are due. This schedule is what a supplier's delivery performance will be measured against. Supplier Delivery Schedules are generated from individual material requisitions from the MRP and scheduling process when they reach the suppliers lead time or from a reorder-point system (electronic KANBAN). With items ordered from the reorder-point system, quantities showing on the Delivery Schedule generally reflect the amount of product used the prior day. The packing list number, quantity and date of the last receipt at Shape/NetShape are also indicated on the Supplier Delivery Schedule.

Note: Whenever daily Delivery Schedules early in the week appear to be calling for less than the Planning Schedule for the current week, be prepared to see a large quantity on the Delivery Schedule for the end of the week. This may occur as Planners schedule materials to cover weekend overtime Shape/NetShape may have to schedule to make up for unscheduled downtime or falling behind earlier in the week.



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- *Raw/Fab Authorization*

With these requirements in mind, we authorize suppliers to procure 4 weeks raw material and 4 weeks of fabricated product per our release schedule. We will not be liable for obsolete product beyond these requirements unless otherwise agreed upon and documented.

3.3 Packaging Expectations

- The supplier is responsible to submit a sample package for approval by our Packaging Engineer. Contact the Shape/NetShape Packaging Engineer for a list of specifics for a specific product.
- The supplier along with our Packaging Engineer will jointly create packaging instructions for each part shipped into our facilities or directly to our customer.
- The supplier is responsible to have adequate alternative packaging as a contingency for unavailable primary packaging.
- Any concerns with packaging development or supply should be addressed with our Packaging Engineer as soon as possible.

3.4 Logistics Expectations

- Suppliers will follow the Shape/NetShape issued routing instructions for all shipments. Routing instructions may be obtained from the Shape/NetShape Logistics Manager.
- The supplier must obtain an expedite authorization number from the appropriate Shape/NetShape Material Planner to deviate from the routing instruction.
- All premium freight shipments must have an authorization number.
- Any unauthorized premium freight or routing deviations will result in a debit back to the supplier.
- In the event that we require a supplier to drop ship product (ship directly to a location other than Shape or NetShape), proof of delivery must be provided to our receiving department within 24 hours of delivery.