

Supplier Manual - Section IV Commercial Expectations

4.1 General Expectations

The pressure to continuously reduce costs throughout the supply chain is a constant reality in today's global market. We believe in taking a collaborative approach with our supplier partners in meeting the demands of a global market.

4.2 Shape/NetShape Continuous Improvement

The objective is to generate continuous improvement ideas that enhance product quality, reduce cost, and improve product value. It is a condition of continuing business that each supplier participates in. The cost down percentage is based as a percentage of supplier sales dollars from the previous year.

We have two fundamental and mutually exclusive areas where continuous improvements can occur:

- P.O. price reduction (minimum 3% annual P.O. to P.O. reduction.)
- Value Analysis Submissions/Continuous Improvement Activities (minimum 5% combined annual savings)

A Value Analysis idea is considered a change to the product resulting in the elimination of waste and cost savings. The change must either improve quality or be quality neutral.

Suppliers are encouraged to submit ideas to the respective Shape/NetShape Buyer. Performance in continuous improvement is a critical element of the supplier rating system and considered in all sourcing decisions. See section 5 for details on the supplier rating system.

In general, commodity generated cost reductions would not be given credit unless the supplier can demonstrate sustainability. The Shape/NetShape Buyers ultimately have the responsibility to determine credit for ideas submitted within the continuous improvement program.

4.3 P.O. Terms and Conditions

A copy of Shape/NetShape purchase order terms and conditions are available with the P.O.

4.4 Tooling/Gaging

Suppliers can submit invoice for tooling upon completion of the following:

- *Program team approval to build and approval of the design*
- Purchasing approved die run-off at supplier facility
- Approval of PPAP by our Quality Engineer
- Payment terms are Net Prox 25 upon our receipt of invoice unless otherwise agreed upon.

4.5 Auto Voucher

We strongly encourages the utilization of auto vouchering to increase the efficiency of the payment process. Questions regarding auto voucher may be directed to the Accounts Payable group through our buyer.

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4.6 Supplier Price Change

Purpose

This section explains the actions that must be followed by the suppliers when to request a price increase.

Instructions

To initiate price increase that result from:

- Documented increases in the costs of raw materials, components, subcontracted services, or packaging.

All requests for price increases must be submitted in writing to the designated Shape/NetShape Buyer. The request must include the Shape/NetShape part number(s) and description(s), annual volumes, current price and requested increase, annual impact, and justification for the request. This justification must include:

- Market documentation for the reasons for the increase.
- Efforts the supplier has made or is willing to commit to offset the increase.
- Any applicable indices which substantiate the change and/or industry publications (i.e. AMM) which track such changes.

For component parts, the price increase request must be submitted to the respective buyer electronically.

If the price increase request is rejected, the explanation for the rejection will be provided in writing to the supplier. If the price increase request is approved, the Buyer will notify the supplier that the request has been approved and determine an implementation date for the increase. This implementation date will be a **minimum of 30 days** from acceptance of the price increase request. No price increases will be implemented less than 30 days from request approval without the written approval from the Shape/NetShape President.