



# Global Supplier Standards Manual

Revision Control Date: October 14, 2016

## Revision History

Revision Date	Section	Description	Revised By
4/25/14	ALL	Initial Release of rewrite	S. Carpenter
5/22/14	Quality 8.4	Modification to Annual Revalidation communication of conformance	C. Price
3/4/15	M&L C4 - 8.4 M&L C4 - 8.11  M&L C4 - 8.13 M&L C4 - 9.3	Added reference to UPS Added control statement for sharing of information, technical, data, to foreign nationals Updated C-TPAT expectations Added packaging weight requirements for China	T. Hoch  C. Collier
3/30/15	Delivery - 2.1  Quality - 7.2 Quality - 7.4 Quality - 7.4.1,2 Quality - 7.4.3 Quality - 7.4.4 Quality - 8.3 Quality - 8.4 Quality - 10.4 Quality - 12.1	Removed reference to sending ASNs without manual intervention.  Updated SPC requirements for Special Characteristics Added Control Point characteristic definition Updated ongoing control requirements for SC / CC items Removed duplicate reference of Supplier Liability Added ongoing control requirement for Control Points Added reference to PPAP checklist Updated dimensional requirements to minimum of 5 pieces Updated ongoing capability index to $\geq 1.33$ Updated 3-D requirements to include method of containment.	C. Collier
3/31/15	M&L - 9.1  M&L - 9.3	Added 4-way entry pallet to requirement Added requirement for usage of standard size totes and cartons Added note that sample packs may be requested Added requirement to ship PPAP parts in production intent packaging	M. Weisenreder
4/7/16	Packaging and Labeling - 9.0  General - 1.3  General - 2.1	Removed all content and referred suppliers to the GHSP Supplier Packaging Guidelines and Requirements document Added requirement of capacity planning for annual submission Modified T&C location	M. Weisenreder  C. Collier

	Quality – 12.1 M&L – 8.11	Updated containment expectations Additional requirements for transmitted data	E. Dunster
	M&L – 3.2 M&L – 3.3 M&L – 8.11	Updated raw / fab quantities Updated freight responsibility Updated International Trade Compliance expectations	E. Dunster S. Wilson L. Wellborn
	Logistics – C4 8.1	Removed supplier's ability to choose carrier	T. Hoch
	Logistics – C4 8.3	Added reference to AETC requirement for 3 <sup>rd</sup> party and drop shipments.	T. Hoch
	Logistics – C4 8.10 Logistics – C4 8.4 Quality – 7.4.1	Added reference to AETC # Added "Priority Shipment section" Added requirement for data submission for CC related items	T. Hoch T. Hoch C. Collier
	Quality – 16	Added Supplier Critical Part Data Submission section	C. Collier
	Terms & Conditions 20 Terms & Conditions 2.1	Insurance coverage updated Products and Services -Quantity.	K. Kuiper K. Kuiper

## ***Purpose***

The purpose of the GHSP Global Supplier Standards manual is to communicate requirements and expectations of current and potential suppliers to GHSP. It is the expectation of GHSP that all suppliers of direct material and, as applicable, indirect material and services, comply with the expectations and requirements documented in this manual. GHSP expects that, through clear communication and definition of expectations, both parties can more effectively achieve success. The manual has 4 chapters with embedded hyperlinks to navigate to each chapter.

## ***Scope***

This manual applies globally, to all GHSP suppliers of direct material, as well as GHSP suppliers of indirect material and services as defined herein.

## ***Chapters***

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## ***Chapter 1: General Requirements***

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### ***1. General Expectations:***

#### **1.1 Management Standards**

GHSP holds an expectation of our suppliers to demonstrate their commitment to quality and the environment. Evidence of this commitment is the implementation of appropriate quality and environmental management standards. The following are minimum expectations for our suppliers:

##### **1.1.1 Direct Material Suppliers**

- 1.1.1.1 Quality System Registration (ISO/TS 16949; ISO 9001:2008 for distributors of commodity materials)
- 1.1.1.2 Environmental Management Registration (ISO 14001)
- 1.1.1.3 Materials Certification (MMOG/LE )
- 1.1.1.4 Requirements for Soldered Electrical and Electronic Assemblies (J-STD-001) compliant to standard as applicable
- 1.1.1.5 Safety Related Software Development (ISO 26262) compliant to standard as applicable
- 1.1.2 Indirect Material Suppliers
  - 1.1.2.1 Quality System Registration (ISO 9001: 2008)
  - 1.1.2.2 Environmental Management Registration (ISO 14001)

Note 1: Failure to comply with these minimum requirements will impact the supplier's ability to continue business with GHSP.

Note 2: If a current supplier is not certified to the required level at present time, a plan must be presented no later than June 1, 2014 that shows the roadmap for certification. New suppliers must commit to a certification plan as a condition of sourcing.

## **1.2 Supplier Development**

GHSP is committed to working in partnership with our suppliers to establish development plans which ensure compliance to, and continuous improvement toward, the requirements set forth in this manual. GHSP will establish the development priorities as it sees fit, based on resource availability and impact to the business, but will always make its best effort to assist wherever practical.

## **1.3 Annual Information Submission (Effective 1/1/15)**

As noted in specific sections of this manual, there will be a requirement that each supplier submits, inclusive of all of their plants shipping product into any GHSP plant worldwide, the following information annually no later than January 1<sup>st</sup>:

- Updated Contact List (corporate and plant specific)
- Quality Certification (each plant)
- MMOG/LE self-assessment (each plant)
- NAFTA Country of Origin-COO (consolidated-all parts)
- AIAG Supplier Sustainability Self-Assessment (corporate)
- Tooling (incl. all assets owned by GHSP or OEM) Inventory & Condition (each plant)

- Updated or renewed blanket certificates or Manufacturers Affidavits covering all parts provided to GHSP.
- C-TPAT annual self-assessment  
Note: Supplier will be asked to manually submit some of the above information prior to the self-submission requirement beginning in January of 2015.
- **Annual capacity worksheet by part number**

## **2. Global Terms and Conditions**

### **2.1 Terms and Conditions Access**

GHSP Global Terms and Conditions may be accessed **at the end of the Global Supplier Standards Manual**. **A Mandarin version of our Terms and Conditions may be accessed on our website at [www.ghsp.com](http://www.ghsp.com)**. If a supplier is unable to access the document, please contact your buyer for assistance. The Terms and Conditions are the governing document for any quote, will be referenced in any purchase order, and are the basis of the agreement between the supplier and GHSP unless otherwise declared in another agreement signed by both parties.

## **3. Social and Environmental Responsibility**

### **3.1 Introduction**

Since our founding in 1924, the people of GHSP have been known for our enduring values. One of these values is referred to as ‘Steward our Legacy’ and is defined as preserving the legacy of our founders while reinventing the business for the next generation. Two ways we live and demonstrate this value are by investing in businesses, people, and communities for the long term, and by taking personal responsibility for health, safety, and our environment. From this it becomes clear that Social and Environmental Responsibility are foundational elements of who we are. Furthermore, since our supply base is an integral part of our business and team, and is a reflection of GHSP and the values we uphold, it is our expectation that our suppliers conduct their operations in a socially and environmentally responsible manner that complies with all applicable laws and regulations.

- 3.1.1 Suppliers shall complete the AIAG Supplier Sustainability Self-assessment a minimum of one time each calendar year and shall provide a copy of the assessment to GHSP.
- 3.1.2 Suppliers shall ensure their personnel with responsibility for social and environmental oversight have completed the Supply Chain Corporate

Responsibility Training available on the Automotive Industry Action Group (AIAG) website.

### **3.2 Requirements**

#### **3.2.1 Labor and Human Rights**

3.2.1.1 Suppliers shall prohibit the use of child labor and ensure the age of employment is in accordance with local labor law.

3.2.1.2 Suppliers shall prohibit the use of forced, bonded, indentured, or involuntary prison labor. All work must be voluntary; workers shall not be forced to hand over government issued identification, passports, or work permits as a condition of employment unless required by local law.

3.2.1.3 Suppliers shall ensure working hours comply with applicable local law regulating hours of work.

3.2.1.4 Suppliers shall provide compensation and benefits that are competitive and in compliance with applicable wage laws including those related to minimum wages, overtime hours, and legally mandated benefits.

3.2.1.5 Suppliers shall maintain workplaces that are free from harassment or discrimination against employees in any form. This includes but is not limited to gender, race, color, caste, disability, veteran status, union membership, political affiliation, national origin, religion, age, marital status, pregnancy, or sexual orientation.

3.2.1.6 Suppliers shall maintain workplaces that are free of physical or mental harassment, abuse, or any other behavior that diminishes a person's integrity or self-esteem. This includes but is not limited to harsh and inhumane treatment in the form of sexual harassment, sexual abuse, corporal punishment, mental or physical coercion, or verbal abuse of workers.

3.2.1.7 Suppliers shall maintain workplaces where workers can communicate openly with management regarding working conditions without fear of reprisal, intimidation, or harassment.

3.2.1.8 Suppliers shall respect voluntary freedom of association including the right to organize and bargain collectively in a manner that is legally

compliant. Where worker representation and collective bargaining are restricted by law, efforts should be made to facilitate open communication and direct engagement between workers and management as an alternative way of ensuring worker rights, views, and needs are considered and acted upon appropriately and in good faith.

3.2.1.9 Suppliers shall maintain a workplace where workers have a safe and healthy working environment that meets or exceeds applicable standards for occupational safety and health.

3.2.1.10 Suppliers shall undertake reasonable due diligence to assure that any of the specified 'conflict minerals' as listed in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 are sourced from smelters or mines outside of the 'conflict region' or from mines and smelters independently certified as 'Conflict Free'.

3.2.1.11 Suppliers shall not retaliate or discriminate against workers for exercising their rights in compliance with local laws and regulations.

### **3.2.2 Health and Safety**

3.2.2.1 Suppliers shall eliminate safety hazards and take precautionary measures that guard against accidents and occupational diseases. These hazards should be controlled through proper design, engineering/administrative controls, preventative maintenance, safe work procedures, and ongoing safety training. Where hazards cannot properly be controlled by these means, workers shall be provided appropriate and well maintained personnel protective equipment.

3.2.2.2 Worker exposure to chemical, biological, or physical agents is to be identified, evaluated, and controlled. Engineering or administrative controls must be used to control overexposures. When hazards cannot be adequately controlled by such means, suppliers shall provide appropriate personal protective equipment programs.

3.2.2.3 Emergency situations and events are to be identified and assessed, and their impact minimized by implementing emergency plans and response procedures.

3.2.2.4 Procedures and systems are to be in place to prevent, manage, track, and report occupational injury and illness, including provisions to: a) encourage worker reporting; b) classify and record injury and illness cases; c) provide necessary medical treatment; d) investigate cases and implement corrective actions to eliminate root causes; and e) facilitate the return of workers to work.

3.2.2.5 Workers shall be provided with ready access to clean toilet facilities and potable water. If the company provides food and housing to workers the company shall provide sanitary food preparation, storage, and eating facilities. Worker dormitories provided by suppliers or a third party agent shall be maintained in a clean and safe manner and shall have appropriate emergency egress, adequate heat and ventilation, reasonable personal space, and entry and exit privileges.

3.2.2.6 Exposure of workers to the hazards of physically demanding tasks shall be identified, evaluated, and controlled.

3.2.2.7 Production and other machinery shall be evaluated for safety hazards. Physical guards, interlocks, and barriers are to be provided and properly maintained where machinery presents an injury hazard to workers.

### **3.2.3 Ethics**

3.2.3.1 Suppliers shall prohibit any and all forms of corruption, extortion, embezzlement, bribery, excessive gift giving, or other means of obtaining undue or improper advantage. Monitoring and enforcement procedures shall be implemented to ensure compliance.

3.2.3.2 Suppliers shall properly disclose, transfer, and protect business information, customer information, and intellectual property rights in accordance with applicable requirements and contractual obligations.

### **3.2.4 Environmental**

3.2.4.1 Suppliers should adopt an environmental management system compliant with and registered to ISO 14001:2004.

3.2.4.2 Suppliers shall conduct business in a sustainable manner that places the least practical burden possible on the environment while protecting the health and safety of the public.



- 3.2.4.3 Suppliers shall obtain, keep current, and adhere to all laws and regulations requiring environmental permits, approvals, and registrations.
- 3.2.4.4 Suppliers shall identify and manage materials that pose a hazard if released to the environment and are to ensure safe handling, movement, storage, recycling or reuse, and disposal of such materials in accordance with local law and regulations.
- 3.2.4.5 Suppliers shall identify, monitor, treat, and control air emissions, wastewater, and solid waste prior to discharge or disposal as required by local law and regulations.
- 3.2.4.6 Suppliers shall prohibit the use of restricted or prohibited substances, materials, or waste pursuant with applicable laws, regulations, and contracts.
- 3.2.4.7 Waste of all types, including water and energy, are to be reduced or eliminated at the source by practices such as modifying production, maintenance and facilities processes, materials substitution, conservation, and recycling and re-use of materials.
- 3.2.4.8 Suppliers shall agree to and comply with GHSP's Environmental Policy for Visitors when visiting any GHSP facility.

## ***4. Performance Monitoring & Supplier Awards***

### **4.1 Purpose**

The GHSP supplier report card is a tool for both suppliers and internal GHSP supply chain team members to measure and monitor the performance metrics necessary to support our organization. The report card also provides some of the metrics to help GHSP monitor trends that are inputs to future GHSP sourcing decisions. In addition, it provides the baseline for detailing issues leading up to a Supplier Management Review event (SMR). The expectation is that suppliers maintain a scorecard rating of 95 points or greater. In the event that the 6-month supplier scorecard is below 95 points, a Supplier Management Review (See Quality Chapter 3) may be initiated.

### **4.2 Applicability:**

Suppliers who ship into GHSP USA Facilities (Grand Haven or Hart) shall receive a monthly scorecard via email that is based on 6 month rolling performance.

### 4.3 Scoring Calculation:

The supplier ratings will start with 100 points and deductions are determined based on the severity of the effect on GHSP operations.

4.3.1 **“A” Rank – 10pts:** This is a severe level indicating a quality /delivery/service issue that affects GHSP’s performance with its customers. Examples include (but are not limited to):

- Customer reject
- Missed delivery to customer
- Missed Customer PPAP date
- Supplier shipped to GHSP non-PPAP approved parts that were used in product shipped to customer. (no deviation)

“A” Rank PTR’s require urgent response and frequent communication with GHSP operations to ensure the highest priority of problem solving efforts are being executed expeditiously.

4.3.2 **“B” Rank- 5pts:** This covers one or more of the following conditions:

- Repeat Failure mode in last 6 months
- Created GHSP downtime
- Significant disruption to operations

“B” Rank PTR’s require 24-hour containment confirmation (at GHSP) and effective problem solving. GHSP does not have a required format but generally subscribes to the 8-D methodology.

4.3.3 **“C” Rank – 3pts:** This is a condition that does not fit an “A” or “B” rank and requires corrective action. On site containment may be required.

4.3.4 **“D” Rank – 0pts:** This is a condition that generally is not a literal non-conformance or falls under a limited line accumulation agreement. The objective of a “D” rank is to communicate the “Voice of the Customer” and drive continuous improvement initiatives.

### 4.4 Disputes

The supplier must address any dispute of a PTR within 5 business days of receipt. The dispute must be in written format with supporting documentation. The dispute should be submitted to the appropriate GHSP personnel depending on the nature of the issue. Delivery dispute issues shall go to the Plant Materials Manager, Quality dispute issues shall go to the Supplier Development Manager and Customer Service/Commercial issues shall go to the Buyer. GHSP will provide a final response to suppliers (yes or no) within 10 business days

of a completed dispute response. In the unlikely event of lack of resolution, escalation may be made through the Buyer.

#### **4.5 Suppliers shipping to Non-USA facilities:**

GHSP relies on plant Supplier Quality and Materials resources to monitor the open PTR concerns and will compare performance, if available, to USA scorecard to identify any common issues. If no scorecard is available to compare, the performance is monitored by each plant manager.

#### **4.6 Annual Supplier Awards**

GHSP values our supply chain partnerships. One way we can recognize supplier performance is through preferred sourcing status and growing our supplier's business with GHSP. Another form of recognition is an annual supplier award. GHSP has 3 types of Supplier Awards:

**Master of Quality:** This award recognizes exceptional performance in terms of our overall experience. This includes quality response time, continuous improvement capability, design support and timely shipments.

**Worry Free Launch:** This award recognizes those suppliers whose exemplary work contributes significantly to a flawless launch of a new product/service for GHSP.

**Pinnacle:** This award recognizes those suppliers who made significant investments on behalf of GHSP; examples include but are not limited to expansion of manufacturing locations closer to GHSP, aggressive cost reduction initiatives and/or product/process innovation advancements.

The supplier award criteria contain a combination of measureable performance in terms of number and severity of issues (Problem Tracking Reports) along with feedback on how we experience the supplier. GHSP forms an internal team from leaders in Materials, Logistics, Purchasing, Supplier Quality/Development and Engineering who nominates suppliers who over the last year, met or exceeded our expectations in terms of Cost, Quality, Delivery and Customer Service.

## ***5. Engineering Requirements***

### **5.1 Introduction**

5.1.1 Engineering support from our suppliers for product feasibility, product design, and tooling design / approval may be required for a particular program and/or product. Suppliers shall support design reviews and other collaborative efforts to support lowest total cost solutions for tools, products, and services.

## 5.2 Requirements

### 5.2.1 International Material Data System (IMDS)

5.2.1.1 Government and industry regulations on subjects including the environment, safety, corporate governance and product performance are being enforced around the world. The IMDS (International Material Data System) is an internet-based database that has been endorsed by the automotive industry original equipment manufacturers (OEMs) for free-of-charge use by suppliers. IMDS tracks chemical ingredients of parts and assemblies across the entire automotive OEM supply chain. The solution aids OEM's seeking compliance with national and EU regulations related to material handling and disposal. Suppliers shall submit IMDS information to GHSP prior to receiving PPAP approval.

### 5.2.2 Engineering Data Exchange

5.2.2.1 GHSP's standard format for CAD data exchange is via an STP file extension (Standard for the exchange of Product model data).

## 6. Program Management Expectations

### 6.1 General

6.1.1 GHSP expects that our suppliers will appropriately staff their team to manage the program requirements of the business they have, as well as the business they seek, with GHSP.

### 6.2 Specific

6.2.1 Suppliers must comply with all program specific requirements as outlined in the specific Supplier Statement of Work (SSOW), purchase order, award letter, or other documents defining the scope of work.

6.2.2 Launch support must be made available by the supplier to support activities including, but not limited to, the following:

- Supplier Kick-off Meetings
- Design Reviews
- Launch Team Meetings
- Advanced Product Quality Planning activities
- Build events at supplier and GHSP

6.2.3 Launch Support is required by the supplier to participate in activities at the supplier facilities such as, but not limited to:

- Supplier Build Events
- Supplier Readiness Reviews



- Supplier Process Sign-off Reviews

## **7. Procurement/Commercial Requirements & General Service Expectations**

### **7.1 Procurement General Requirements**

#### **7.1.1 GHSP purchasing expectations are as follows:**

- Suppliers shall provide a cost breakdown form, with complete information, with every quote to the appropriate GHSP Purchasing representative which may be a different person than the requestor.
- Suppliers must send all responses for quotations\* to their appropriate buyer and may copy the requestor in the event the request originated from GHSP engineering or program management. \* Capital Equipment suppliers are exempted from this requirement.
- Suppliers must clearly note the cost change, and reason for said change, on their cost breakdown for quotes related to revisions in the product being quoted
- Suppliers will be required to participate in Business Reviews as scheduled
- In addition to following the quality processes set forth in this manual, the supplier is required, as soon as the change is determined to be probable, to **immediately inform** the buyer prior to any product or process changes, including changes in manufacturing location.

## **Chapter 2: Tooling**

### **Purpose**

The purpose of the Global Supplier Standards Manual is to communicate GHSP requirements to our suppliers. It is the expectation of GHSP that all suppliers of direct materials comply with all of the requirements and expectations documented in this manual. In addition, GHSP expects this manual to provide the foundation for our working relationship with our suppliers. We will strive for excellence thru working together where priority is placed on understanding, resolving and preventing reoccurrence of issues.

### **Scope**

The scope of this policy applies to all GHSP facilities. The type and amount of involvement with our facilities will be dependent upon the locations that are involved in the purchase of products/services and the locations that experience the consumption of the products and/or services.

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## ***1. Introduction***

**1.1** Tooling and Equipment is a critical element of product design, product safety, and process safety. As such, all suppliers to GHSP shall provide tooling and/or equipment that meets defined GHSP requirements. This chapter of our Global Supplier Standards Manual is divided into three separate sections; the first which addresses tooling, gauges, and/or equipment purchased by GHSP for use at a GHSP manufacturing facility (GHSP Tooling and Equipment), the second which addresses tooling and/or gauges purchased by GHSP for use at a GHSP supplier for goods or services ultimately sold to GHSP (Supplier Tooling); and the third which addresses commercial requirements applicable to both GHSP Tooling and Equipment, and Supplier Tooling.

## ***2. GHSP Tooling (including gauges) and Equipment***

**2.1 Product Requirements** - Suppliers shall develop and manufacture Tooling and Equipment in accordance with the GHSP standard in effect at the time of contract award and any GHSP statement of work specific to the Tooling and Equipment.

The current version of these standards may be accessed at

<http://www.ghsp.com/Suppliers/Standards>.

- 2.2 Credit/Payment Terms** - Suppliers shall invoice GHSP for payment of monies owed after tooling or gauge has been validated through pre-production builds and formal approval of the tool or gauge has been provided by the responsible GHSP Process or Quality engineer. GHSP terms of payment will be 45 days after receipt of invoice.
- 2.3 Builder of Record** - Suppliers shall be the tool 'Builder of Record' for all tools and/or equipment produced in their facilities as well as all tools produced in any subcontracted facilities. This means that the supplier is solely responsible for the performance of its subcontractors which will include, but not be limited to: timing commitments, tool quality, data integrity, tool functional try-outs, quoted cycle times, shipment, delivery, adherence to applicable tool standards, and tool warranty. If tooling issues with subcontractors are not resolved by the supplier, GHSP reserves the right to redirect the subcontractor and any subsequent costs incurred will be the responsibility of the supplier.
- 2.4 Damage or Loss** - Suppliers shall insure and protect GHSP Tooling and Equipment against loss or damage at all times prior to physical receipt of GHSP Tooling and Equipment at specified GHSP manufacturing facility.

### ***3. Supplier Tooling***

#### **3.1 Definition**

Supplier Tooling is defined as tooling specifically designed for the production of a GHSP part where such tooling is unique to, and only used for said GHSP part. Its intended life (absent substantial modification or alteration) is limited to the production of the part for which it was designed. Capital equipment (i.e. stamping presses, molding machines, automated material handling equipment, etc.) and generic tooling (i.e. perishable tools, drill motors, impact guns, wrenches, etc.) shall not be considered as Supplier Tooling unless provided by GHSP.

#### **3.2 Relocation**

Supplier Tooling may be relocated to another supplier for use on that supplier's equipment. Supplier Tooling that is designed specific to a supplier's equipment should be modifiable to suit another supplier with similar equipment.

#### **3.3 Ownership**

Supplier Tooling is at all times considered property of GHSP or GHSP's customer. The supplier shall only use GHSP or GHSP customer owned tooling to manufacture

product for use in support of GHSP unless otherwise approved by the GHSP Global Purchasing Manager.

### **3.4 Maintenance and Storage**

Supplier Tooling shall be maintained, per TS16949 requirements, by the supplier at the supplier's expense and shall not be altered in any way or disposed of without the written authorization of GHSP Global Purchasing Manager.

### **3.5 Tooling Inventory**

During the first month of each calendar year suppliers shall furnish to the responsible GHSP buyer a list of all Supplier Tooling in the supplier's possession. The list shall include but not be limited to the GHSP tool identification number (asset tag number), tool description, GHSP purchase order number authorizing the acquisition/construction of the tool, and the city and state where the tool is located. GHSP shall be afforded the right to verify / audit at the supplier's facility the status and condition of Supplier Tooling.

### **3.6 Credit/Payment Terms**

Suppliers shall invoice GHSP for payment of monies owed for Supplier Tooling (regardless if the payment is for the original tool or tool changes) upon formal PPAP approval of the component(s) the tool produces and/or the gauge measures. Suppliers must provide evidence of the full PPAP approval by submitting an electronic copy of the customer approved Part Submission Warrant (PSW) that is directly related to the invoice. GHSP terms of payment will be 45 days after receipt of invoice.

### **3.7 Damage or Loss**

Suppliers shall insure and protect Supplier Tooling against loss or damage.

### **3.8 Documentation**

Suppliers shall complete and submit the GHSP Tool and Gauge Data Form as part of the PPAP submission to GHSP for Supplier Tooling.

## **4. Other Requirements**

### **4.1 Supplier Quotes**

Supplier quotes must include a detailed description for each line item entry such that each element of GHSP Tooling and Equipment or Supplier Tooling is clearly identifiable on all documentation and during any physical review.

### **4.2 Prints and Specifications**

The supplier shall provide any and all prints and specifications associated with GHSP Tooling and Equipment and/or Supplier Tooling to GHSP upon request.

### **4.3 Marking Requirements**



During the operational life of the tool, which includes the production of past-model service parts, the physical tag/markings must:

- Remain permanently affixed to the tool
- Remain legible
- Be durable in its manufacturing environment
- Not impair the operation of the tool
- Tool markings must clearly depict GHSP or GHSP customer ownership as detailed in GHSP requirements.

#### **4.4 Manufacturing Assist Declarations**

Suppliers outside of the USA who manufacture and provide products to GHSP plants located in the USA may be required to declare Manufacturing Assists when shipping parts to GHSP USA plants. This requirement will be determined and defined on the tooling purchase order. A Manufacturing Assist is defined as “anything provided to the foreign supplier by the US Buyer which is made available for free, or at a reduced rate, and used in the direct production, inspection, or testing, of the goods produced and imported by the US Buyer”. Examples include but are not limited to tooling, fixtures, gauges, testers, assembly aids, and raw materials shipped to the supplier by the US Buyer.

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  - 13.5. SMR Escalation and Expectations of final resolution
- 14. Containment**
  - 14.1. Purpose of Containment for production

14.2. Pre-Production/Launch Containment Expectations

14.3. Containment exit expectations

### **15. Supplier Request for Change**

15.1. Supplier Product and/or Process Change Process

15.2. Supplier Deviation Request Process

15.3. APQP linkage to Process Change Request, PPAP and VA/VE

### **16. Supplier Critical Part Data Submission**

#### ***1. Quality Expectations Scope***

All suppliers shipping to GHSP plants, including technical campuses, are expected to meet the quality expectations set forth in this section. Please contact your GHSP contact for questions on any topics covered in this section.

#### ***2. General Quality Expectations***

A solid systems approach to quality management is essential to achieve the level of quality required by today's demanding customers. Such an approach yields many benefits, including but not limited to:

- A common platform for Quality Management
- Improved communication due to common systems
- Common format for training
- Systemic Change Control and Improvement
- Sustainable Improvement

##### **2.1. Maintaining and Communicating Certifications**

The supplier is responsible to submit copies of the valid certifications, for each applicable facility, to GHSP Purchasing, including all renewals prior to the expiration of the current certificate on file. Failure to submit and maintain certification level established at time of approval by GHSP to our approved supplier list (ASL) may jeopardize future business. GHSP may verify compliance to the standard through process audits including verification of systemic corrective actions for problems.

#### ***3. Supplier Assessment and Development Plan SAS/SDP***

For a new supplier or a new manufacturing location for an existing supplier to be added to the GHSP approved supplier list, a Supplier Analysis and Assessment audit (SAS) must be completed. GHSP may also perform similar audits on an as needed basis or instruct the supplier to complete a self-assessment.

### **3.1 New Supplier SAS and SDP**

The result of the SAS will be one of three outcomes: 1) The supplier demonstrates a benchmark management system that is likely to result in meeting our expectations with no supplier development plan (SDP) and is thus promoted to the preliminary approved supplier list for validation during a product development cycle (award); 2) The supplier demonstrates an adequate management system with some risks that require a supplier development plan (SDP), approved by GHSP Purchasing and Supplier Development in order to be promoted to the preliminary approved supplier list for validation of product development in parallel with an execution of the improvements from the SDP ; 3) The supplier demonstrates significant weaknesses in their management system and is not promoted to the preliminary approved supplier list.

### **3.2 Existing Suppliers**

Existing Suppliers will follow the same requirements as new suppliers in situations where the supplier is adding a manufacturing location that does not currently produce product for GHSP from that location. Existing suppliers may be required to support a GHSP led supplier assessment audit or conduct a self-assessment audit to be eligible to be considered for a preferred supplier status.

## **4. *Advanced Product Quality Planning (APQP)***

### **4.1 APQP Planning and Reporting**

APQP is an automotive industry standard, used when new products are introduced into the market to monitor launch activities for all suppliers regardless of the GHSP end product. This standard has been demonstrated, when followed, to result in a worry free product to which the GHSP brand is attached. The GHSP APQP tracking report can be found on the GHSP company website.

The supplier will be notified which parts require report out of APQP tracking. Program kick off meetings are often held to further communicate product/ manufacturing process development requirements as an integral part of the launch process. The Supplier Development Engineer(s) and Tactical Buyer(s) are the primary contacts throughout the launch.

Suppliers may also be required to demonstrate conformance to unique OEM customer specific requirements and/or provide customer specific documents. If this is the case, the supplier will be notified accordingly

The suppliers are expected to manage their own APQP activities in accordance with their program timeline, which is constructed in a manner that is designed to deliver a fully vetted out production ready product/service. GHSP may provide feedback from time to time; however, the APQP process is to be managed by the supplier. The APQP report is a method to communicate supplier readiness to GHSP. Documentation and APQP process evidence may be required to be submitted throughout the launch process for review.

All pre-production part container/packages must be identified with, at a minimum, the GHSP part number, quantity, revision level and purchase order number. Any pre-production parts that are shipped without proper identification as stated above may be returned at the supplier's expense.

Prototype and non PPAP approved pre-production parts must have a full 6 piece dimensional/material/functional layout sent for each lot of a singular *production* event. This ensures that both the supplier and GHSP understand the maturation level of the product.

## **5. *Process Sign Off (PSO)***

### **5.1 PSO Introduction**

The Process Sign Off is an in depth, cross functional review of both the process documentation and the actual manufacturing process with trained personnel. By verifying conformance of the documentation as evidence of the intended process and then reviewing the production process is capable of producing quality parts in sufficient quantity for production, this enables GHSP to acquire a first-hand understanding of the supplier's production readiness. GHSP uses the PSO process as a tool to assure our customer that our suppliers meet all requirements.

### **5.2 PSO Expectations**

The PSO is required to be performed on all new parts or parts whose capacity has been modified\*. Parts that have been identified to be of high risk will have a PSO led by a GHSP SDE. Parts that have an acceptable risk assessment will have a supplier led PSO event. Any product or process change that occurs after initial PPAP approval must be reviewed by GHSP to determine whether a new PSO is required regardless of what party will lead the event. PSO's are to be completed prior to supplying parts for saleable vehicles.

### **5.3 Sub-Supplier PSO**

Suppliers are expected to conduct sub-tier supplier PSO assessments prior to the PSO for the product made for GHSP. Sub-tier supplier PSO assessments are not requirement for

bulk materials provided that sub-tier supplier has confirmed they have adequate capacity to meet the contractual demand.

## 5.4 Capacity Verification vs. PSO (Run at Rate)

The PSO event is not synonymous with capacity verification. The PSO event is focused on the end item manufacturing stream and does not account for shared process capacity within the manufacturing cell or upstream of the production line. A separate capacity analysis will be required by the supplier to validate that the supplier has adequate capacity to meet average per week and maximum per week (APW/MPW) requirements. The supplier will work with the tactical buyer to determine the quantity and production time required for capacity verification. Unless otherwise specified, the Ford Capacity Analysis (CAR) form will be used. <http://www.ghsp.com/Suppliers/Standards/>

*\*For example; manufacturing capacity can be increased by way of additional capital and/or tooling or capacity may be decreased to support service parts through a process flow re-design converting to a less automated means to re-use capital for higher volume production requirements.*

## 6. Measurement System Analysis (MSA)

### 6.1 Measurement System Analysis Introduction

AIAG's Measurement System Analysis Manual (and applicable Customer Specific Requirements) describes the methodology for determining if the measurement technique(s) and equipment are capable of collecting accurate data to use for decision making, up to and including driving improvements. MSA is a complex activity requiring expertise and a strong understanding of statistics to accurately interpret the results and solve issues as they arise. Gauge Repeatability and Reproducibility is commonly referred to as GR&R, but linearity, bias and stability studies are also required elements as described in the AIAG MSA Manual. In general, the GR&R study should use the full range of part to part variation from the process, which represents expected sources of variation. It is a good practice to collect parts over as many process set ups as possible.

### 6.2 MSA Expectations

Most MSA studies are performed by using software. It is expected that all GHSP suppliers validate the software they are using through the application of a standardized input data set and check using corresponding expected output results. Example validation data sets are available on the GHSP website.

For variable studies used for PPAP, the GHSP preferred method for calculating Gauge R&R is by using the Analysis of Variance (ANOVA) method with 10 parts, 3 operators and 3 trials, since the ANOVA method enables the assessor to separate out the variation coming from the interaction between the part and the operator whereas the Average and Range or Range methods do not. An initial MSA such as a percent tolerance method should be conducted early with parts from multiple runs (prototype, first shots from production and early maturation runs) to validate that the measurement system is acceptable prior to the

significant production run. Prior to conducting the Initial Process study for PPAP; the MSA must be done with parts selected from the data set used for the initial process study. The supplier will report the number of distinct categories. Documentation as evidence of these evaluations will be readily available for review and submitted to GHSP per AIAG PPAP requirements as requested.

## 6.3 Gauge Certification and Calibration

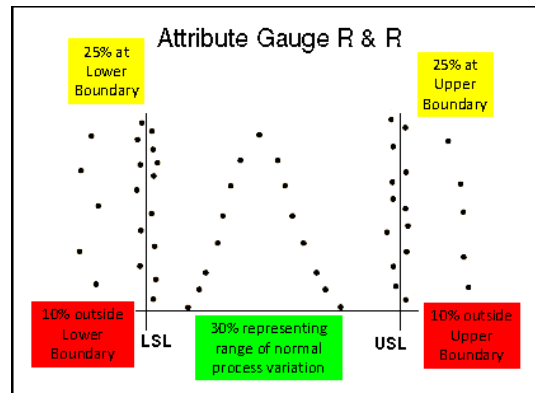
All part specific gages or checking fixtures used for GHSP product quality will be dimensionally certified as part of initial PPAP and evidence of compliance to drawing included with the PPAP package. Gauges and checking fixtures will have a MSA/gage R&R completed. All gauges or measuring instruments used for controlling GHSP product must be calibrated annually, unless frequency is higher based on manufacturer's recommendations or required based on what is learned from the stability/linearity/bias studies.

## 6.4 Gauge R&R Acceptance Criteria

**Variable:** Gauge R&R as a percent of study variation\* of less than or equal to 10% is acceptable with a minimum number of distinct (n.d.c) categories  $\geq 5$ . The study variation should be representative of the production runs with all known sources of variation. We understand that it is not always feasible to intentionally change sources of variation such as raw material lot variation. GR&R acceptance needs to be in context relative to the initial process or long term process studies (whichever apply) as the GR&R as a %SV is inversely proportionate to the amount of process variation. In the special case where the manufacturing process is very capable, stable and in statistical control; generally, a  $Ppk > 2.5$ , the GR&R % study variation may be in excess of 10%. In this case, the percent tolerance method may be used. In this case, the number of distinct categories requirement is not required, the values on the range chart are not always within control limits and more than 50% of the values on the Xbar chart may be inside the control limits. If the %Tolerance method is applicable, a value of less than or equal to 10% is acceptable.

<b><u>Results*</u></b>	<b><u>Interpretation</u></b>
<i>GRR &lt; 10%</i>	<i>The GRR meets the acceptance criteria</i>
<i>GRR &gt; 10% &lt; 30%</i>	<i>The GRR does not currently meet the acceptance criteria and risk of shipping non-conforming product requires guard banding until improvements can be made to meet acceptance criteria.</i>
<i>GRR &gt; 30%</i>	<i>The GRR does not currently meet the acceptance criteria and requires improvements to be made to meet acceptance criteria. Further, gage cannot be used for production control methods.</i>

**Attribute:** The attribute gauge must reject all parts outside the specification limits. Rejecting good parts may be acceptable if the throughput/capacity losses are acceptable to the team. All Kappa values should be greater than 0.75. Kappa values less than 0.75 may be acceptable if the reason is limited to operators rejecting good parts. The parts used for the attribute study should follow a normal distribution to adequately determine the gauges ability to properly determine if the gauge is capable to separate acceptable from non-conforming throughout the full range of variation and product tolerance. As a general guideline 50% of the parts should be evenly split between the upper and lower tolerance. 30% should represent the expected process variation (selected from initial process capability) and 20% of the parts should be split evenly outside the specification, even if the parts are “specially” manufactured to represent these conditions.



## 7. Statistical Process Control

### 7.1 SPC Introduction

AIAG’s Statistical Process Control Manual (and applicable Customer Specific requirements) describes the methodology for assessing variation as well as analyzing and monitoring processes. SPC is a complex concept requiring expertise and a strong understanding of statistics to properly apply the technique(s), interpret the results and solve issues as they arise. GHSP expects suppliers to have resources that have proper knowledge and practice in statistical theory to ensure appropriate application of techniques. While the AIAG PPAP manual sets forth requirements, there may exist exceptions where it is improper to blindly use these approaches.

### 7.2 SPC Expectations

GHSP expects suppliers to be proficient in the use of Statistical Process Controls in accordance with the current revision AIAG Statistical Process Control manual and apply SPC as appropriate in their processes.



## 7.3 Initial Process Studies-

The purpose of the Initial Process study is for the manufacturer to determine if the manufacturing process is likely to produce product that will meet customer requirements. These studies, by their nature, are short term and will not predict the effects of variation over time. Initial Process studies that are assessed by using software are expected to be validated by using standard input data and checked using corresponding expected output results. Example validation data sets are available on the GHSP website.

**7.3.1 Design Records without Critical or Special Characteristics:** Suppliers must conduct an initial process study on at least 1 product characteristic that would indicate to the manufacturer the level of process stability and predict if the process is expected to meet customer requirements.

### 7.3.2 Design Records with Critical and Significant Characteristics:

Suppliers must conduct an initial process study on each unique Critical and/or Significant Characteristic(s).



### 7.3.3 Conducting Initial Process Studies:

Suppliers conduct studies by using at least 125 data points (sample size), sub grouped into 25 groups with a subgroup size of 5, sampled from their significant production run using the expected range of variation from the manufacturing process (e.g. the actual manufacturing environment, all tools, all cavities, all manufacturing process streams and expected manufacturing cycle time.). The study must start by analyzing if the process is in statistical control on an Xbar and R chart. If the process is stable, then the supplier must evaluate normality and determine the capability index. If the process is stable but not normal, then the data should be matched to the best fitted distribution for calculating the capability index. If the process is not stable, the supplier must determine and eliminate the sources of the special cause(s) and repeat the study(s) until the stability criteria can be met.

### 7.3.4 Acceptance Criteria for Initial Process Study

<b><u>Results</u></b>	<b><u>Interpretation</u></b>
<i>Index <math>\geq 1.67</math></i>	<i>The process currently meets the acceptance criteria</i>
<i>Index <math>&lt; 1.67</math></i>	<i>The process does not currently meet the acceptance criteria and risk of shipping non-conforming product requires modified control methods that are 100% effective until process improvements can be made to meet acceptance criteria.</i>

### 7.3.5 Advanced Statistical Techniques

Suppliers with resources with demonstrated understanding of statistics are encouraged to apply more sophisticated techniques (for example, Johnson's Transformation in the

event the initial process study is not normal or use long term historical standard deviations in place of the short term standard deviation).


## 7.4 Control Requirements for Special Characteristics:


GHSP has 4 primary Special Characteristics: 1) A Critical Characteristic is a feature if non-conforming has a high likelihood of causing a safety critical failure on the GHSP end item or a severity of  $\geq 9$  on our DFMEA. 2) A Significant Characteristic is a feature that if non-conforming, would have a high likelihood of affecting customer satisfaction. 3) A Pass-Thru Characteristic is a characteristics associated with a GHSP customer requirement (OEM) that is NOT inspected in the GHSP process and if non-conforming would have high likelihood of being passed onto GHSP's customer. PTC inherently has higher liability risks to the supplier if a non-conformance is found. 4) A Control Point is a product characteristic which, if non-conforming, has a high likelihood of affecting form, fit or function of the final product. The Symbols are shown below

CC – Critical Characteristic is denoted with a star outline symbol



SC – Significant Characteristic is denoted with a solid star symbol

PTC – Pass-Thru Characteristic is denoted with a PTC Flag 

CP – Control points are denoted with a CP flag 

### 7.4.1 Critical Characteristics(CC)

CC's require controls which prevent shipment to the end customer of any non-conforming product regardless of the location in the supply chain (Tier 1 through Tier N) of the manufacture of the physical characteristic(s) associated with the Critical Characteristic. The ongoing method of control will be agreed upon with the GHSP Supplier Development Engineer and must be documented in the control plan.

Prevention controls may be 100% error proofing or 100% error detection with 100% machine segregation locking out defective parts from potentially getting mixed.

Statistical Process Control on product characteristics without continuous manufacturing process controls is not appropriate or sufficient for Critical Characteristics. Suppliers may use the long term control charts as evidence of meeting ongoing process capability requirements for annual revalidation PPAP.

**Any component supplied to GHSP that includes a critical characteristic designation shall conform to section 16 of the Global Supplier Standards Manual, Supplier Critical Part Data Submission.**

### 7.4.2 Significant Characteristics(SC)

The ongoing method of control will be agreed upon by the Supplier Development Engineer (e.g. mistake proofing, process improvement, SPC, 100% check, sample size and frequency of inspection, etc.). Supplier may use long term control charts as evidence of meeting ongoing process capability requirements for annual revalidation PPAP.

#### **7.4.3 Pass Thru Characteristic(PTC)**

There are no specific SPC requirements for PTC's. Error-proofing or 100% end of line failure detection is strongly encouraged.

#### **7.4.4 Control Point (CP)**

Control Points are to be included in the Supplier's Control Plan with documented sample size, frequency and control method agreed upon with the GHSP Supplier Development Engineer

## **8. *Production Part Submission Process (PPAP)***

### **8.1 Supplier Part Submission Introduction**

Supplier PPAP activity is primarily for the manufacturer and not for the customer. The PPAP submission is a documented physical and functional inspection process to verify that defined manufacturing methods are capable of producing an acceptable product as specified by applicable customer design records such as engineering drawings, material and/or performance specifications, purchase orders, etc during actual production at a given quoted rate.

GHSP utilizes common industry practices and forms as outlined in the AIAG Production Part Approval Process manual (latest published version). Suppliers are required to follow these standard practices when preparing to PPAP to GHSP. Suppliers are expected to execute ALL applicable elements of PPAP regardless of what evidence we request the supplier to submit for approval. GHSP submission requirements also include International Material Data System (IMDS) reporting, regionally accepted equivalent documents and other documentation required by specific OEM customers.

### **8.2 Supplier Part Submission Applicability**

Suppliers to GHSP are required to prepare and provide part submission packages for new parts, corrections to a previous submission, engineering changes, and any other changes to design, process or facility. Submission and subsequent GHSP approval is required PRIOR to first production shipment. Any material received at GHSP from an unapproved PPAP will be deemed non-conforming. In the event that unapproved material passes through our organization and is shipped to an OEM, such material will be deemed non-conforming and

all liability of costs to quarantine and replace the end product will be the supplier's sole responsibility, including freight and transportation.

Submission process applies to initial production runs using planned manufacturing processes, tooling, equipment, materials, and operators to validate a significant quantity of parts for future use. Prototype parts or parts built using methods different from those intended for the normal production process are not considered to be initial production runs, nor are subject to part submission requirements (unless specifically communicated by the appropriate GHSP quality contact for the program).

Additional details regarding other planned changes and related submission requirements can be found in Section 15-Supplier Request for Change.

### **8.3 Supplier Part Submission Process**

For new launch business, the start of production date and PPAP timing requirements are communicated by the designated buyer in the sourcing events. The GHSP Supplier Development Engineer (SDE) will communicate what elements of PPAP are required to be submitted using the Supplier APQP Report form.

For current production business in North America, the GHSP Supplier Quality Engineer (SQE) will communicate what elements of PPAP are required for submission. For current production business in Asia, the GHSP SDE will communicate what elements of PPAP are required for submission.

The supplier is responsible to prepare and submit the PPAP package to the designated GHSP representative (SDE/SQE) for approval. Unless otherwise stated, Level 3 submission is required for parts used for the GHSP significant production build for the purpose of PV testing. The GHSP representative may choose to validate the PPAP submission package content at the supplier's facility. At GHSP's discretion, a submittal review may also be conducted at a supplier's sub-tier suppliers.

The submission package is approved or rejected based on conformance to all requirements. The GHSP representative notifies the supplier of disposition and documents status in the submission package. Suppliers are expected to submit conforming PPAP's and not use the customer to inspect the quality of the submission. GHSP offers a PPAP checklist that is recommended for verifying work product quality of the PPAP submission and may be required as a PPAP deliverable. This checklist is available on our website under "Policies & Procedures". Failure to submit conforming PPAPs may result in customer service PTR's and if a pattern of submitting defective submissions is detected, it may result in GHSP notifying the supplier's registrar of the systemic breakdown. A signed approved PSW warrant from GHSP signifies that supplier has authorization to ship parts for production per the MRP requirements. The first shipment of the production parts from a PPAP will be

marked on the outside of the packaging ***“First Shipment of PPAP Approved Parts”*** to communicate to the GHSP production facility. If the submission package is rejected, the designated representative works with the supplier to resolve any discrepancies and to establish timing for a revised submission. Production shipments cannot begin until part submission approval is received. GHSP may choose to approve a Supplier Deviation Request or grant an interim approval if it is necessary to utilize the parts prior to full submission approval. Suppliers are responsible for implementing additional containment measures that protect the customer during the period in which the Interim PPAP Approval or Approved Deviation is effective. Suppliers are responsible for the costs related to resubmission.

### 8.4 Annual Revalidation Requirement

GHSP suppliers will complete an annual revalidation in order to demonstrate continued conformance to proper engineering levels and performance to design intent. The annual revalidation will be documented on the supplier's production control plan. The annual revalidation will be completed and available upon request for parts produced more than 1 year from the last full PPAP approval date. Suppliers are not required to submit annual packages unless requested. However, suppliers are responsible to develop a system to conduct annual revalidation, independent of GHSP's request and annual revalidation submission packages should be readily available according to the retention policy described in Section 8.5. If a report is not requested, suppliers shall report the date when the validation was completed to the GHSP Supplier Quality Engineer. Annual revalidation packages require a minimum:

- 1) 5-piece dimensional layout with all cavities represented if mold has  $\leq 5$  cavities
- 2) Material Certifications less than 1-year-old, unless raw material turn is  $\leq 1$  turn per year.
- 3) Annual Performance testing (DVP&R) per Annual Revalidation or Continual Conformance section of control plan approved at original PPAP.
- 4) Control charts are acceptable provided the control limits are consistent with an  $\text{Index} > 1.33$  and there is supporting evidence of adequate reactions to all out of control points.

Non-conformances found during the annual revalidation process must follow the corrective action (8-D) methodology including notifying GHSP that supplier is containing the defect. If the issue cannot be contained, then the supplier must stop shipment and immediately contact the buyer to determine action plan.

### 8.5 Quality Document Retention

Suppliers to GHSP will maintain quality records such that they are retrievable and legible upon request by GHSP. GHSP requires record retention duration of 10 years from initial full PPAP approval. Records related to nonconforming product for trend analysis and problem identification will also be maintained for the same period of time. This requirement extends into sub-tier 1 through N.

## 8.6 Configuration Control and Lot Traceability

The supplier will be responsible for controlling/tracking the actual configuration of material of parts to the approved engineering documents in addition to any changes to ensure that the end product meets specified functional and physical requirements as contracted.

Additionally, the supplier will have a robust system in place to provide (upon request) lot or part traceability back to the raw material stock for all material shipped to GHSP.

## 8.7 Customer Specific Requirements

Suppliers must also meet all applicable OEM Customer Specific Requirements (CSR), as specified in the supplier statement of work and must be able to show records of compliance. The applicable requirements are exclusive to those that are in the public domain including the GHSP website, AIAG websites and OEM specific websites. Requirements that are only available in secured locations (username/passwords) that are not made directly accessible to GHSP suppliers by OEM's are excluded from this requirement. Exceptions to CSR's must be resolved and reflected in the statement of work or on the design record, if exception is related to part form, fit or function.

# 9. *Quality Performance Reporting*

## 9.1 Key Process Indicators

Key Process Indicators (KPI's) are used by GHSP to measure the effectiveness of internal business processes. Suppliers are required to define KPI's that are relative to their operation, set targets for these metrics, measure them relative to the established targets, report their findings, and develop improvement plans based on the results. KPI's are to be regularly reviewed by management and must be available upon request during an SMR event.

Examples of KPI's that are relevant to a manufacturing facility may include (but not limited to):

<b>Quality Measures</b>	<b>Manufacturing</b>
Customer PPM	Schedule Attainment
Internal PPM	Scrap %
# Repeat Problems post Corrective Action	Inventory Costs
Supplier PPM	First Time Capability (FTC)
<b>Shipping</b>	<b>Safety</b>

On time delivery  
Premium Freight Costs

Lost time Accidents  
Recordable Accidents

## 10.0 *Quality Deliverables*

### 10.1 PPM Expectations

The expectation for supplier performance is 0 PPM (0 defects)

Product that is received into GHSP facilities that does not conform to the drawing specification(s) and /or agreed upon standards will be counted against a suppliers PPM record. Quantities will be reported in the units of measure in which they are purchased. This applies to production parts. **The following conditions are considered Quality PPM designated by A, B or C rank PTRs:**

- Production Parts that do not meet drawing specifications, dimensional, functional and/or appearance standards as called out in the specification or from an approved boundary sample by a GHSP representative.
- Production parts damaged as a result of inadequate packaging, regardless of GHSP approval of the packaging form. Production parts damaged from transportation for which the supplier is responsible.
- Shipments that are received with mixed parts or parts that are the wrong revision level after the clean point has been established. Reject/Defect quantity is for the quantity of incorrect parts only.
- Any defects outside the boundaries of an approved deviation for cases where supplier may be shipping prior to PPAP approval.
- Out of specification parts shipped prior to PPAP approval without an approved deviation. This includes production samples used during product development cycle (launch) that have a design record at REL level or beyond.

**The following are examples of situation where Quality PPM is not applicable:**

- Parts that meet drawing specifications and/or boundary sample requirements but are not useable.
- Parts that meet drawing specification and/or boundary sample requirements that are rejected by a GHSP facility.
- Parts that have not been released for production (i.e. not at revision REL or beyond on a design record). This excludes prototype parts off prototype tooling.
- Parts that have an approved deviation for a non-conforming condition(s); these parts cannot be assigned PPM if the problems are only associated with the deviated characteristic.

### 10.2 Correcting PPM

When a quality issue requires containment, the suspect material must be sorted 100% for all material including parts at all GHSP locations, in inventory at supplier, and material in transit. If suspect parts are removed from the GHSP location (and moved to non-nettable inventory) and sorted off site (at supplier or 3<sup>rd</sup> party) the supplier must complete the sort and return certified material to GHSP in a timely manner including reporting any defects found. The plant will update the PTR defect quantity in accordance to the finding. A timely manner is defined such that the GHSP production facility is uninterrupted by the sorting activity. Suppliers are encouraged to work with GHSP materials planners to understand when they need certified material to maintain uninterrupted production schedules. If a supplier identifies, communicates and takes appropriate action to correct a potential problem before the problem is identified or before parts are used in a GHSP facility, then the parts will not be counted against PPM and no points will be deducted from the supplier's scorecard. Suppliers may authorize scrapping material if it does not interrupt GHSP production.

Parts which are out of specification may be used "as-is" with an approved deviation signed by GHSP Engineering and Quality representative, if the purposed is to maintain production to prevent potential interruption at GHSP's end customer. In these cases, PPM may be assigned based on risk, non-conformance history, and severity as determined by the DFMEA from GHSP Engineering.

### **10.3 Degradation of Quality Control of Critical Characteristic.**

A Critical Characteristic is considered the highest level issue within GHSP because of the safety and liability implications that could occur as a result of the non-conformance(s). In the event that a Critical Characteristic(s) are found to be non-conforming after the production controls, per the control plan, were executed, this is an indication that the control system has degraded (worsened). Supplier containment and immediate notification to request approval for a change in production control plan will be required until such time the root cause(s) can be identified, verified and corrected. Containment can take the form of a downstream error proofing activity on the GHSP assembly line provided that the supplier agrees to fund the costs and GHSP is able to maintain cycle times. The goal is the most effective detection method of the defect. **One CC defect is one defect too many.**

### **10.4 Degradation of process capability of Significant Characteristic**

A Significant Characteristic is considered the second most issue of priority within GHSP because of the functional impact as well as the impact to our First Time Capability measure reported to OEM customers. In the event that the ongoing SPC controls indicate that the overall process capability has degraded below 1.33, the supplier is expected to notify customers, identify 100% effective containment measures and request approval to implement the change in the production control plan until such time the root cause(s) can be



identified, verified and corrected. The objective is to implement the most effective detection method thus suppliers may consider alternatives at the first assembly station error detection at GHSP provided that the supplier funds the investment in the equipment and the change does not have *a significant impact on GHSP's schedule attainment*.

## **10.5 Outgoing Inspection and Reaction to GHSP Incoming Inspection Concern for material shipping to GHSP China**

GHSP China manufacturing facilities have unique requirements in regards to receiving outgoing inspection reports from suppliers to be used to compare to GHSP incoming inspection data. The purpose of this is to verify that each shipment we receive when inspected, matches the outgoing data from the supplier on critical, significant and in some cases, pass thru characteristics. Detection of outgoing quality issues is the supplier's responsibility and any incoming inspection done at GHSP, will be driven by risk and/or past problem history with the specific supplier. Outgoing Final Quality Checks (FQC) will be documented on the supplier's production control plan.

## **11. Supplier Chargeback**

### **11.1 Supplier Chargeback Communication & Expectations**

Suppliers are notified of nonconforming material through the Problem Tracking Report (PTR) Notice. Nonconforming material is defined as suspect or rejected product that is deemed defective according to the design record(s), product specifications or established appearance boundary samples. PTR's are subject to a \$250 USD administrative fee for quality, delivery and service issues. If the problem results in a line down situation, a minimum of a \$750 USD administrative fee will apply. No RMA's are required for administrative fees. Suppliers are expected to issue a return material authorization (RMA) within 24 hours of PTR notice to the GHSP designate (shown below) to authorize actions including, but not limited to, scrap, re-work, sorting on site, or returning material to vendor. Supplier chargebacks should be targeted for closure within 30 days and can only be extended with the written acknowledgement of the commodity buyer.

<b>Issue Type</b>	<b>Representative</b>
Quality issues at GHSP NA factory:	Plant Supplier Quality Engineer
Quality issues at GHSP Asia factory:	Commodity Supplier Dev. Engineer
Delivery Issues at any GHSP factory:	Material Planner
Customer Service:	Buyer

## **12. Problem Solving Documentations**

### **12.1 Supplier Problem Solving Expectations**

The 8D Problem Analysis Report is the GHSP preferred problem solving format for use by all GHSP facilities. The 8-D Problem Analysis Report provides a means for the definition and resolution of issues through problem solving.

Each supplier is responsible for appropriate and timely application of the 8D and for ensuring their organization possesses the knowledge and skill level to solve problems. It is expected that a completed 3-D is submitted within 24 hours (1 business day) of receipt of PTR notice to contain issues where the manufacturing location and GHSP factory giving notice are in the same relative time zone. In the event that the supplier is providing product from a foreign location greater than 8 hours' time difference, the containment period will be less than 3 days' time. A completed 3-D shall include a containment plan consisting of method of containment, verification of containment effectiveness and timing of containment actions. **If the supplier has determined there is risk that suspect material has been shipped to GHSP, the supplier must immediately notify each affected fulfillment location and make containment arrangements to protect GHSP. All product created by the same or similar processes must be contained until verified to be acceptable to the design record.** In-transit material to any GHSP ship to locations must be identified and the method of certification shall be communicated.

Each supplier is expected to submit evidence to prove potential root cause(s) are real and in some cases, prove them not to be real. The permanent corrective actions will be directed at a method to detect the cause of failure mode, not an action that is intended to detect the failure. Failure detection costs may be an interim control to protect GHSP but cannot be the basis to close out a problem as this drives non-value add waste in our supply chain that has the potential to become new business practices creating uncompetitive supply lines. Supplier can dispute a PTR and request it to be deleted if adequate evidence is provided that root cause could not have occurred at supplier. Suppliers are expected to follow the PPAP requirements (Section 8) for permanent corrective actions that fall under the scope of PPAP. GHSP has contractual OEM obligations to request Tier 1 to N changes thus it is critical to follow the change notification and request sequence with absolute discipline. It is an expectation that suppliers manage their corrective actions and avoid letting them age beyond 90 days. In the event that the supplier has submitted permanent corrective actions (PCA) and GHSP is restricting supplier's ability to implement PCA, please notify the GHSP Strategic Buyer to escalate the concern. Suppliers are expected to verify PTR closures via monthly reviews of supplier scorecards. The suppliers are encouraged to raise concerns to the buyer if they believe that PTR's closures have not been correctly reflected in their scorecard.

## ***13. Supplier Management Reviews (SMR1)***

### **13.1 SMR Introduction**

A Supplier Management Review is an escalation process used to ensure that the supplier is placing the proper focus on a systemic issue(s) and establishing corrective actions that result in a substantial change in performance over time, as reflected in supplier scorecards.

## 13.2 The SMR Review and New Business Hold Criteria

SMR/ New Business Hold Criteria	SMR #1	SMR #2	Hold New Business
Chronic documented unresolved problems in the area of Quality, Service, Logistics and/or Delivery.	X		
Special Characteristics (CC, SC, PTC) that have been received as non-conforming in any GHSP facility. Discovery that a supplier has not submitted PPAP packages for changes as required by 4 <sup>th</sup> Edition PPAP requirements.	X		
Discovery that a supplier has shipped production product to GHSP without PPAP approval or a valid GHSP deviation.	X		
Production suspended at GHSP resulting in a customer disruption, or significant cost to GHSP due to a suppliers' product quality, part shortage or logistical issues unrelated to a force majeure event.	X		
Chronic, documented, unresolved SMR problems spanning more than 2 quarters or deemed high risk requiring immediate action.		X	X
Unreasonable response from the supplier or indications that no progress has been made to resolve SMR1 issues.		X	X
Suppliers inability or unwillingness to work with GHSP to make fundamental quality system improvements.		X	X
Unresolved special product characteristics, as defined on the print, do not meet Ppk or Cpk requirements as expressed in the AIAG PPAP requirements and/or engineering documents.		X	X
Continued customer dissatisfaction of a supplier's product quality, delivery or logistical issues, including resourcing sub-contractor(s) to known capable supply chain.		X	X
Significant single event issue (Quality, Delivery, Cost, Other)	X	X	X

## 13.3 SMR Notice and Expectations of Conducting SMR Review

The Supplier Management Review is the opportunity to discuss the important concern(s) of GHSP and review the corrective action plans. The SMR 1 level is intended to be conducted by

the supplier's management staff. The SMR 1 notice is initiated by sending a Meeting Notice form to the supplier. Focus must be placed on effective critical thinking, systemic root cause analysis, and identification of meaningful countermeasures. All quality and delivery problems are to be supported with appropriate data. The supplier is expected to bring a permanent corrective action plan for all the items referenced in the agenda. The buyer is responsible to collect detailed meeting minutes, including any additional agreed upon action items to be taken, and subsequently distributing the minutes to all attending parties. The buyer determines if the action plan is acceptable with or without minor changes. If the corrective action plan is not acceptable then an SMR 2 may be called. The SMR 2 is intended to be conducted with the supplier's executive (C level) staff.

#### **13.4 SMR Exit Criteria**

The supplier will implement the GHSP approved systemic corrective action plan and will provide evidence of corrective actions along with data demonstrating a measurable impact. The data required is commensurate with the issues experienced. For example, if the issues are regarding chronic delivery, the data may be several weeks to months of on time delivery reports or production schedule attainment charts. If the issue is chronic quality issues, the evidence may be a combination of demonstration of mastery problem solving and incorporation of the learning into design, equipment or manufacturing standards. On site verification of improved process may be required. If the corrective action is not satisfactory, or insufficient evidence is presented, a determination is made whether to escalate the SMR to the next level.

#### **13.5 SMR Escalation and Expectations of Final Resolution**

The SMR 2 notice is initiated by a member of GHSP Supply Chain Management staff and is sent to the appropriate supplier senior management. An SMR 2 indicates that a substantial degradation has occurred with ineffective corrective action or corrective action at a pace that indicates a likelihood of continued impact in our operations and/or launch team. The SMR 2 is an executive discussion. In rare, extenuating circumstances and at GHSP discretion, a contractually allocated resource may be assigned to the supplier to lead initiatives to ensure sustainable improvements are made. The outcome of the review will determine whether the supplier is placed on new business hold or whether the supplier may still be considered for quoting new business during the recovery timeframe.

### ***14. Containment***

#### **14.1 Purpose of Containment for Production**

Containment is accomplished through deployment of additional controls in the supplier's process to identify known or potential non-conformances and to prevent such non-conformances from shipping to GHSP.

Additional controls can include but are not limited to: statistically based inspection audits, dimensional measurements, SPC checks, appearance checks, part functionality checks (EOL tester), label verification systems, check fixtures/gage and poke-yokes.

The goal of containment is to protect GHSP and its customers from defective material escapes during the initial product and process startup (pre-production), throughout production and in reaction to a quality issue identified at any location in the supply chain. The following section details our expectations for each of these phases:

### **14.2 Pre- Production/Launch Containment Expectations**

Pre-production containment applies to any parts produced for prototype, pilot or saleable vehicle builds at GHSP prior to full production. Pre-Production containment activities are a requirement of the suppliers APQP process and must be documented on the prototype or pre-launch control plan whichever applies. The Pre-launch control plan includes increased frequencies and additional tests over and above the Production Control Plan to ensure heightened product and process quality until the supplier's production process is validated. The exit criteria to validate the production process will be documented on the pre-launch control plan. During pre-production, the sample size and/or frequency of product inspection is typically 100% and does not replace the final part audit. The GHSP SDE reviews the pre-launch control plan which is typically done during the Process Sign Off event. Open issues from the PSO will drive deployment of additional controls and documentation in the pre-launch control plan.

Issues that remain 90 days post GHSP SOP may be subject to 3<sup>rd</sup> party containment if the SDE deems it to be appropriate as supplier has had reasonable time between suppliers PPAP due date and the program SOP date to resolve issues.

### **14.3 Containment Exit Expectations**

Criteria for exiting containment will be approved by the GHSP quality contact. Exit criteria will be based on reaching a predetermined quality level and not a number of parts or days sorted. To exit containment, the supplier must achieve a predetermined quality level (generally 0 defects) and maintain this level for a minimum of 30 days or 3 production lots.

## ***15 Supplier Request for Change***

GHSP acknowledges that suppliers may have a need to request a permanent change to their product and/or manufacturing process. Changes include, but not limited to, VA/VE improvement

initiatives, increased capacity requirements, manufacturing footprint optimization, sub-tier supply resourcing or other changes. We further recognize, that deviations to requirements may be requested and expect suppliers to manage the risk of approved deviations accordingly. A deviation is defined as a short term change from an approved, usual, expected or planned process. Examples of a deviation would include, but not be limited to, requesting approval to ship production parts without full PPAP approval, requesting approval to implement re-work as a containment activity or utilizing non-returnable packaging as a substitution for approved returnable packs.

### **15.1 Supplier Change Request and Approval Process**

The process below defines the steps for supplier product or process changes to ensure that they meet GHSP requirements and the OEM's Customer Specific Requirements. All suppliers are expected to follow the process as outlined.

GHSP requires advance notification and written approval prior to all changes and /or transfers, failure to do so may result in the supplier being placed on New Business Hold Status, a formal notification to the TS16949 or ISO9001 supplier registrar and/or financial consequences.

Product and/or Process Changes that require GHSP approval to implement:

- Any change that could affect form, fit or function
- Any product change that would be reflected on the design record(s)
- Supplier manufacturing process change (permanent)
- Change in manufacturing or shipping location
- Change in sub-supplier
- Modified equipment or tooling
- New or refurbished tooling or equipment (excludes perishable tooling)
- Changes in test/inspection methods
- Revisions to the line layout or work station

Steps for obtaining approval to MAKE the requested change:

1. Prepare and submit a completed GHSP Process/Product Change Request form with supporting detail. The form is located on our corporate website [www.ghsp.com](http://www.ghsp.com)  
Incomplete forms will be rejected.
2. GHSP Supplier Quality or Supplier Development will evaluate the request and if acceptable, will seek internal approvals as needed.
3. Supplier receives approval to move forward with change request or rejection.
4. Supplier submits PPAP and PPAP samples (if needed) to GHSP quality contact for disposition.
5. If PPAP is rejected, supplier is required to make the changes needed to overcome the objections

6. If Supplier PPAP is approved (Full or Interim), supplier may begin shipping product with a label on the outside of the container to indicate the first shipment of the change. The GHSP quality contact will provide the tracking number that will be included on the label for internal traceability.

### **15.2 Supplier Deviation Request and Approval Process**

The process below defines the steps for suppliers to request approval to implement a deviation. Steps for obtaining approval to MAKE the requested change:

1. Prepare and submit a completed GHSP Supplier Deviation Request form with supporting detail. The form is located on our corporate website [www.ghsp.com](http://www.ghsp.com) Incomplete forms will be rejected.
2. GHSP Supplier Quality or Supplier Development will evaluate the request for completeness and if complete, will seek internal approvals as needed.
3. Supplier receives approved or rejected deviation request. If approved,
4. Supplier implements the temporary deviation including any edits documented on the form. If the deviation affects product, we may require that the product or outside package is identified, to alert GHSP that we are receiving material under deviation.

### **15.3 APQP Linkage to Process Change Request, PPAP and Value Add/Value Engineering (VA/VE)**

GHSP expects suppliers to continuously improve by applying the APQP methodology, as well as other methods (kaizen, quality circles, value stream mapping, etc.). When quality issues occur and effective problem solving is executed, the corrective actions most often can fall under one or more conditions requiring a revised PPAP submission. PPAP is a process, not an event. The PPAP submission is a key milestone event that is the sum of the APQP activities and as such, we expect that suppliers maintain internal PPAP records for each element for every change point. The evidence we ask a supplier to submit is not equivalent to the obligation of work. ALL elements of PPAP must be considered and updated to reflect the lessons learned as applicable. Suppliers may be tasked with VA/VE goals and GHSP expects that the supplier consider the APQP process when planning/implementing the initiatives.

## **16. Supplier Critical Part Data Submission**

Due to the safety critical nature of GHSP's products, there is an ongoing need to understand the performance of those related critical components. GHSP has identified safety critical features with open starts on the drawing, as noted in section 7.4 of the Global Supplier Standards Manual. The expectation of a supplier providing a safety critical component is a data submission of the component performance summary in the production shipment with each new



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lot number. Using form SC-FORM-SCH-X37 Safety Critical Characteristic Monitoring, the supplier shall provide Ppk levels, FTT results and the confirmation of controls as defined in the PPAP remain in place and effective. Data submission shall be maintained throughout the life of the project for all safety critical components supplied to GHSP.



## ***Chapter 4 Material & Logistics***

### **Purpose**

The purpose of the Global Supplier Standards Manual is to communicate GHSP requirements to our suppliers. It is the expectation of GHSP that all suppliers of direct materials comply with all of the requirements and expectations documented in this manual. In addition, GHSP expects this manual to provide the foundation for our working relationship with our suppliers. We will strive for excellence thru working together to proactively prevent issues and continuously improve.

### **Scope**

The scope of this policy applies to all GHSP facilities. The type and amount of involvement with our facilities will be dependent upon the locations that are involved in the purchase of products/services and the locations that experience the consumption of the products and/or services.

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## ***1 Materials Management and Logistics***

### **1.1 Introduction**

The materials management and logistics organizations at GHSP contribute to manufacturing excellence in quality, cost, and delivery to the customer. Specifically, these teams ensure the on-time delivery of component materials and subsequent shipments of finished goods at the lowest cost and best value to customers. Continuous improvement in our supply base relative to materials management and global logistics is required and, if managed correctly, sustained improvement will provide a competitive advantage for GHSP and our supply chain. To fully leverage the potential of these innovative systems and processes, the knowledge and capabilities of GHSP's extended enterprise must be flexible and capable of meeting our replenishment requirements.

### **1.2 Global Standards**

World-class materials management and logistics is achieved via execution of comprehensive, standard business processes. As such, suppliers of direct materials to GHSP will:

- Maintain certification with ISO/TS 16949:2009 (applies to suppliers of direct materials used in automotive products at GHSP);
- Maintain certification with ISO 9001:2008 (applies to suppliers of direct materials used in non-automotive products at GHSP);
- Maintain compliance via annual self-assessment with Materials Management Operations Guidelines / Logistics Evaluation (MMOG/LE) as published by the Automotive Industry Action Group (AIAG) (applies to all GHSP suppliers of direct materials).

## **1.3 Fundamental Systems**

Suppliers of direct materials to GHSP will ensure the following expectations are in-place and are included in their business processes:

- Communications take place electronically between trading partners;
- Lean Manufacturing principles and practices are employed in the organization;
- Customer demand is analyzed, schedule variation is reacted to, CUM quantities (CUMs) are reconciled weekly, for suppliers shipping to schedule release; and demand is compared to available capacity.
- Communications are proactive relative to potential issues in meeting demand requirements;
- Shipments are made according to routing instructions;
- 100% on-time delivery is required and measured from sub-suppliers;
- Materials Management and Logistics team members have development plans which focus on increasing their abilities and experience in the areas of materials management and logistics processes, technical capabilities, problem solving, and leadership.
- Materials Management and Logistics systems are audited to ensure compliance;
- Key measures are identified, monitored, and reviewed for continuous improvement of performance.

## **2. *Electronic Commerce***

### **2.1 Introduction**

GHSP and our automotive customers require that Electronic Data Interchange (EDI), or an alternate web based solution, is utilized throughout the Supply Chain. All of our initiatives,

policies, and transaction sets comply with the guidelines for Materials Management Operations Guideline / Logistics Evaluation (MMOG/LE) as set forth by the Automotive Industry Action Group (AIAG). Our suppliers must have the capability to interface with us through the use of the QAD Supply Chain Portal (SCP), formerly Supplier Visualization (SV). Any updates, new releases, system changes, etc. will be communicated to our suppliers through the Supply Chain Material Systems and/or Purchasing teams.

## **2.2 Advanced Shipping Notice (ASN)**

An ASN is the electronic transfer of shipment data from a supplier to a customer. The customer plant utilizes the information contained within the ASN in three ways:

- Determine and confirm goods are in transit
- Verification against the shipment as product is received
- If the supplier is ERS (Evaluated Receipt Settlement) approved, the ASN serves as an electronic invoice that will generate payment to the supplier

Accuracy of ASN's is imperative in order to maintain the integrity of information related to inventory records, supplier schedules (MRP), and invoice payments. ASN timeliness is critical to information accuracy and the functionality of GHSP systems. Failure to send ASN's may result in non-compliance on your Supplier Scorecard through the issuance of a PTR (Problem Tracking Report), and the potential for a charge-back.

The ASN must be created upon finalization of the shipment and be received by GHSP within one hour from departure of the suppliers shipping location, or prior to its arrival at the GHSP facility, whichever is earliest.

In order for the ASN to be identified as complete, all of the specified information listed below must be contained within the ASN. A PTR may be issued for failure to send an accurate ASN.

- A unique Shipper / Packing slip / BOL number for each shipment
- Shipment Date / Time
- Carrier name
- Carrier reference / tracking number
- Part Number(s)
- Quantity Shipped per part
- Purchase Order Number
- UOM

## ***3 Shipping and Replenishment Performance***

### **3.1 Introduction**

The standard for GHSP suppliers is 100% on time arrival of all parts required by the GHSP manufacturing site. This means shipping the correct quantity of the correct product to the correct location in the correct method at the correct time.

It is mandatory that the supplier contact the GHSP facility, immediately upon recognition of an issue, if the release schedule cannot be met. This includes the review of all weekly forecast releases to the APW/MPW and/or the EAU as quoted to GHSP.

GHSP expectations are that suppliers procure materials to the authorized raw/fab as reflected on the releases. Notify your GHSP Materials contact and/or GHSP Materials Manager if you receive 2 or more subsequent releases which show a decreasing authorization without receipt of a balance out notification.

Suppliers are expected to import forecasts and releases electronically into their systems without manual entry as stated by AIAG in the MMOG/LE.

### **3.2 Forecast Expectations**

The forecast will grant raw & fab authorizations per the commercial terms between GHSP and the supplier. GHSP raw & fab authorizations will be provided in accordance with the authorization being provided by our customers. An example is that GHSP may provide 5 weeks raw and 3 weeks fab, for a total of 5 weeks (i.e. you are authorized to convert 3 weeks of the raw to fab, not carry an additional 5 weeks raw). This information will be provided to the suppliers via the releases in SCP. Certain commodities may be granted different standards, but all commercial terms will be reflected on the releases. **The GHSP standard is 5 weeks raw and 3 weeks fab.** Deviations from the standard must be authorized by GHSP and will be communicated in the Purchase Order as well as on the release. The authorization on a release is the GHSP financial commitment for released material. Authorization for a CUM amount and the lead-time required for a shipment are not synonymous. Lead-time is defined as the amount of time between recognition of an order and receipt of an order (and may include manufacturing time as well as transportation time). This does not translate directly into the amount of weeks GHSP will provide firm releases or financial commitment authorization. Any questions or concerns on Raw/Fab authorizations reflected on releases should be directed to the appropriate GHSP Buyer.

### **3.3 Shipping and Delivery**

Authorization to ship product to GHSP will be communicated through the GHSP facility designated replenishment method (supplier release or min/max as set in SCP). If replenishment methods should change, GHSP material planners will communicate the

change to the supplier. During launch or pre-production GHSP will use MRP supplier releases or discrete/spot buy PO's. Replenishment methods will vary from site to site. The requirements on the releases will show as either a ship date or a delivery date.

- A Delivery date defines when the goods are to be ultimately received by the GHSP facility. A delivery date is NOT the date that material should be delivered to the carrier. Transit time must be determined and the product shipped to account for receipt at GHSP facility on the date reflected on the release.
- A Ship date defines when the supplier is expected to ship the goods. This is the date GHSP expects the freight to be delivered to the carrier.

Contact the GHSP facility if you have any questions as to which date is being transmitted.

The supplier is required to:

- Control its processes to assure that the physical shipments correspond with the GHSP demand.
- Have the ability to meet either a 20% week to week net schedule increase or a 20% CUM increase over the period authorized within the raw/fab authorization. This does NOT apply to balance out material.
- Contact the GHSP facility Materials Representative(s) if the supplier is unable to meet the replenishment schedule and supply the following information:
  - The quantity of parts showing required (based on CUMs) by date
  - The plan to get back on schedule by assigning the necessary resources to resolve any delivery issues.
- Contact the GHSP facilities materials representative for an agreement on transportation method, if the release schedule cannot be met
  - Obtain approvals from the GHSP facility on the mode and carrier chosen for all expedited materials.
  - Make every effort to reach an agreement on the expedited freight responsibility at the time of shipping

~~○ If the supplier is responsible for freight costs, you may use the logistics company of your choice. However, the supplier is then responsible for~~

~~tracking the in-bound freight to GHSP and advising the GHSP facility materials representative as to the shipping status. This includes all updates (i.e. departure, customs clearance, ETA) as freight is in-transit, including off hours where applicable.~~

~~○ If GHSP is responsible for the freight, it is expected that the freight is moved through either CH Robinson or Expeditors International, as directed by the GHSP Materials representative.~~

- Take Responsibility for downtime and other associated costs (i.e. premium freight or charter costs) due to their inability to meet delivery requirements that are in accordance with the purchasing terms and conditions.

## 4. CUM Order Quantity Maintenance

### 4.1 Introduction

The generation, verification, tracking, and reconciliation of CUM order quantities (CUM's) is the standard for Automotive Tier 1 suppliers, including GHSP. CUMs are a way to identify the amount of product required to ship to your customer. GHSP expects the supplier to reconcile CUMs upon receipt of each release. Identifying and initiating the resolution process of CUM order quantity discrepancies is the responsibility of the supplier. The definition of the process is defined below.

### 4.2 CUM Order Quantity Maintenance Communication

GHSP will provide the supplier with the following:

- Starting 'CUM Received Qty' of 0 upon issuance of a new purchase order
- 'CUM received' quantity will be noted on each new release and includes the last receipted ASN number, quantity, and date the part was received into the GHSP ERP system.
- 'CUM received' may be changed if one of the following conditions exists:
  - Issuance of a Problem Tracking Report (PTR) due to a receiving variance (qty is over/under the packing slip quantity issued by supplier)
  - A Supplier Material Return has been processed by the quality department
  - CUM resets (may be done annually and suppliers will be notified of the reset prior to the action being taken)
  - Prior receiving error corrections

- A revised electronic or manual release if errors are found in the electronic release pulled from SCP. The release will show the required quantity due at the GHSP facility based on MRP (Req Qty), Total CUM required to be shipped to ('CUM Req Qty'), and the quantity remaining open after receipts have been processed ('Net Req Qty'). These will be shown by line, with the corresponding due date reflected.
  - Dates on Releases will be represented as either Delivery Date (supplier accounts for transit time from supplier to GHSP facility) or Ship Date (GHSP accounts for transit time from supplier to GHSP facility).
- 'Prior CUM Required Qty' field on the release represents the CUM total quantity due, prior to the first date shown on the new release. Any past due requirements will be reflected in the prior 'CUM Required Qty' and 'Net Req Qty' fields.
- Physical copy of PTR's or Return to vendor transactions to support CUM resolution

GHSP expects the Supplier to:

- Track and accumulate all production part shipments. This will become the suppliers CUM (CUM) shipped quantity.
- Update suppliers CUM shipped quantity when the supplier is issued a return to vendor or a PTR (i.e. incorrect packing slip/ASN to parts physically received).
- Identify past due quantities using the most recent release. The formula is, prior CUM required minus the CUM received minus in-transit quantity.
- Identify the GHSP CUM required by date using the most current release. The formula is CUM received plus prior net CUM required plus req qty by the due date.
- Net quantity required is calculated using the most current releases' CUM required minus the GHSP CUM received quantity by date shown. If material is in-transit, the CUM received will not match the suppliers CUM shipped in the suppliers ERP system and this should be subtracted from the suppliers Net Req



qty to ship to GHSP. The supplier is responsible to determine the CUM shipped compared to the CUM required to determine accurate shipping quantities.

- Resolve any CUM discrepancies with the appropriate GHSP materials personnel at the plant immediately.

Please direct any questions regarding CUM maintenance to the GHSP plant materials contacts and escalate to the Supply Chain Team as necessary.

## 5. Replenishment Methodology Requirements

### 5.1 Introduction

In order to standardize supply chains, optimize inventory levels, and minimize freight expense, GHSP has defined three replenishment methods to order material from our supply chain partners.

The three methods for production replenishment are:

- Supplier Release determined through MRP – using the standard release method to communicate the required shipment quantities. The requirements may be reflected in many different “buckets”, such as daily, weekly, bi-weekly, monthly, quarterly, annually, etc.
- Kanban – Kanban can be communicated either via email, internet, or through the GHSP visibility tool Supply Chain Portal (SCP) / Supplier Visualization (SV). This method may require the supplier to monitor inventory levels and calculate the required shipment quantity or it may require GHSP employees to monitor, calculate, and communicate the required quantities.
- Min/Max – Through the use of the SCP visibility tool, the Min/Max provides a range of acceptable inventory levels that the supplier must maintain. Suppliers must ship at the frequency designated by the GHSP receiving facility in order to keep inventory levels within this range.

#### Exceptional Conditions only:

A manual replenishment release would be acceptable in conditions where it is not possible to use one of the three designated GHSP replenishment methods.

- System failure, power outages, scheduling failures (MRP failed to process)

- Critical requirements: GHSP recognizes that there may be times where demand may have to be prioritized for a supplier in critical inventory situations.

Our goal is three-fold:

- Optimize turnover, truck utilization, and prevent premium freight by using one of the 3 standard methods
- Maximize internal & external visibility of component parts
- Appropriate use of technology & electronic commerce to communicate replenishment signals

This means that a supplier could receive different replenishment signals from different GHSP receiving plants, and a single GHSP plant could use multiple signals with different suppliers. A supplier should not experience multiple signal strategies unless the parts shipped to GHSP are in different product life cycles (i.e. launch, balance out, etc.).

The determination of which method is used is based on many factors and is dependent upon:

- Lean manufacturing strategy and where the GHSP facility is in their progression of lean
- Stability or predictability of customer demand
- Supply Chain footprint; i.e. how close the shipping point is from supplier to the end GHSP facility.

To determine the optimal replenishment method used for each component, GHSP will review operational and supply chain conditions (life cycle, supplier location of production facilities, etc.). GHSP will communicate any changes to the supplier as soon as possible to ensure proper training on tools is identified and completed.

### **5.2 Visibility Replenishment Tool Used for Min/Max and/or eKanBan (NA only)**

Two of the above methods utilize the GHSP defined tool (SCP) for visibility and lean replenishment. If the GHSP customer facility determines that either the min/max or eKanBan are the appropriate methodology, they will contact each supplier to advise them of the decision.

Each supplier is responsible to gain access to the tool, review training documentation (and request further training if required), and work with the customer plant to define and implement the operating procedures and parameters for using the visibility/lean replenishment tool. This requirement must be met in order to be considered for an annual award. GHSP will periodically review the current replenishment method to ensure the current replenishment method is still optimal. If it is determined that the current replenishment strategy should be changed, the GHSP facility will work with the supplier to implement the change.

### **5.3 Important Documents and Supplementation to section:**

See link to references below

<http://www.ghsp.com/Suppliers/Supplier%20Visualization/>

## ***6. Materials Management Operations Guidelines / Logistics Evaluation***

### **6.1 Introduction**

The Materials Management Operations Guidelines / Logistics Evaluation (MMOG/LE) is a global document jointly created by the Automotive Industry Action Group (AIAG), Odette representatives, OEM representatives, and automotive suppliers.

It is a document with recommended business practices for the supply chain management processes of automotive industry suppliers, and is intended to establish a common definition of materials “best” practices to facilitate effective communication between supply chain partners. The MMOG/LE has the same technical process approach as ISO/TS, but focuses on the supply chain processes, whereas TS focuses on quality management.

Beginning in January 2015, GHSP suppliers will be required to submit the MMOG/LE to GHSP on an annual basis. The self-assessment should be emailed in a zip file to your GHSP buyer no later than the 31<sup>st</sup> of January each calendar year. At this time, GHSP is not requiring suppliers to be certified at a level A. GHSP reserves the right to audit MMOG/LE scores by requesting supporting documentation or by conducting an onsite review of the supplier facilities.

Suppliers are expected to purchase a download of the MMOG/LE publication and if needed, attend training on how to use the assessment by contacting AIAG on the internet at [www.aiag.org](http://www.aiag.org).

### **6.2 Supplier Assessments**

An MMOG/LE will be completed for each supplier shipping location supplying product to a GHSP facility, i.e. if the supplier has a China manufacturing location that ships to GHSP Shanghai and a N. American facility that ships to GHSP-Hart, then two separate MMOG/LE's (one for each supplier facility) will be supplied to GHSP.

## ***7. Balance Out and Claims Process***

### **7.1 Introduction**

GHSP believes that obsolete material claims can be avoided by minimizing lead times, strictly adhering to production schedules, and properly managing inventory at all tiers in the supply chain. Most obsolete material claims occur at the balance out of a product. Balance out is defined as the end of a model as well as current model engineering changes. Our goal at balance out is to have zero obsolescence, and this requires our suppliers to closely manage their inventory on an on-going basis, and especially during the balance out event.

### **7.2 Balance Out and Claims Process**

- 7.2.1 Our balance out process requires the GHSP materials plant representative to provide a balance out letter that states all parts and approximate date of last mass production purchase to the source supplying the components. GHSP notification of balance out, as well as defined balance out filing parameters, will take place outside of the established authorization window. Claims received after the established deadline will not be honored.
- 7.2.2 After receiving balance out notification, any supplier planning to produce a contractual minimum run order which exceeds raw/fab authorization must first receive written approval from the GHSP Materials Planner or GHSP Purchasing Buyer.
- 7.2.3 In the event that obsolescence occurs due to the discontinuation of a part, the following procedure must be followed to file a claim:
- 7.2.4 Determine the highest RAW and FAB (fabricated) material authorizations issued by GHSP. To determine the highest RAW/FAB authorizations, a CUM release history must be reviewed. The high point is the highest CUM release for the period prior to B/O notification. Suppliers should refer to the "High Release" and/or their Purchase Order for RAW/FAB authorizations.
- 7.2.5 Fill out the "Obsolescence Claim Form" and attach the supplier schedule/release documents (including release ID), purchase order, and any minimum run authorizations to support the claim. All claims must be received within 15 days

of balance out date to be eligible for reimbursement. All late claims will be denied.

- 7.2.6 All obsolete material must be segregated and stored, pending audit and final disposition by GHSP and/or the OEM.
- 7.2.7 Suppliers are encouraged to submit all claims to GHSP, regardless of value. However, external supplier claims less than \$250.00 dollars may not be paid, as it is dependent upon the total claim submitted to the OEM. GHSP claims to the OEM totaling less than \$500.00 aggregate will not be submitted to the OEM, nor paid to the supplier.
- 7.2.8 Supplier must obtain GHSP plant authorization in order to sell claimable material because it is no longer auditable by an OEM.

## ***8. Logistics Requirements***

### **8.1 Introduction**

These requirements are intended to give the GHSP Supplier a clear understanding of what is needed and how to ship product to GHSP, as well as the expectations and requirements needed to ensure deliveries are received on time and worry free. The requirements are intended to be used for collect shipments to GHSP, where GHSP is responsible for the transportation cost. This applies to all shipments domestic and international.

~~The supplier is encouraged (but not required) to use a GHSP preferred carrier/forwarder when making shipments where the supplier is responsible for the cost of transportation. This enables the supplier and GHSP to maintain visibility and track the product while in transit.~~

If the supplier is part of a GHSP, routed dedicated run (milk run), all expectations noted in this document apply.

### **8.2 GHSP Freight Forwarders**

GHSP uses global freight forwarders in conjunction with FedEx and UPS to move products and materials throughout the world. All freight shipments (151 lbs. or more) where GHSP is responsible for the cost will be handled through one of these forwarders unless specific deviation instructions are provided to you by GHSP. Parcel shipments or shipments totaling 150 pounds or less will be shipped directly to GHSP using one of GHSP's preferred Parcel carrier's, FedEx or UPS. Please contact your Materials planner or your GHSP Buyer for the correct account number(s).

- Also see: <http://www.ghsp.com/Suppliers/Policies%20&%20Procedures/>

## 8.3 Third Party or Drop shipments

Shipments that do not originate from, or deliver to, a GHSP location will require specific authorization and processing if the charges are to be billed to a GHSP freight account. **The supplier must obtain written approval and an “AETC” (Authorized Excess Transportation Cost) number from the GHSP person coordinating the event requiring this move. The supplier must then provide this AETC number to the carrier/forwarder moving the material, to use as the shipment reference number that will show on the carrier invoicing that GHSP will receive.** In the event that GHSP receives a freight invoice for 3<sup>rd</sup> party or drop shipments that does not contain this information, the invoice will be disputed with the carrier and the charges will be billed back to the shipper.

## 8.4 Priority shipments

A “Priority” or “Expedited” shipment is; any shipment made to GHSP using a transport service level greater than the industry base standard by shipment mode, (See table below)

Standard service by shipment mode	
Mode	Industry Base Standard Service
Air Freight	Consolidated / Deferred / Standard
Ocean	Less than container load / Full container load
Truck	Less than truckload (Full truckload by scheduled volume)
Parcel	Ground / International Ground / International Economy

Requirements when making Priority shipments to GHSP:

- All priority shipments require GHSP authorization (No exception).
- The AETC # provided by GHSP is the **ONLY** acceptable form of authorization
- All Priority or Expedited shipments, regardless of reason, will be made to GHSP using a GHSP defined transportation provider with all cost billed collect to GHSP.
- All shipment documentation and all communications to GHSP and service providers, will contain and reference the AETC # in subject lines and shipment reference details.

The requirements above are in place to better control excess transportation spend as well as to provide complete visibility to GHSP in critical shipment situations. Any cost that is deemed to be the responsibility of the supplier or shipper will be addressed through the “PTR” process to track cost, communication, and problem solving. In the event GHSP receives a priority shipment and it is evident that no attempt was made to follow the above requirements, cost recovery action will be taken for the entire cost of the shipment regardless of original responsibility.

**8.5 Shipment Frequency**

Production Suppliers are required to ship at the frequency reflected on the releases found on the QAD Supply Chain Portal (SCP) / Supplier Visualization (SV) website. The standard shipping frequency is communicated on the material releases; deviations are subject to supplier chargeback.

Multiple shipments to the same GHSP facility on the same day, back to back shipments, or multiple shipments in the same week require prior GHSP authorization. Deviations from the standard without written authorization from GHSP could result in a PTR. Shipping on Friday one week and Monday of the next is considered back to back shipments and would require prior GHSP authorization.

The shipping frequency for an International Supplier may vary and will be reflected on the release you receive from each GHSP facility. Shipments made early, multiple shipments, or shipments via a mode other than specified on your PO, require GHSP approval prior to booking. Deviations from this standard will result in a PTR with freight charges billed back to the supplier. All expedites to any GHSP facility must go through GHSP's 3PL's.

**8.6 Over/Under Shipments**

Suppliers must ship to their release. Shipping more or less requires GHSP approval. This includes shipments where a supplier may ship more than once per week. Shipping short one day and over the next to make up the difference requires prior written approval.

**8.7 Domestic Shipment Requirements**

Standard domestic shipments to GHSP are to be made under "Collect-supplier dock" terms. Shipments will be made using the designated GHSP logistics service providers as referenced in the GHSP routing instructions found here:

<http://www.ghsp.com/Suppliers/Policies%20&%20Procedures/>

**8.8 Domestic Shipment Documentation Requirements**

All suppliers are required to provide accurate and complete documentation to GHSP and the carrier/forwarder at the time of tender. Suppliers are required to ensure correct billing for freight by implementing dock procedures that ensure the Bill of Lading provided by the designated GHSP logistics service provider is provided to the actual carrier driver who has picked up the freight. Not using the correct Bill of Lading could result in the direct billing to GHSP by the carrier at a considerable increased cost. Violations to this requirement will

be addressed through GHSP's Problem Tracking Report (PTR), with violations carrying actions for cost recovery. Shipment delays, additional administrative activities, excess transportation costs, or any other process deviation resulting from non-compliance will also be handled through the PTR process.

### **8.9 Packing Slips**

A packing list must be attached to every shipment that arrives at a GHSP facility regardless of mode or method of transport. This includes items that arrive by personal delivery. The following information is required on each packing slip:

- GHSP Purchase Order number
- Complete GHSP part number as stated on PO (discrete or blanket)
- Total pieces by part number
- Net Weight of complete shipment
- Gross Weight of complete shipment
- GHSP part description of each part
- Contact name of person requesting the shipment for non-production items or discrete PO's
- AETC Number (provided by GHSP planner for expedited shipments)

### **8.10 Parcel Shipments**

For parcel shipments (FedEx or UPS) the following information is required.

- In the listed reference fields:
  - Reference #1 – GHSP PO#
  - **Reference #2 – AETC # (required when using any service other than Ground or international economy)**
  - Reference #3 – pack slip number
  - Reference #4 – at least 1 GHSP part number as stated on the PO
- Customs documents (as required)

### **8.11 International Shipment Requirements**

It is the supplier's obligation to provide all necessary commercial trade documents and trade related information required to process the shipment through Customs and across borders efficiently and in compliance with all trade regulations defined by the country of destination. All suppliers are required to provide accurate and complete documentation to GHSP and the carrier/forwarder at the time of tender. Shipment delays, additional administrative activities, excess transportation costs, or any other process deviation resulting from non-compliance will be handled through the PTR process. PTR's can negatively affect a suppliers Quality rating and may contain debits for cost recovery.



### **8.11.1 Ocean freight routing from offshore suppliers**

Materials shipped from offshore suppliers should be booked to follow these guidelines:

- 15 cubic meters (530 cubic feet) or less should ship LCL (Less than Container Load)
- 16 to 30 cubic meters (565 to 1000 cubic feet) should ship on a 20' container
- 30 to 66 cubic meters (1000 to 2328 cubic feet) should ship on a 40' container

Suppliers may be required to modify certain documents to enable the separation of the shipment(s) to optimize the logistics.

Please reference the GHSP Freight Routing Instructions for additional detail by following this link: <http://www.ghsp.com/Suppliers/Policies%20&%20Procedures/>

### **8.12 International Trade Compliance**

GHSP expects that all suppliers, when required or directed by GHSP, will ship materials across international borders in a manner that ensures GHSP and the supplier are meeting all regulatory trade requirements assigned to the transaction by the governments of the origin and destination countries. The supplier will ensure that all customs and shipment documentation is accurate, complete, and provided in a timely manner to any agent, forwarder, or broker, working in conjunction with, or on behalf of, GHSP. Should GHSP incur fines, penalties, or other costs resulting from inaccurate completion of these documents, traceable to the supplier's failure to respond to a Customs inquiry, audit, or verification, GHSP will hold the supplier accountable for reimbursement.

The supplier may also be responsible for any cost associated with the need to expedite freight as a result of materials being held in customs due to inaccurate, incomplete, or missing documentation.

All information, software, technology or technical data provided by GHSP in any correspondence, written or attached, to any consultant, supplier, contractor, or non GHSP employee, will be considered confidential and privileged, and is intended exclusively for United States citizens under the direct employment of the consulting agency, supplier, contractor, or other service provider, located within the borders of the United States. GHSP recognizes that any item, equipment, software, technology or technical data that is shared, transmitted or transferred to a foreign national within the United States, or to anyone outside of the United States, may be considered controlled and require an export license by OFAC (Office of Foreign Assets Control), DDTC (Directorate of Defense Trade Controls),

BIS (Bureau of Industry and Security), or any other United States government agency. It will be the sole responsibility of the consulting agency, supplier, contractor, or other service provider, to know and comply with all United States Export Control Regulations and federal licensing requirements set forth by any and all federal agencies, should any information, software, technology, or technical data associated with the subject, item, RFQ, or project, under development, or in production, need to be shared, transmitted, or transferred in any manner to a foreign national within the United States, or to anyone outside of the United States, for purposes of collaboration during design, development and/or production.

### **8.13 NAFTA – North American Free Trade Agreement**

In order to receive the preferential duty rates on products made in North America under NAFTA, GHSP must sign a NAFTA Certificate of Origin. The NAFTA Certificate of Origin declares that the goods covered by this certificate are made in North America. The NAFTA Certificate must be provided to the requesting Customs officials at the time goods are exported to NAFTA countries. For GHSP to issue its Certificate of Origin, we must be able to provide documentation verifying that the goods covered by the Certificate are made in North America. This requires some assistance on the part of our supplier.

GHSP requires written origin declarations for all parts from all suppliers. The preferred method is for the supplier to qualify their products under NAFTA and provide a signed NAFTA Certificate of Origin if the products qualify. This would require that an officer, or other authorized representative, from the supplier sign a NAFTA Certificate attesting to GHSP that each item listed satisfies the NAFTA Rules of Origin. GHSP imports also require a NAFTA Certificate of Origin, so if the supplier is shipping to GHSP across borders within the NAFTA region, a NAFTA Certificate is required.

GHSP requires supplier NAFTA Certificates to cover shipments for up to one year (a “blanket” certificate). Supplier certificates will have to be renewed on an annual basis. To complete the NAFTA Certificate of Origin and supply the information requested, the supplier must carefully analyze each item provided to GHSP to determine whether it meets the NAFTA Rules of Origin. The text of the treaty, the interim implementing regulations, the Statement of Administrative Action, and the legislative history may assist in the needed analysis. For additional assistance in qualifying items, please utilize:

[http://www.cbp.gov/xp/cgov/trade/trade\\_programs/international\\_agreements/free\\_trade/nafta/](http://www.cbp.gov/xp/cgov/trade/trade_programs/international_agreements/free_trade/nafta/)

Only items that qualify for NAFTA preferential duty rates should be included on the NAFTA Certificate of Origin. For any non-qualifying items, such as goods of foreign

origin, supplier must provide a Manufacturer's Affidavit on company letterhead, clearly declaring the country of origin for the foreign made article.

**DEFINITION:** Product of the United States. A product of the United States is an article manufactured within the Customs territory of the United States and may consist wholly of United States components or materials, of United States and foreign components or materials, or wholly of foreign components or materials. If the article consists wholly or partially of foreign components or materials, the manufacturing process must be such that the foreign components or materials have been substantially transformed into a new and different article, or have been merged into a new and different article.

We require that the NAFTA Certificate of Origin and Manufacturer's Affidavit include not only a description of the article, but also the supplier ID number, GHSP's item ID number, and the full 10 digit United States Harmonized Tariff Schedule classification number. Please send the completed, signed NAFTA Certificate of Origin and Manufacturer's Affidavit to GHSP to the attention of your buyer, or to the GHSP requestor when responding to annual NAFTA and country of origin solicitations.

Please be aware that when GHSP signs its own NAFTA Certificate of Origin, it is relying on the accuracy and validity of the information its suppliers have provided. Any changes to the information you supply must be immediately communicated to GHSP in writing. Should GHSP incur fines, penalties, or other costs resulting from inaccurate completion of these documents traceable to the supplier's failure to respond to a Customs inquiry, audit or verification, or a loss of NAFTA-organization status, GHSP will hold the supplier responsible for reimbursement.

Foreign suppliers located outside of the NAFTA territories (United States, Canada, and Mexico) may also be required to provide similar information and comply with certain expectations associated with any free trade agreements established between the relevant origin and destination countries. GHSP will notify each supplier of their obligations, should these documents be required.

**\*Note** – All GHSP suppliers are required to provide, their GHSP Buyer with updated or renewed blanket certificates or Manufacturers Affidavits covering all parts provided to GHSP, at a minimum, each year by December 31<sup>st</sup>. Documents must be dated to cover the following fiscal year.

### **8.14 C-TPAT and Supply Chain Security**

GHSP is currently C-TPAT certified to a tier II level in the U.S. and operates under the same security processes within its facilities around the world. As a requirement to maintain

this certification, GHSP must conduct a periodic review of its supply chain and ensure all suppliers are in compliance with and demonstrate that they are meeting the minimum security criteria. For more information specific to the requirements of C-TPAT, please visit: <http://www.cbp.gov/border-security/ports-entry/cargo-security/c-tpat-customs-trade-partnership-against-terrorism>

All suppliers to GHSP are required to ensure appropriate security measures are in place at their facility to prevent unauthorized access to any materials, containers, or packaging, being processed for delivery to any GHSP facility. For all shipments, supplier accepts responsibility for factory and container security, until such time as the container/merchandise is delivered to or ownership transferred to GHSP.

Supply chain security audits can be performed at any time and without notice to the supplier. In most circumstance, audits will be conducted in person and onsite at the supplier's location and scheduled in advance to ensure proper resources are available at the supplier to facilitate an effective evaluation. A supplier survey will be sent to the supplier for completion prior to the evaluation. Audits may also require visits to sub-suppliers or contractors that provide services necessary to produce the materials provided to GHSP. In rare cases, or in the event GHSP is undergoing a "revalidation" these supplier visits may be accompanied by U.S. Customs and Border Protection officials. Suppliers will be made aware of these situations in advance.

Note –GHSP requires suppliers to perform a supply chain security self-assessment annually and provide the results to their GHSP Buyer by December 31<sup>st</sup> of the current year.

### **8.15 Bill of Lading and Packing Slip (Reference 8.7 and 8.8 above) –**

In addition to the standard information required on the domestic Bill of Lading, all international shipments will also require the Incoterms to be called out on this document. Please reference your PO, contract, or terms and conditions for the agreed to term. Incoterms are required to follow the "Incoterms 2010" version as defined by the International Chamber of Commerce (ICC), and must also include the defined "named place" where applicable.

### **8.16 Commercial Invoice Requirements**

The following information is required on all commercial invoice documents:

- Full description of merchandise in English; including HTS Code appropriate to the destination country
- Country of origin
- Piece count
- Value per item
- Total invoice value
- Currency of given values – must be in destination country currency i.e. (USD, MXN, CNY)
- Foreign shipper/manufacturer name and address
- Document must clearly state “Commercial Invoice”

You can also find the official requirements here:

[http://edocket.access.gpo.gov/cfr\\_2011/aprqtr/pdf/19cfr141.86.pdf](http://edocket.access.gpo.gov/cfr_2011/aprqtr/pdf/19cfr141.86.pdf)

### **8.17 Shippers Letter of Instruction (SLI)**

Suppliers are required to complete a shipper’s letter of instruction for all international shipments handled by a GHSP Freight Forwarder.

### **8.18 Parcel or Small Package Shipments (less than 150 pounds to any GHSP location)**

Will be shipped via FedEx Express standard ground service (within the US) or FedEx Express International Economy (if originating outside of the US) using the appropriate GHSP account number associated with the final GHSP destination plant. Please contact your Material Planner or your GHSP Buyer for the correct FedEx account number.

The following information is required for all Parcel shipments made under GHSP accounts:

- Reference #1 –GHSP Purchase Order number
- Reference #2 –name of GHSP person requesting shipment
- Reference #3 –pack-slip number
- Reference #4 – at least 1 GHSP part number, as stated on the PO

Use of UPS or any other parcel carrier requires GHSP written approval.

## **9. *Packaging and Labeling Requirements***

All GHSP packaging and labeling requirements shall be per GHSP Supplier Packaging Requirements and Guidelines 10\_1\_15. The Guideline can be found on the GHSP home page under the following link:

<http://www.ghsp.com/en/suppliers/policies-procedures>



## ***Global Supplier Standards Manual***

*Revision Control Date: October 14, 2016*





# **General Terms and Conditions**

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**October 14, 2016**

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# ***Global Supplier Standards Manual***

*Revision Control Date: October 14, 2016*

## GENERAL TERMS AND CONDITIONS

### 1. The Contract.

**1.1 Offer and Acceptance.** Each purchase order Buyer issues ("**Purchase Order**") to the seller identified on the Purchase Order ("**Seller**") is Buyer's offer to purchase the products ("**Products**") and services ("**Services**") identified in that Purchase Order. Buyer will indicate quantity due periodically via a release schedule ("**Release**"). Seller will be deemed to have accepted a Purchase Order as issued (1) if Seller fails to object to the Purchase Order in writing within 3 business days after receipt, or (2) if Seller has begun or later begins performance under the Purchase Order, or (3) if Seller acknowledges to Buyer in writing its acceptance of the Purchase Order. Upon acceptance, the Purchase Order, which includes and is governed by these General Terms and Conditions ("**Terms**") and any other documents specifically incorporated by reference in the Purchase Order or separately agreed to in writing by Buyer and Seller, such as specifications, drawings, requirements of Buyer's customer, or quality requirements, will become a binding contract between Buyer and Seller (collectively, the "**Contract**"). Any proposal for additional or different terms, or any attempt by Seller to vary in any degree any of the terms of the Contract in Seller's acceptance is hereby rejected. Any proposal for additional or different terms shall not operate as a written objection to the purchase order unless the variance is in the terms of the description, quantity, price, or delivery schedule of the goods. Any attempt by Seller to vary in any degree any of the terms of the Contract in the

Seller's acceptance of the Purchase Order shall not operate as a rejection of the Purchase Order but shall be deemed a material alteration thereof, and this offer shall be deemed accepted by Seller without the additional or different terms. If the Purchase Order shall be deemed an acceptance of a prior offer by Seller, such acceptance is limited to the terms contained or incorporated in the Purchase Order, including without limitation, these Terms. Additional or different terms or any attempt by Seller to vary in any degree any of the terms of the Purchase Order shall be deemed material and are rejected. "**Buyer**" is GHSP, Inc., unless otherwise stated on the Purchase Order.

### 1.2 Changes.

(a) Buyer may, from time to time and upon notice to Seller, make reasonable changes to the drawings, specifications, materials, packaging, testing, quantity, time or method of delivery or shipment, or similar requirements prescribed in the Contract, including without limitation any changes required by Buyer's customer. Seller may request in writing, together with appropriate supporting documentation, an equitable adjustment to the Contract prices and times for performance as a result of Buyer's changes. Seller shall provide any additional documentation requested by Buyer in connection with Seller's request for such adjustment. Any proposed adjustment to the

Contract price or times for performance shall not be effective unless agreed to in writing by authorized representatives of both Buyer and Seller.

(b) Seller will not make any changes relating to the Products, including, without limitation, to the Product contents, design, specifications, processing, including manufacturing or assembly processes, packing, marking, shipping, price or date or place of delivery, except at Buyer's written instruction or with Buyer's written approval. Examples of such prohibited changes include, without limitation, changing (i) any suppliers of Services, raw materials or goods used by Seller in connection with Seller's performance under a Purchase Order; (ii) the location of Seller's facility, or the location of the facility of any of Seller's suppliers, if such change in location would in any way impact the Products, Services, raw materials or goods used by Seller in connection with Seller's performance under a Purchase Order; (iii) the price of any Products or Services covered by a Purchase Order; (iv) the nature, type or quality of any Services, raw materials or goods used by Seller or its suppliers in connection with a Purchase Order; (v) the fit, form, function, appearance or performance of any Products covered by a Purchase Order; or (vi) the production method, process, software, or any production equipment used in the production or provision of, or as part of, any Products or Services supplied pursuant to a Purchase Order. Any changes by Seller to any Purchase Order, or to the Products or Services covered by the Purchase Order, without the prior written approval of an authorized representative of Buyer shall constitute a breach of the Purchase Order.

**1.3 Other Changes.** Except for the changes described in Section 1, neither party may make any

changes to the Contract during its term (as described in Section 12.1) without the prior written agreement of Buyer and Seller's authorized representatives.

## **2. Products and Services.**

### **2.1 Quantity.**

(a) Quantities and delivery schedules will be specified in the Releases, and will be reasonably determined by Buyer and sent to Seller from time to time. Buyer may return over-shipments to Seller at Seller's expense. Unless otherwise expressly stated in the Purchase Order or Contract, if no quantity is stated on the face of the Purchase Order or if the quantity is blank or states the quantity as zero, "blanket," "see release," "as scheduled," "as directed," "subject to Buyer's production releases" or similar terms, then Seller will supply Buyer's requirements for Products in such quantities as identified by Buyer as firm orders in material authorizations releases, manifests, broadcasts, or similar Releases that are transmitted to Seller during the term of the Purchase Order, and Seller will supply all such Products on such dates and times, at the price and on the other terms specified in the Purchase Order. Releases are part of the Purchase Order, are governed by these Terms, and are not independent contracts.

(b) Seller accepts the risk associated with lead times of various raw materials and/or components if they are beyond those provided in Releases. Seller agrees to 100% on-time delivery of Products in the quantities and at the times specified by the relevant Purchase Order and related Releases. Buyer may change the rate of scheduled shipments or direct temporary suspension of scheduled shipments, neither of which entitles Seller to modify the price for Products. Buyer is not obligated to accept early

deliveries, late deliveries, partial deliveries or excess deliveries.

(c) Unless otherwise agreed to in writing by Buyer, the risk of loss passes from Seller to Buyer upon delivery to Buyer's transportation carrier (or if shipment is by Seller or common carrier, then upon delivery to Buyer's designated facility), but title passes to Buyer only upon acceptance by Buyer at Buyer's facility where the Products are to be used.

(d) To assure the timely delivery of Products meeting Buyer's requirements and to avoid any unforeseen delays, Seller will, upon written request from Buyer, manufacture Products in excess of Buyer's current Purchase Orders to serve as a reserve for shipment, at such inventory reserve levels as may be set by Buyer from time to time. Until such reserve products are purchased by Buyer from Seller, they shall remain the property of Seller, and shall be held by Seller at its sole risk and expense.

**2.2 Current-Model Service Requirements.** During the term of a Contract, Seller will make Products covered by the Contract available to Buyer for Buyer's current-model service requirements at the then-current production prices under the Contract plus any additional costs for special packaging.

**2.3 Past-Model Service Requirement.**

During the applicable vehicle program production life, which commences with the Original Equipment Manufacturer (OEM) start of production and ends seven years after a vehicle design concludes production or a specific part concludes production ("**Production Price Window**") (unless a different period is agreed in writing by the parties), Seller will

supply Buyer's written "replacement parts" and "service parts" orders for the same Products, component parts and materials at the price(s) set forth in the Purchase Order plus any actual cost differential for special packaging. Seller, after the Production Price Window, will sell Products to Buyer in order to fulfill Buyer's past model service and replacement parts requirements, at price(s) based on the most recent price(s) under the Purchase Order, taking into account actual, documented (by supplier invoice) differences in the cost of materials, packaging, and costs of production after any of Buyer's current model purchases have been completed, as mutually and reasonably agreed by the parties. Unless otherwise expressly agreed to in writing by an authorized representative of Buyer, or Buyer has removed tooling from Seller necessary for the production of service parts, Seller's obligations under this Section 2 shall survive termination, regardless of the reason for such termination, and expiration of the Purchase Order.

**3. Delivery.**

**3.1 Packing and Shipment.** Buyer may specify the method of transportation and the type and number of packing slips and other documents to be provided with each shipment. Seller will pack and ship Products in accordance with Buyer's instructions, including labeling and hazardous materials instructions. If Buyer has not provided packing or shipping instructions, Seller will pack and ship Products in accordance with sound commercial practices. If Seller is required to use Buyer's returnable packaging, Seller will be responsible for cleaning and returning the returnable packaging. If returnable packaging is not available, Seller may use expendable packaging and Buyer will reimburse Seller for the reasonable costs of expendable packaging.

*Revision Control Date: October 14, 2016*

**3.2 Delivery Schedules.** Seller will deliver Products and Services in strict accordance with the Releases. Unless otherwise stated in the Contract, Products will be delivered domestically Freight Collect, Seller's dock and internationally FCA Free Carrier, named port of export, Incoterms 2010. If Products are not ready for delivery in time to meet Buyer's delivery schedules, the party causing the delay will be responsible for additional costs of any resulting expedited or other special transportation.

#### **4. Inspection.**

Buyer or its direct or indirect customers may, upon reasonable advance notice to Seller, conduct audits, inspections or testing at Seller's production facility for the purpose of verifying Seller's performance under the Contract, including compliance with all quality, cost or delivery requirements. Seller will ensure that the terms of its contracts with its subcontractors provide Buyer and its customers with all of the rights specified in this Section. Buyer is not required to inspect Products delivered or Services performed, and no inspection or failure to inspect will reduce or alter Seller's obligations under the Contract.

#### **5. Taxes.**

Unless otherwise stated in the Contract, the Contract price includes all applicable federal, state, provincial, and local taxes other than sales, value added, or similar turnover taxes or charges, which must be shown separately on Seller's invoice for each shipment. Notwithstanding the foregoing, the Products purchased under the Purchase Order are identified as industrial processing or resale and may be exempt from sales taxes. In such case, the tax identification number and/or other exemption

information are stated in the Purchase Order, the applicable Country Supplement or are otherwise provided by Buyer.

#### **6. Payment.**

Payment terms are net 45 days or as set forth in the Contract. Seller will promptly submit correct and complete invoices or other agreed billing communications with appropriate supporting documentation and other information reasonably required by Buyer after delivery of Products and performance of Services, and Buyer may withhold payment until a correct and complete invoice or other required information is received and verified. Seller will accept payment by check or other cash equivalent, including electronic funds transfer. Buyer will pay Seller in the currency specified in the Contract or, if none is specified, in the currency of Seller's shipping or service location. Buyer may setoff or deduct from sums owed to Seller under the Contract those sums owed by Seller to Buyer in accordance with Section 22.

#### **7. Product Warranties.**

##### **7.1 Seller's Warranties.**

(a) Seller expressly warrants and guarantees to Buyer, to Buyer's successors, assigns and customers, and to users of Buyer's Products, that all Products delivered or provided to Buyer will: (i) be world-class, competitive Products in terms of price, quality, delivery and technology, and conform to the specifications, standards, drawings, samples, descriptions and revisions as furnished to or by Buyer; (ii) conform to all applicable laws, orders, regulations and standards in countries where the Products or vehicles or other products incorporating the Products are to be sold, including without limitation the National Traffic and Motor Vehicle

Safety Act, United States motor vehicle safety standards, European Union Directive 2000/53/EC, and equivalent industry standards; (iii) be merchantable and free of defects, including without limitation defects in design (to the extent designed by Seller or any of its subcontractors, agents or suppliers, even if the design has been approved by Buyer), materials and workmanship; (iv) be selected, designed (to the extent designed by Seller or any of its subcontractors, agents or suppliers, even if the design has been approved by Buyer), manufactured and assembled by Seller based upon Buyer's stated use and be fit and sufficient for the purposes intended by Buyer, and (v) be free of all liens, claims and encumbrances whatsoever. Seller further expressly warrants that, unless otherwise expressly stated in the Order, the Products are manufactured entirely with new materials, none of the Products are, in whole or in part, governmental or commercial surplus or used, remanufactured, reconditioned or of such age or condition so as to impair their fitness, usefulness or safety, and the Products are free from latent defects or conditions that would give rise to a defect regardless of whether the defect or condition was known or discoverable during the warranty period. These warranties are intended to provide Buyer with protection from any and all warranty claims brought against Buyer by customers, including customer-required warranties relating to the Products or any products into which such Products are incorporated. Without limiting the warranties provided herein, Seller shall be bound by all such customer-required warranties which are hereby incorporated by reference as if expressly stated herein. The foregoing warranties are in addition to those available to Buyer by law.

(b) The warranty period is the longest of: (i) three years from the date Buyer accepts the Products; (ii) the warranty period provided by applicable law; or

(iii) the warranty period offered by Buyer's customer(s) to end-users for Products installed on or as part of vehicles.

(c) For all Services, Seller further warrants that its work will be performed in a professional and workmanlike manner, consistent with all standards and specifications agreed on with Buyer and otherwise consistent with industry standards.

(d) Seller will immediately notify Buyer in writing when it becomes aware of any ingredient, component, design or defect in Products that is or may become harmful to persons or property.

(e) Buyer's approval of any design, drawing, material, process or specifications will not relieve Seller of any of the warranties set forth in this Section.

(f) The following communications shall each constitute notice of a breach of warranty under a Purchase Order: (i) any communication specifying a defect, default, claim of defect or other problem or quality issue of the Products provided under the Purchase Order; (ii) any communication to Seller claiming that the Products are in breach of any warranty or that Seller is in default under the Purchase Order; and (iii) a termination notice from Buyer. Any such claim by Buyer of breach may only be rescinded in writing by an authorized representative of Buyer.

(g) To mitigate its damages, Buyer may fully defend any claim from any Customer that any Products supplied by Seller are defective, in breach of warranty, or otherwise did not meet applicable legal or contractual requirements. Seller and Buyer agree that this defense is in the interest of both Seller and Buyer. Seller waives the right to argue that the fact that Buyer took any such position in any way limits Buyer's right to assert a claim against Seller by Buyer

for breach of warranty, contribution, indemnification or other claim that may arise from or be related to the subject matter of any of the foregoing.

**7.2 Non-Conforming Products** Buyer's inspection of the Products, whether during manufacture, prior to delivery, or within a reasonable time after delivery, does not constitute acceptance of any work-in-process or finished goods. Buyer's acceptance, inspection, or failure to inspect does not relieve Seller of any of its responsibilities or warranties. Nothing in the Purchase Order releases Seller from the obligation of testing, inspection and quality control. If defective Supplies are shipped to and rejected by Buyer, the quantities under the Purchase Order will be reduced unless Buyer otherwise notifies Seller. Seller will not replace reduced quantities without Buyer authorization. In addition to other remedies available to Buyer: (i) Seller agrees to accept return of defective or non-conforming Products, at Seller's risk and expense, at full invoice price, plus transportation charges, and to replace defective or non-conforming Products as Buyer deems necessary; (ii) Buyer may have Products that fail to meet the requirements of the Purchase Order corrected, at Seller's expense, at any time prior to shipment from Buyer's plant; and/or (iii) Seller will reimburse Buyer for all expenses that result from any rejection or correction of defective or non-conforming Products. Seller will document corrective actions within a commercially reasonable period after receipt of a defective or non-conforming sample and will take whatever measures necessary to correct the defect or non-conformance. Payment for defective or non-conforming Products is not an acceptance of such Products, does not limit or impair Buyer's right to assert any legal or equitable remedy, and does not relieve Seller's responsibility for latent defects.

**7.3 Recalls, Alerts, Field Campaigns or other OEM Notification.** This **Section 7.3** applies to any voluntary or government-mandated action by Buyer, or its direct or indirect customers, to conduct any recall or field service campaign, remedy an alleged defect or otherwise take any corrective action that relates to motor vehicle safety or an alleged failure of a vehicle to comply with an applicable motor vehicle safety standard or guideline (a "**Recall**"). Except as otherwise stated in the Contract, Seller will be liable for costs and damages resulting from a Recall if the Recall results in whole or in part from a failure of the Products to conform to the warranties in **Section 7.1**-(a). If Seller is liable for a Recall, the extent of Seller's liability will be negotiated on a case-by-case basis based on (1) a good faith allocation of responsibility for the Recall, (2) the reasonableness of the costs and damages incurred, and (3) other relevant factors. As a condition precedent to Seller's liability, Buyer must (i) notify Seller as soon as practicable after Buyer learns that a Recall being considered implicates the Products; (ii) provide Seller with such written performance evaluations, accident reports, and results of engineering investigations, relating to the potential Recall in Buyer's possession, other than documentation and records which are subject to legal privilege; (iii) provide Seller a reasonable opportunity to participate in inquiries and discussions among Buyer, its customer, and governmental agencies regarding the need for and scope of the Recall; and (iv) consult with Seller about the most cost-effective method of modifying or replacing vehicle systems or component parts, including the Products, in order to remedy the alleged defect or non-compliance.



## 8. Product Liability.

**8.1 Indemnification.** Seller will defend, indemnify and hold harmless Buyer and Buyer's customers, dealers and end-users of the Products sold by Buyer (or the vehicles in which they are incorporated) and all of their respective agents, customers, invitees, subsidiaries, affiliates, successors and assigns ("**Indemnified Parties**"), against all damages, losses, claims, liabilities and expenses (including reasonable attorneys' and other professional fees, settlements and judgments) ("**Losses**") incurred or suffered by any of them and arising out of or resulting from any (i) defective design in the Products (if designed by Seller) (ii) defect in the material, workmanship or manufacture of Products or provision of Services; (iii) delivery of non-conforming Products or Services; (iv) negligent wrongful acts or omissions of Seller or Seller's agents, employees or subcontractors; or (v) breach or failure by Seller to comply with any of Seller's representations or other terms and conditions of a Purchase Order (including any part of Terms). Without limitation of the foregoing, any Indemnified Party shall be entitled to indemnification for any Losses arising out of injury or death to persons, property damage, economic loss, the cost of any Recall campaigns, Customer field service actions or other corrective service actions that, in Buyer's or customer's reasonable judgment, are required because of nonconformities in some or all of the Products provided by Seller hereunder, and including interim set-offs or charges (such as interim field service action cost recovery debits) by customers attributable to Products. This **Section 8** will not apply to the extent that the injury, loss, or damage results from (1) Buyer's specification of materials in the Products, (2) Buyer's design of the Products, or (3) any alteration or improper repair, maintenance, or handling of the Products, or installation of the

Products by anyone other than Seller or Seller's direct or indirect customers. Seller's obligation to defend and indemnify under this Section will apply regardless of whether the claim arises in tort, negligence, contract, warranty, strict liability or otherwise except for claims that arise as a result of the sole negligence of Buyer. Buyer has the right to be represented by and actively participate through its own counsel in the defense and resolution of any indemnification matters, at Seller's expense. The indemnification obligations of Seller set forth in this Agreement, including this Section, are independent of and in addition to any insurance and warranty obligations of Seller. If Seller performs any work on Buyer's or customer's premises or utilizes the property of Buyer or customer, whether on or off Buyer's or customer's premises: (i) Seller will examine the premises to determine whether they are safe for the requested work and will advise Buyer promptly of any situation it deems to be unsafe; (ii) Seller's employees, contractors, and agents will comply with all laws and regulations that apply to the premises and may be removed from Buyer's premises at Buyer's discretion; (iii) Seller's employees, contractors, and agents will not possess, use, sell, transfer or be under the influence of alcohol or unauthorized, illegal, or controlled drugs or substances on the premises; and (iv) Seller will indemnify and hold Buyer and customer, and their respective agents, successors and assigns, harmless from and against any liability, claims, demands or expenses (including reasonable attorneys' and other professional fees, settlements and judgments) for damages to the property of or personal injuries (including death) to Buyer, customers, their respective employees or agents, or any other person or entity to the extent arising from or in connection with Seller's work on the premises or Seller's use of Buyer's or customer's property, except for any

liability, claim or demand arising out of the sole negligence of Buyer.

**8.2 Procedure.** Buyer will notify Seller promptly after Buyer becomes aware of the basis for a claim for indemnification under this **Section 8**. At the request of Buyer, Seller will cooperate with Buyer to determine the root cause of a defect in or failure of the Products (and related systems and components). Seller may examine and test all available Products and related systems and components that are subject to a third-party claim. Buyer will endeavor to include Seller in settlement discussions where indemnity has been or will be sought from Seller.

## **9. Compliance with Laws.**

(a) Seller, and any Products supplied by Seller, will comply with all applicable laws, including rules, regulations, orders, conventions, ordinances and standards, including without limitation (i) in relation to the manufacture, labeling, transport, import, export, licensing, approval or certification of the Products, and (ii) laws relating to environmental matters, anti-corruption, hiring, wages, hours and conditions of employment, subcontractor selection, discrimination, occupational health or safety, and motor vehicle safety. The Purchase Order incorporates by reference all clauses required by these laws.

(b) All materials used by Seller in the Products or in their manufacture will satisfy current governmental and safety constraints on restricted, toxic and hazardous materials as well as environmental, electrical and electromagnetic considerations that apply to the country of manufacture, sale or destination.

(c) Seller and its employees and contractors will abide by Buyer's Ethics Policy (available at ghsp.com under Supplier Standards Manual) or Seller's own equivalent ethics policy.

(d) Seller agrees that all components obtained by Seller for GHSP Products shall be obtained from sources located in known conflict free zones, and to provide all information requested by GHSP relating to the source of such components.

## **10. Intellectual Property Rights.**

**10.1 Buyer's Intellectual Property.** Buyer does not transfer to Seller any patent, trade secret, trademark, service mark, copyright, mask work, or other intellectual property right ("**Intellectual Property Right**") of Buyer in information, documents, or property that Buyer makes available to Seller under the Contract, other than the right to use Buyer's Intellectual Property Rights to produce and supply Products and Services to Buyer.

**10.2 Seller's Intellectual Property.** Except where an existing agreement states otherwise, Seller does not transfer to Buyer any Intellectual Property Rights of Seller related to the Products or Services or incorporated in Buyer's Property, other than the right to incorporate Products purchased from Seller in vehicles and component parts and to sell those vehicles and component parts to the public. If the Contract is terminated by Buyer pursuant to **Section 12** or **Section 13** or by Buyer or Seller pursuant to **Section 16**, Seller grants to Buyer a non-exclusive right and license to use Seller's Intellectual Property Rights during the Contract term that would have applied had it not been earlier terminated, and subject to **Section 14**, to obtain the Products and Services or similar products and services from alternate sources and to sublicense Seller's

Intellectual Property to such alternate sources for such purposes. There will be no fee for this license if (1) Buyer terminates the Contract for Seller's Default, or (2) Seller or Buyer terminates the Contract pursuant to **Section 16**. Otherwise, the parties will negotiate a reasonable fee for use of Seller's Intellectual Property Rights.

### **10.3 Infringement.**

(a) Subject to **Section 10.3(b)**, Seller will indemnify and defend Buyer and its customers against claims, liabilities, losses, damages, costs, and expenses, including reasonable legal fees, arising out of the actual or alleged infringement by the Products of a third-party Intellectual Property Right (1) in the United States, the European Union, or Japan, and (2) in another jurisdiction if Seller is or becomes aware of the actual or alleged infringement in that other jurisdiction at any time after the Purchase Order is issued and fails to disclose it to Buyer within 10 days after becoming aware of such infringement. If a claim under this **Section 10.3** results, or is likely to result, in an injunction or other order that would prevent Seller from supplying or Buyer from using Products for their intended purpose, then upon the demand of Buyer, Seller will, at Seller's expense and Buyer's option, either (i) secure a license of the Intellectual Property Right that permits Seller to continue supplying the Products to Buyer, or (ii) modify the Products so that they become non-infringing, so long as the modification does not materially alter the operation or performance of the Products, or (iii) replace the Products with non-infringing but practically equivalent Products.

(b) Seller will have no liability under this **Section 10.3** if and to the extent that a claim of infringement is based on (1) a Product modification made by Buyer

or a third party, or (2) a Product modification made by Seller at Buyer's request, unless Seller knows of or should have known of that such modification could result in actual infringement or alleged infringement.

### **11. Property.**

#### **11.1 Buyer's Property.**

(a) Buyer will own the tooling, jigs, dies, gauges, fixtures, molds, patterns, supplies, materials, and other equipment and property used by Seller to manufacture, store, and transport Products or provide Services ("**Property**") if (1) the Property is so designated in the Contract, or (2) Buyer or its customer has provided or paid for, or agreed to pay for, the Property ("**Buyer's Property**"). Seller will assign to Buyer contract rights or claims in which Seller has an interest with respect to Buyer's Property and execute bills of sale, financing statements, or other documents reasonably requested by Buyer to evidence it's or its customer's ownership of Buyer's Property. Seller will indemnify and defend Buyer against claims or liens adverse to Buyer's or its customer's ownership of Buyer's Property except those that result from the acts or omissions of Buyer or its customer. Seller will hold Buyer's Property on a bailment basis and will be responsible for loss or damage to Buyer's Property while in its possession or control. To the extent permitted by law, Seller waives any lien or similar right it may have with respect to Buyer's Property. Buyer will be responsible for personal property taxes assessed against Buyer's Property.

(b) Seller will (1) at its expense maintain Buyer's Property in good condition and repair, normal wear and tear excepted, throughout the useful life of Buyer's Property, including service life; (2) use Buyer's Property only for the manufacture, storage,

and transport of Products for Buyer unless Buyer otherwise approves in advance in writing; (3) at Buyer's request and expense, mark Buyer's Property as belonging to Buyer or its customer; and (4) not remove Buyer's Property (other than shipping containers and the like) from Seller's premises without Buyer's written approval. All replacement parts, additions, improvements, and accessories to Buyer's Property will become part of Buyer's Property unless they can be removed without damaging Buyer's Property.

(c) Buyer will pay for Buyer's Property that it is required to purchase at the amount specified in the Contract or, if no amount is specified in the Contract, at (1) Seller's actual cost of the Buyer's Property, if manufactured by a third party, or (2) Seller's actual cost of purchased materials, components, and services plus Seller's actual cost of labor and overhead allocable to the Buyer's Property, if manufactured by Seller. Unless otherwise stated in the Contract, final payment for Buyer's Property is due Net 45 days after approval by Buyer of the Seller's PPAP (Production Part Approval Process).

(d) Subject to **Section 11.1(e)**, Seller will immediately release to Buyer upon request, and Buyer may retake immediate possession of, Buyer's Property and other property of Buyer or its customers at any time, with or without cause and without payment of any kind unless otherwise provided in the Contract. Seller will release the requested Property and other property to Buyer, properly packed in a manner that protects Buyer's Property, and marked in accordance with the requirements of Buyer's carrier. If the release or recovery of Buyer's Property or other property renders Seller unable to produce a Product, the release or recovery will be deemed a termination of the Contract with respect to that Product pursuant to **Section 12** or **13**, as applicable.

(e) Seller's obligation to release and allow Buyer possession of Buyer's Property under **Section 11.1(d)** shall be conditioned on payment by Buyer of all amounts owed for Buyer's Property under **Section 11.1(c)**, except that if Buyer and Seller dispute the amount owed under **Section 11.1(c)**, Seller shall release and allow Buyer possession of Buyer's Property upon payment by Buyer of the undisputed portion of the amount claimed by Seller to be owed. Seller's relinquishment of possession shall not prejudice any claim or right to payment of Seller for the disputed amounts.

**11.2 Seller's Property.** Seller will own all Property that is not Buyer's Property ("**Seller's Property**"). Seller will at its expense furnish, maintain in good condition, and replace when necessary Seller's Property needed to perform the Contract. Seller will insure Seller's Property with full fire and extended coverage insurance for its replacement value. While a Contract for Products remains in effect, Buyer may purchase Seller's Property used exclusively to produce those Products and not needed by Seller to produce Products or products for other customers, for a purchase price equal to the lesser of fair market value or Seller's unamortized acquisition cost.

**11.3 Tooling; Capital Equipment.** With respect to orders for tooling: (a) Seller will provide to Buyer, as requested, access to Seller's premises and all documentation relating to the tooling, prior and subsequent to payment, to inspect work performed and to verify charges submitted by Seller against a Purchase Order. For any tooling or parts thereof that Seller obtains from any third party, Seller will provide Buyer with such access and documentation

to the ultimate production source. Seller will have ten (10) days from the date Buyer notifies Seller of Buyer's intention to audit Seller to provide the requested access and copies of requested documentation for Buyer's exclusive use and records. Any information submitted following such ten (10) day period will not be considered by Buyer. The price set forth in the Purchase Order will be adjusted to credit Buyer in the amount, if any, by which the price exceeds Seller's actual cost as verified. If Seller's primary business is to fabricate tooling, Seller will be permitted a reasonable profit percentage as indicated by the Purchase Order. In the absence of a mutually-accepted profit percentage Buyer will determine a reasonable profit percentage following the completion of its audit. Seller will invoice Buyer for (and Buyer will only be obligated to pay) the lower of Seller's actual cost plus such profit percentage or the amount set forth in the Purchase Order. Buyer's audit to verify actual costs will include without limitation, at Buyer's option, copies of Seller's cancelled checks and bank statements and any other information necessary for Buyer to confirm the existence or absence of rebates, credits or discounts provided to Seller by any third party relating to such tooling. If Seller does not provide such access and documentation, Buyer may determine in its reasonable discretion an appropriate adjustment based on information available to Buyer, including estimated costs, and Seller shall be responsible for Buyer's costs in determining such estimated costs. Seller will not disclose to any third party, except for its attorneys and professional advisors who are required to maintain confidentiality, the results of such tooling audits or any adjustments made by Buyer to the prices and amounts payable to Seller as a result of such audit. Seller will retain (and cause its tooling sub-suppliers to retain) all cost records for a period of three years after receiving final payment of the

charges. All tools are to be made to Buyer's specifications (or, where directed by Buyer, those of Buyer's customers). Any exception to such specifications must be stated in writing on the Purchase Order or otherwise in a signed writing by Buyer. To the extent the Purchase Order expressly states that it is for "tooling" and unless otherwise stated in the Purchase Order, freight terms are DDP Buyer's facility – Freight Collect, and Seller should not prepay or add freight charges. (b) To the extent permitted by applicable law, any payments made by Buyer for Buyer-owned tooling are expressly intended by Buyer to be held in trust for the benefit of any subcontractor(s) used by Seller to produce the Buyer-owned tooling that are covered by such payments and Seller agrees to hold such payments as trustee in express trust for such subcontractor(s) until Seller has paid the subcontractor(s) in full for the Buyer-owned tooling. Seller acknowledges and agrees that such subcontractor is an intended third party beneficiary of the terms of this Section relating to the express trust and as such, such tooling subcontractor shall have the right to enforce these terms of this Section directly against Seller in subcontractor's own name. Seller agrees that Buyer has no obligation to Seller or Seller's tooling subcontractor under this Section other than making the payment to Seller in accordance with a tooling Purchase Order. In the event Seller's tooling subcontractor brings an action against Seller under this section, Seller agrees that it will not join Buyer in any such action.

## **12. Term and Termination.**

**12.1 Generally.** Subject to Buyer's termination rights, the Contract formed by the Purchase Order is binding on the parties for the length of the applicable Original Equipment Manufacturer ("OEM") program production life (including model refreshes or extensions as determined by the

applicable OEM customer), and both Buyer and Seller acknowledge the risk of the program production volume being different than estimated or program life being extended or canceled by the OEM. Notwithstanding the foregoing, if an expiration date is stated in the Purchase Order or a Contract, the term of the Purchase Order will continue until that date. Unless specifically waived in writing by an authorized representative of Buyer, Seller's obligations with respect to service and replacement parts will survive the termination or expiration of the Purchase Order.

**12.2 Termination by Buyer for Convenience.** The Buyer may terminate the Contract, in whole or in part upon 60 days' prior written notice to Seller. The Seller has no right to terminate the Contract except in the event of a Default of Buyer which is not cured prior to such termination.

**12.3 Amounts Payable to Supplier.** If Buyer terminates a Contract before the end of its specified term (other than for Seller's Default under **Section 13** or following notice from Seller of an Excusable Event under **Section 16**), Buyer agrees to purchase completed Products at the Contract price and work-in-process and raw materials at Seller's actual cost, in each case to the extent consistent with Buyer's current material authorization, including the cost to store the items to be purchased and relocate production to an alternate source. Buyer will not be responsible for any capital purchased by Seller related to the Contract.

## **13. Default.**

**13.1 Events of Default.** Time is of the essence and, subject to **Section 16**, either party will be in

**"Default"** under the Contract if it (1) in the case of Seller, delays delivery or fails to deliver Products in strict accordance with the delivery schedules, and such failure is not cured within 24 hours of receipt of written notice of such delay or failure, (2) fails to remain competitive and fails to become competitive within 30 calendar days after receipt of notice from Buyer which indicates in reasonable detail those areas of performance, including but not limited to, delivery, quality, technology or pricing, which form the basis for Buyer's assertion that Seller has failed to remain competitive, (3) fails to perform any other obligation under the Contract and, if the non-performance can be cured, fails to cure the non-performance within 15 business days after written notice from the other party specifying the non-performance, (4) admits in writing its inability to pay its debts as they become due, commences a bankruptcy, insolvency, receivership, or similar proceeding, or makes a general assignment for the benefit of creditors, (5) becomes a debtor in a bankruptcy, insolvency, receivership, or similar proceeding commenced by a third party that is not dismissed within 30 days after commencement, or (6) fails to provide adequate assurance of performance under the Contract within three business days after written demand by the other party.

## **13.2 Remedies.**

(a) Subject to **Sections 7** and **8** (which provide the exclusive remedies for breach of warranty, Recalls, and products liability) and to the limitations in this **Section 13.2**, either party may exercise the remedies provided in this **Section 13.2**, which are cumulative and are in addition to all other rights and remedies available elsewhere in the Contract or by law.

(b) Upon the occurrence of a Default and while that Default is continuing, the non-defaulting party may terminate the Contract by notice to the defaulting party. If Seller is in Default, Buyer's damages will include the reasonable costs actually incurred to relocate the work to an alternate source, and Buyer may purchase completed Products at the Contract price and work-in-process and raw materials at Seller's actual cost, and Seller shall be required to provide the Transition Services set forth in **Section 14**, at no cost to Buyer. If Buyer is in Default, Seller's damages will be limited to the Contract price for completed Products and Services and the actual cost of work-in-process and raw materials authorized by Releases (which will become Buyer's property upon payment in full).

(c) If Seller does not release or deliver Buyer's Property or other property of Buyer or its customers in accordance with **Section 11.1(d)**, Buyer may at Seller's cost (1) obtain an immediate court order for possession, and (2) enter Seller's premises, with or without legal process, and take immediate possession of Buyer's Property and the other property. To the extent permitted by law, Seller waives any right to object to Buyer's repossession of Buyer's Property and the other property in a bankruptcy or other proceeding.

(d) **EXCEPT AS OTHERWISE EXPRESSLY AUTHORIZED IN THE CONTRACT, ALL INDIRECT, SPECIAL, CONSEQUENTIAL (INCLUDING LOST PROFITS OR MARKET SHARE OR DAMAGE TO BRAND VALUE), INCIDENTAL, PUNITIVE, AND EXEMPLARY DAMAGES, WHETHER OR NOT FORESEEABLE, ARE EXCLUDED UNDER THESE TERMS TO THE EXTENT PERMITTED BY APPLICABLE LAW.**

## 14. Transition of Supply.

(a) In connection with Buyer's termination or non-renewal of the Purchase Order, or Buyer's other decision to source the Products and/or the Services from any alternate supplier(s), Seller will cooperate with Buyer in the transition of the supply of Products and/or Services, including the following: (1) Seller will continue the production and delivery of all Products and Services as ordered by Buyer, at the prices and other terms stated in the Purchase Order, without premium or other condition, during the entire period reasonably needed by Buyer to complete the transition to alternate supplier(s), such that Seller's action or inaction causes no interruption in Buyer's ability to obtain the Products and/or Services as needed; (2) at no cost to Buyer, Seller will promptly provide all requested information and documentation regarding and access to Seller's manufacturing process, including on-site inspections, bill-of-material data, tooling and process detail and samples of the Products and/or Services and components; and (3) subject to Seller's reasonable capacity constraints, Seller shall provide special overtime production, storage and/or management of extra inventory of the Products, extraordinary packaging and transportation and other special services (collectively "**Transition Support**") as expressly requested by Buyer in writing.

(b) If the transition of supply occurs for reasons other than Buyer's termination of the Purchase Order pursuant to **Section 12.1** or **Section 13**, Buyer shall, at the end of the transition period, pay the reasonable, actual cost of Transition Support as requested by Buyer and incurred by Seller, provided that Buyer has approved Seller's estimate of such costs prior to Seller incurring such amounts.

## 15. Confidential Information.

Trade secrets, specifications, drawings, notes, instructions, engineering data and analyses,

compositions of matter, financial data, and other technical and business data which are supplied or disclosed by Buyer or Seller in connection with the Contract, in each case that are marked or otherwise identified as confidential or where their confidential nature is apparent at the time of disclosure ("**Confidential Information**"), will be deemed confidential and proprietary to, and remain the sole property of, the disclosing party. The receiving party may not disclose Confidential Information or use Confidential Information for any purpose other than as contemplated under the Contract without, in each case, the prior written consent of the disclosing party. Confidential Information will not include information that (1) is or becomes generally available to the public other than as a result of a violation of this **Section 15** by the receiving party, (2) was obtained by the receiving party on a non-confidential basis from a third party who had the apparent right to disclose it, (3) is known or independently developed by the receiving party prior to disclosure, or (4) is legally required to be disclosed. Buyer and Seller will each use the same degree of care to safeguard Confidential Information that it uses to protect its own confidential information from unauthorized access or disclosure (but not less than a reasonable degree of care). Upon request by the disclosing party, the receiving party will promptly return or destroy the original and all copies of Confidential Information received. Upon request of Buyer, Seller will be required to sign a separate non-disclosure agreement.

## **16. Assignment and Subcontracting.**

Neither party may assign or subcontract its duties or responsibilities under the Contract without the prior written consent of the other party, which will not be unreasonably withheld or delayed. Unless otherwise stated in the consent, any assignment or subcontracting by either party, with or without the

required consent, will not relieve that party of its duties or obligations under the Contract or its responsibility for non-performance or Default by its assignee or subcontractor.

## **17. Excusable Non-Performance.**

A delay or failure by either party to perform its obligations under the Contract will be excused, and will not constitute a Default, only if caused by an Excusable Event. An "**Excusable Event**" is a cause or event beyond the reasonable control of a party that is not attributable to its fault or negligence and includes fire, flood, earthquake, and other extreme natural events, acts of God, riots, civil disorders, and war or acts of terrorism whether or not declared as such by a government. Notwithstanding the forgoing, labor problems or other issues involving Seller's employees or its suppliers employees, availability of raw materials, component parts, changes in costs of materials, labor or other costs of Seller, or any other changes in commercial markets, commercial environment, the economy or other commercial factors generally shall not constitute an Excusable Event. In each case, the failure to perform must be beyond the reasonable control, and not attributable to the fault or negligence, of the party claiming the Excusable Event. The party unable to perform must give notice of the non-performance (including its anticipated duration) to the other party promptly after becoming aware that it has occurred or is reasonably likely to occur, followed by prompt notices of any material changes in the facts relative to its ability to perform and/or the anticipated duration of the non-performance. Seller and Buyer shall share information, confer, seek agreement and otherwise act cooperatively to avoid or mitigate the effects of the potential or actual excused non-performance. If Seller is unable to perform for any reason, Buyer may purchase Products and Services from other sources and reduce its purchases from



Seller accordingly without liability to Seller. Within three business days after written request by the other party, the non-performing party will provide adequate assurances that the non-performance will not exceed seven calendar days. If the non-performing party does not provide those assurances, or if the non-performance exceeds seven calendar days, the other party may terminate the Contract by notice given to the non-performing party before performance resumes.

## **18. Labor Contracts.**

Seller will notify Buyer of the contract expiration date at least six months before the expiration of a current labor contract that has not been extended or replaced. Buyer may thereafter at Buyer's sole discretion direct Seller in writing to manufacture up to 90 days of additional inventory of Products, specifying the quantities of Products required and any packaging and storage requirements. Seller will comply with Buyer's written directions prior to expiration of the current labor contract and until the current labor contract has been extended or a new contract completed. By authorizing the additional inventory, Buyer commits to buy the entire quantity of conforming Products requested and produced. Seller is responsible for carrying costs and any additional costs of manufacture. Nothing in this Section shall be construed to relieve Seller of its obligations to supply Products under the Contract.

## **19. Customs.**

Transferable credits or benefits associated with Products purchased, including trade credits, export credits, or rights to the refund of duties, taxes, or fees, belong to Buyer unless otherwise prohibited by applicable law. Seller will provide Buyer with all information and records relating to the Products necessary for Buyer to (1) receive these benefits,

credits, and rights, (2) fulfill any customs obligations, origin marking or labeling requirements, and certification or local content reporting requirements, (3) claim preferential duty treatment under applicable trade preference regimes, and (4) participate in any duty deferral or free trade zone programs of the country of import. Seller will obtain all export licenses and authorizations and pay all export taxes, duties, and fees unless otherwise stated in the Contract, in which case Seller will provide all information and records necessary to enable Buyer to obtain those export licenses or authorizations. Specific details will be defined and listed in the contract using International Commercial Terms (INCOTERMS) as identified by the International Chamber of Commerce 2010 revisions, referred to herein as "*Incoterms 2010*", and include the specific "*Named Place*" where needed.

## **20. Insurance.**

Prior to commencing work on Buyer's premises or utilizing Buyer's property (including Buyer's Property), Seller will maintain and upon request furnish to Buyer a certificate evidencing (1) general liability insurance **coverage listed below** or **additional** coverage limits reasonably acceptable to Buyer and naming Buyer as an additional insured, (2) all risk property perils insurance covering the full replacement value of Buyer's Property while in Seller's care, custody, or control and naming Buyer as loss payee, (3) product liability **and product recall insurance**, and (4) worker's compensation insurance as required by applicable law. The existence of insurance does not release Seller of its obligations or liabilities under a Purchase Order. **Minimum coverage is as follows:**

Coverage	Limits of Liability
Commercial general liability insurance, including product recall and contractual liability coverage	US \$5,000,000/each occurrence, general aggregate, products & completed operations aggregate
Employers Liability	US \$100,000/each accident, disease, policy limit, disease each employee
Commercial automobile liability insurance	US \$1,000,000/each occurrence combined single limit
Business interruption insurance	As specified by buyer
Workers Compensation	Statutory

## 21. Dispute Resolution.

Buyer and Seller will first endeavor to resolve through good faith negotiations any dispute arising under the Contract. If a dispute cannot be resolved through good faith negotiations within a reasonable time, either party may pursue any available legal action as it determines appropriate. Nothing contained herein shall act to prohibit, impair or delay Buyer undertaking any legal action to seek immediate injunctive relief as may be available to Buyer.

## 22. Miscellaneous.

**22.1 Advertising.** During and after the term of the Contract, Seller will not advertise or otherwise disclose its relationship with Buyer or Buyer's customers without Buyer's prior written consent, except as may be required to perform the Contract or as required by law.

**22.2 Audit Rights.** Seller will maintain records as necessary to support amounts charged to Buyer under the Contract in accordance with Seller's

document retention policies. Buyer and its representatives may audit Seller's records of transactions completed prior to the audit date, to the extent needed to verify the quantities shipped and that the prices charged match the Contract prices. Any audit will be conducted at Buyer's expense (but will be reimbursed by Seller if the audit uncovers material errors in the amounts charged), at reasonable times, and at Seller's usual place of business.

**22.3 Electronic Communication.** Seller will comply with the method of electronic communication specified by Buyer in Buyer's request for quotation and confirmed in the Contract, or as stated in Supplier's Standards Manual, including requirements for electronic funds transfer, purchase order transmission, electronic signature, and communication.

**22.4 Relationship of the Parties.** Buyer and Seller are independent contractors, and nothing in the Contract makes either party the agent or legal representative of the other party for any purpose. Neither party has authority to assume or to create any obligation on behalf of the other party.

**22.5 Waiver.** The failure of either party to enforce any right or remedy provided in the Contract or by law on a particular occasion will not be deemed a waiver of that right or remedy on a subsequent occasion or a waiver of any other right or remedy.

**22.6 Entire Agreement** (a) The Contract constitutes the entire agreement between Seller and Buyer with respect to its subject matter, and supersedes all prior oral and written representations and

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agreements by the parties with respect to the subject matter of the Contract. Except as authorized in Section 1, no subsequent terms, conditions, understandings, or agreements purporting to modify the terms of the Contract will be binding unless in writing and signed by both parties.

(b) New purchase orders, purchase order revisions/amendments, once accepted by Seller as provided in **Section 1.1**, will be governed by the Terms (as may be revised from time to time) that are posted on Buyer's website at: ghsp.com (link is in Supplier Standards Manual), as of the date of acceptance.

(c) Buyer's Website may also contain specific additional requirements for certain items covered by the Purchase Order, including labeling, packaging, shipping, delivery and quality specifications, procedures, directions and/or instructions. Any such requirements shall be deemed to form part of the Contract. Buyer may periodically update such requirements by posting revisions thereto on Buyer's Website. In the event of any inconsistency between the Contract and Buyer's Website, the terms of the Contract shall prevail, unless the requirements specified on Buyer's Website expressly provide otherwise.

**22.7 Severability.** A finding that any provision of the Contract is invalid or unenforceable in any jurisdiction will not affect the validity or enforceability of any other provision of the Contract or the validity or enforceability of that provision in any other jurisdiction.

**22.8 Interpretation.** When used in these Terms, "including" means "including without limitation" and

terms defined in the singular include the plural and vice versa.

**22.9 Notices.** Any notice or other communication required or permitted in the Contract must be in writing and will become effective on the date of actual receipt if the date of actual receipt is a business day or on the next business day if the date of actual receipt is not a business day.

**22.10 Governing Law.** Unless otherwise agreed in writing, the Contract will be governed by and interpreted according to the internal laws of Michigan. The *United Nations Convention on Contracts for the International Sale of Goods* will not apply to the Contract. The exclusive venue of any dispute relating to this Agreement shall be in the state or federal courts within Ottawa County, Michigan, and the parties hereby irrevocably consent to the jurisdiction of such courts.

**23. Set-Off; Recoupment.** In addition to any right of setoff or recoupment provided by law, all amounts due or to become due to Seller will be considered net of indebtedness of Seller and its affiliates or subsidiaries to Buyer and its affiliates or subsidiaries. Buyer will have the right to set off against or to recoup from any payment or other obligation owed to Seller, in whole or in part, any amounts due to Buyer or its affiliates or subsidiaries from Seller or its affiliates or subsidiaries. Buyer will provide Seller with a statement describing any offset or recoupment taken by Buyer.

