



# Global Supplier Standards Manual

**SHYFT**GROUP

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2020  
**SHYFT Group**

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## **Our Story**

At SHYFT Group, understanding and planning for the road ahead is our business. Financial pressures are intensifying, budgets are tightening and productivity must be continually increased. At the same time, new technologies are forcing everyone to reconfigure old models and customize better and faster in order to stay competitive with relevant products. In today's rapidly changing environment, companies are vulnerable unless they can offer better value, a new solution and more productivity.

At SHYFT Group, we understand that better than most. In our history, we've had to adjust to a changing climate as well. As one of the largest vehicle-specific engineering, manufacturing, assembly, and service companies in the world, we challenge ourselves to know more, offer more, and apply more, so our customers get more. Our driving philosophy is to always improve our customers' end game, and we charge every person who works here to contribute to that goal as well.

At SHYFT Group, we strategize about the road our customers travel and the challenges they face. We innovate for them, we engineer for them, we customize for them, and we service for them. We believe that our customers' road is our road, and our focus is on the sole goal of helping them command it.

## **Mission Statement**

The SHYFT Team works as one to engage with customers and create superior products and services

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## Vision Statement

Increase the value of our company, expand our portfolio of brands, and enter new markets by exceeding customer expectations, becoming market leaders, and achieving operational excellence.

## Core Values

- 1) Honesty & Integrity
- 2) Accountability
- 3) Trust
- 4) Performance Excellence

## Purpose & Intent

The purpose of the Global Supplier Standards Manual is to communicate SHYFT Group requirements to the suppliers in all our divisions and Corporate Worldwide Headquarters. It is the expectation of SHYFT that all suppliers comply with all the requirements and expectations documented in this manual.

SHYFT expects this manual to provide the foundation for our working relationship. It is a means to communicate the policies, procedures, and guidelines under which SHYFT will transact business. We will strive for excellence through continuous improvement in the products and services we receive utilizing close working relationships with our suppliers. We will strive to create highly integrated, value-added relationships that generate a competitive advantage and growth platform for SHYFT and its suppliers. Risk Management and Total Cost of Ownership have become a critical area of focus to aid in our ability to continuously exceed expectations of our internal and external customers.

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# 1.0 Supply Chain Management

The supply chain organization at SHYFT Group contributes to manufacturing excellence in quality, total cost and delivery to the customer. The supply chain management function assures the on-time delivery of high quality component material and shipment of high quality finished goods at the lowest cost while adding value to the customer.

Continuous improvement in our global supply chain systems is, and will continue to be, a competitive advantage for SHYFT Group. This advantage is created through the engineering and design of business processes, which are enabled through effective application of lean technologies. To fully leverage the potential of these innovative systems and processes, the knowledge and capabilities of our extended enterprise must be flexible and capable of meeting our replenishment and quality requirements.

Total supply chain management is achieved through the execution of comprehensive, common business processes and systems such as:

- ISO 9001 standards
- IATF16949 standards
- AIAG guidelines ([www.aiag.org](http://www.aiag.org))

The following are critical supply chain elements that must be in place to execute flawlessly:

- Communicate electronically between suppliers and customers
- Implement/utilize lean manufacturing practices
- Analyze demand –
  - Understand and react to schedule variation week to week
  - Reconcile cumulative orders weekly
  - Compare demand to capacity

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- Proactive communication through the supply chain when there are potential issues in meeting demand and/or product quality requirements
  - Ship according to the transportation routing instructions
  - Respond to the Customer specified replenishment method(s) and establish replenishment processes to assure on-time delivery from the extended supply chain
  - Implement repeatable processes and audit them to assure conformance using tools like the MMOG/LE self-assessment
  - Identify and measure key metrics on a regular basis, with an emphasis on continuous improvement.
  - Add Quality related items

## 1.1 Purchasing Philosophy

SHYFT is committed to customer satisfaction and delivering the highest level of personal service. We work closely with our suppliers to reach these goals. We strive to procure high quality products and services that are delivered on time to support daily operations, but are also innovative and add value to the SHYFT product lines.

## 1.2 Supplier Selection & Approval

A primary objective is to identify, qualify and engage world-class suppliers from their respective industries. Financial health, innovation, continuous improvement, a culture of Lean Business Practices and supplier capabilities are all critical along with the desire to work together to build relationships at SHYFT.

All suppliers being investigated as a potential business partner must complete a Mutual Confidentiality and Non-Disclosure Agreement (NDA). No information, confidential or otherwise, including drawings, specifications, usages, application data, etc. can be shared with a supplier without a completed NDA. There are

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no exceptions to this policy. Supplier surveys, company profile information and on-site audits of supplier facilities will be conducted.

Suppliers for SHYFT are evaluated and approved by a cross-functional team that includes, but not limited to, SHYFT Group's Purchasing, Quality, Engineering and Service Parts personnel. The supplier company profile review and approval process pertains to the supplier as an entity and does not necessarily include the approval for specific parts.

## 1.3 Supplier Management

SHYFT believes in utilizing performance scorecards with suppliers to provide key information and data. A proactive approach and collaborative activities between SHYFT and its supply base are critical along with the approach of open communication. Executive level meetings, formal business reviews, project reviews and on-going communications are some methods used to help manage the supply chain, exchange information and mitigate risks.

SHYFT will continually work in conjunction with its suppliers to identify specific areas that can be improved upon, which often involve a collaborative effort between various departments both at the supplier and SHYFT. All suppliers are assessed and monitored, but every company has opportunities to improve. SHYFT views its supply base as an extension of its own business practices, so a supplier's success is critical to SHYFT's business health.

### 1.3.1 Scorecard Performance

There are multiple areas that SHYFT measures to review supplier performance within Supply Chain Management. The sections contained in this manual will instruct you on our expectations for your performance in order that together we may create a supply chain that executes flawlessly each time.

To monitor supplier performance, SHYFT Group monitors the following:

- Incident rate based on the number of incidents in a calendar month.

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- An incident is defined as a problem found at a specific point in time that affects SHYFT processes and inventory levels and that requires mitigation or containment).
  - PPM (parts per million) based on receipts vs. rejected parts.
  - Supplier On-Time Delivery - On time delivery is defined as a shipment received no earlier than 1 day before the due date and no later than 0 days past the due date (+1/-0). This equates to a 48-hour receiving window.
  - In addition, SHYFT Group may use other criteria, such as the number of SCARs issued as part of our overall performance measurement.

SHYFT Group will calculate incident rates, PPM and on time delivery measurements and will make the results available to the supplier upon request.

### 1.3.2 Supplier Performance Awards

To recognize outstanding service and achievement amongst our supply base, SHYFT Group will award Supplier Diamond Awards and Presidents Awards on an annual basis. These awards will be given out during our annual Supplier Conference.

Eligibility for a Supplier Diamond Award and/or President's Award is contingent upon meeting the following criteria:

1. Achieve an On-Time Delivery Score of 98.5%, or higher, as averaged over the calendar year.
2. Achieve a Quality Incident Rate of 5 or less over the calendar year
3. Submit a minimum of 1 VAVE proposal over the calendar year
4. Adherence to SCAR timing for issued SCAR's
5. No submissions of a net price increase over the calendar year
6. Satisfactory warranty performance, i.e. no active recall or campaign events of any kind over the calendar year

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7. Subjective criteria may also be used at SHYFT Group's management discretion

## 1.4 Visitor Policy

All non-SHYFT employees must sign in at the designated reception area, receive a visitor(s) badge, be escorted by a SHYFT associate and have the appropriate personal protective equipment (PPE) if they enter any of the facilities beyond the main offices or the shipping and receiving areas. Photography will NOT be permitted by any Visitor unless prior approval is provided by SHYFT management.

## 1.5 Environmental Commitment

SHYFT believes in the preservation of the environment because it leads to a safer, healthier world for today and in the future. In addition to the various product offerings provided by SHYFT, alternative fuel specialty vehicles are offered to help reduce pollutant emissions. SHYFT also subscribes to environmentally conscious manufacturing practices while working to obtain ISO 14001 certification by 2020 and strongly encourages its suppliers to have similar manufacturing philosophies. SHYFT recycles waste in many aspects of our daily operations and in the office.

### SHYFT GROUP ENVIRONMENTAL HEALTH AND SAFETY POLICY:

- Protect people and the environment by working to prevent accidents and pollution.
- Ensure our facilities and processes are compliant with applicable local, state, and federal regulations (environmental requirements), industry best practices, customer requirements, and other applicable requirements.
- Promote environmental and safety achievement through its leadership, and associate involvement across all locations.
- Establish, promote and drive toward specific performance goals to ensure continuous safety and environmental improvement.
- Provide personnel and resources to maintain a compliance-focused environmental, health and safety management system.

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SHYFT will ensure the environmental policy remains appropriate to the nature, scale and environmental impacts of its activities, products or services, including commitments to pollution prevention. SHYFT will maintain compliance and provide a framework for setting and reviewing environmental objectives and targets.

## 1.7 Language and Currency

SHYFT's official language is English. All official communication with SHYFT will be done in English. Documents may display the native language when integrated in parallel translation. In this instance, English is the only valid version.

The preferred currency for quoting or providing financial information is in US Dollars (US\$.) Unless otherwise noted and approved by an authorized agent of SHYFT, all communications will be assumed to be in US\$.

## 1.8 SHYFT Parts and Accessories Pricing

Pricing paid by SHYFT production/manufacturing, will be extended to SHYFT SPA, except for appropriate packaging fees when requested. Differences or changes in price must be reasonable and explainable and must be accepted by SHYFT SPA.

Suppliers are expected to supply a service parts price file once per year. Price files should be in an agreed upon format and must contain the following:

- Supplier Part Number
- SHYFT Part Number
- Description
- Cost in USD
- Lead-time
- Sales/Package Quantity
- Country of Origin
- HTC
- Weight
- Dimensions

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Timely response from suppliers is a critical success factor. It is SHYFT's expectations that a supplier will provide price and availability answers within 24 hours of the initial request.

We understand that new parts may require further investigation before quoting. However, regular progress updates should occur. Response time is a component of the supplier evaluation (scorecard). Inability to respond in a timely manner will affect suppliers overall score and will be a factor in driving SHYFT SPA supplier selection decisions. SHYFT considers last price paid to be current for all purchases orders, unless change is communicated directly to SHYFT SPA via approved price change notification.

## 1.9 Supplier After Sale Support Agreement (SASSA)

The SASSA is used to describe and document any field related activity at SHYFT and its customer base due to some type of non-conformance. When deemed necessary by SHYFT Purchasing, a SASSA will be initiated and implemented with the supplier outlining the agreed upon remedy.

## 1.10 SHYFT Parts and Accessories Parts Availability

In a "vehicle down" situation, SHYFT SPA and the Supplier(s) need to act with a sense of urgency and evaluate options to ensure prompt product availability for the customer base. Timely performance is a critical element in many instances so time is of the essence. SHYFT SPA expects suppliers to respond to technical and availability inquiries within 24 hours of the initial request

Supplier should work with SHYFT SPA to establish a "vehicle down" communication escalation process. This process can be used if acceptable communication has not occurred or if primary points of contact are absent/inaccessible.

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## 1.11 Social Media

SHYFT recognizes the rapid expansion and use of social media. While social media can be an effective means of communication, it is expected that all employees and suppliers use social media in a manner that is consistent with general business practices. Our expectations are that employees do not use social media in any way to slander, criticize, or voice any opinion, warranted or otherwise, the company or our suppliers. Similarly, we expect our suppliers to act in a similar and responsible manner, with direct interaction being the preferred method of communication.

## 1.12 Conflict Minerals and Mercury or Mercury Containing Compounds

SHYFT Group is committed to meeting all the requirements set forth in Section 1502 of the Dodd-Frank Wall Street Reform Act. This act requires manufacturers who file certain reports with the Securities and Exchange Commission (SEC) to disclose whether the products that they manufacture or contract to manufacture contain conflict minerals that are necessary to the functionality or production of those products on an annual basis.

To ensure compliance with these requirements, each manufacturer in the supply chain must request information regarding the use of conflict minerals from their direct suppliers, who, in turn, must solicit that information from the next tier of suppliers all the way through the supply chain to raw material mining/generation.

SHYFT Group Conflict Minerals Policy is available on the supplier portal on our website.

Mercury or mercury containing compounds shall not be intentionally added or come in direct contact with hardware or supplier furnished.

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## 1.13 Supplier Code of Conduct

SHYFT Group is a world-class leader in the design and production of superior products and services.

SHYFT Group's commitment to integrity and social responsibility includes its subsidiary companies and extends to its diverse supply base. To ensure that suppliers conduct business with a high degree of integrity and in a socially and environmentally responsible manner, each SHYFT supplier is required to adhere to this Supplier Code of Conduct.

SHYFT Group's Supplier Code of Conduct is available on the supplier portal on our website.

## 1.14 Order of Precedence for Technical Documents

In the event of a conflict in requirements between technical documents, the following order of precedence shall prevail:

- A. Purchase Order
- B. Supplements to drawings
- C. Drawings
- D. Specifications

## 1.15 Specification Revision Levels

Products and services supplied to SHYFT Group shall be produced in accordance with the latest revision status of the specifications and standards referenced in the data package/drawing except for when the purchase order or other relevant documents specify usage of an earlier version. (Note that the revision level printed on the PO pertains to the part number and is not necessarily the same revision level as the parent drawing.)

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## 1.16 Supplier Quality Program/System Requirements

Suppliers shall develop, document, implement and maintain a quality system, at a minimum, in compliance with ISO 9001:2015 or be able to provide their quality system documentation as requested by SHYFT Group. Objective evidence of compliance shall be on file verifying that an appropriate quality system exists and is being maintained. Procedures and records shall be available for examination by authorized SHYFT Group Representatives.

SHYFT Group reserves the right to conduct an Onsite QMS Risk or quality assessment, which will be performed by a SHYFT Group cross functional team representative(s).

# 2.0 Design / Validation / Application Approval

## 2.1 Part Design Process

SHYFT utilizes SOLIDWORKS as the primary design program but other systems can usually be converted and are compatible, if needed. All new and revised drawings will be sent officially to the Supplier by the Purchasing representative.

Suppliers will be granted access to SHYFT Group's drawing vault on an as needed basis. Suppliers will need to contact their SHYFT Group purchasing representative to establish access.

### 2.1.1 Deviation Process

If at any time, a supplier requests authorization to ship product into SHYFT Group which deviates from the current drawing or purchase order, the supplier must submit to supplier quality a deviation request. This request must be

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submitted on SHYFT Group deviation and change request form and clearly state part number, reason for deviation request, and quantity of parts the deviation is being requested for, proposed start date, and applicable validation testing results.

Once received, SHYFT Group Supplier Quality will review the Supplier's request with engineering and/or any other applicable internal SHYFT Group department to determine if the deviation will be approved or rejected and if an engineering change is appropriate or needed.

Once the deviation has been either approved or rejected, a copy will be sent back to the supplier and if an engineering change is needed, the ECO number will be noted on the deviation.

All product shipped into SHYFT under a deviation must include the deviation request number, clearly visible on each box of product, a "yellow" deviation label on the part and a copy of the approved deviation with the packing slip.

#### 2.1.2 Notification of Supplier Design/Production Change

It is the supplier's responsibility to notify SHYFT Group of process or design changes prior to implementation and/or shipment of product to SHYFT Group utilizing the SHYFT Group deviation and change request form and sent to their Supplier Quality Engineer and Commodity Manager. This includes ancillary components of a system being provided to SHYFT, including such items as connectors and fuses

It is the supplier's responsibility to inform SHYFT Group prior to process changes. Process changes include, but are not limited to moving production parts to another location or facility, equipment moves, as well as technology or manufacturing process changes.

If the supplier revises their designs without notifying and receiving SHYFT Group approval, the Supplier shall be responsible for all applicable warranty and rework charges.

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## 2.2 Project Management

SHYFT's approach to project management follows the Project Management Institute (PMI) process with key Concept, Design, Testing and Validation, and Launch phases. The SHYFT Program Management Office is responsible for leading and confirming that the projects stay on schedule and ensuring that all action items have been completed before moving into the next project phase.

## 2.3 Preliminary Drawings & Specifications

It is the suppliers' responsibility to manufacture SHYFT's products according to production released specification and drawings. Questions or requests for clarification should be directed to the appropriate SHYFT contact and/or SHYFT Purchasing.

SHYFT follows proven industry standards, like AIAG and SAE. Part specific requirements will be included on part drawings and supplemental specifications. There are instances where the Supplier is the product expert so SHYFT will need assistance to help define product requirements.

A source controlled drawing provides a list of approved sources of supply and the Supplier's item identification for the item(s) that have been approved for use.

Suppliers must follow SHYFT Group requirements for specifications referenced in engineering drawings or standards, such as: part marking, welding, paint specification, torque and others.

## 2.4 Product Testing

It is the supplier's responsibility to provide documented evidence that testing has been performed and that the part meets all specifications and test expectations as required by SHYFT or government regulatory bodies. Should the product fall out of compliance, it is the supplier's responsibility to aid SHYFT in rectifying the situation and bear all associated costs.

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## 2.5 Service Parts Information Requirements

Supplier will provide to the SHYFT Service Parts Group via email (apainvgrp@theshyftgroup.com) the following information primarily for initial purchases: part numbers, component breakdown, suggested stocking lists, product illustrations, packaging requirements for product preservation, MSDS, and contact person for Aftermarket Sales support. Supplier will offer support to help trouble-shoot and to remedy field issues being experienced by the SHYFT and its customer base.

1. Participate upon request in specific SPA packaging initiatives.
2. Supply upon request the weight and dimensions of the part.
3. Supply upon request digital photo of part suitable for presentation in sales and marketing material.
4. Supply upon request technical features and benefits of the component.
5. Provide markings to identify parts subject to shelf life or parts deemed hazardous.
6. Supplier will provide the following additional documentation, as required.
  - Bill of Material
  - Specifications (tolerances, torques, lubrication requirements, etc.)
  - Drawings (schematics, breakdowns, blowouts, part identification, etc.)
  - Aftermarket warranty
  - Recommended Service Parts Stocking Lists
  - Parts Manuals

## 2.5 Application Approvals

It is the supplier's responsibility to support SHYFT Engineering's request to obtain proper product application approvals along with providing technical assistance. An application approval is a document from the Supplier to SHYFT approving SHYFT's use of the Supplier's product in the specified conditions. The Application Approval Sheet is the document that is used by SHYFT Engineering to obtain this approval.

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## 2.6 Installation Approvals

Supplier must provide documented installation review approval. Supplier must review the way SHYFT Group installs supplier's component(s) and provide, in writing, supplier's approval as to the way SHYFT Group installs those items. Supplier must also provide training for SHYFT Group production associates relative to proper installation of the components. Supplier shall schedule training by contacting the Supplier Quality Manager at SHYFT Group. If a supplier has any concerns relative to the installation process, it must document those concerns, in writing, to the Director of Quality Control at SHYFT. It is the supplier's responsibility to ensure that installation processes for its components are correctly followed by SHYFT Group.

## 2.7 After Sales Support

In an increasingly competitive market, it is important that SHYFT's supplier not only meet the requirements for production, but also support SHYFT's customers after they have taken delivery of their vehicles. SHYFT requires its supply base to retain capacity to produce or purchase component parts consistent with time frames accepted as standard for vehicle manufacturing. Absent this commitment, SHYFT suppliers must be willing to provide drawings and/or specifications to SHYFT for SHYFT to seek alternate suppliers.

### 2.7.1 Training

With each new or revised product, suppliers are required to provide SHYFT with an appropriate level of certified training to various technical personnel. This training may include, but not be limited to, Train the Trainer or other certified training to conduct product repairs or upgrades. SHYFT Dealers, OEM's and/or end user customers may also require training as deemed necessary by SHYFT.

Supplier will provide technical training seminar for SHYFT technical associates as needed.

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Suppliers are expected to support and participate as sponsors of corporate technical training initiative. Sponsorship support is used for training displays and to improve the overall ability to support supplier's products.

#### 2.7.2 Technical & In-Field Support

Suppliers are a critical part to SHYFT's customer service process and the Customer Product & Support (CPS) division. In addition to providing quality parts and service, suppliers are requested to provide technical support for new and existing products. This technical support includes but is not limited to technical documents, drawings, specifications, trouble shooting and other information as may be deemed necessary by SHYFT.

SHYFT SPA expects supplier to participate, upon request, in periodic marketing promotions, including rallies and training events as mutually agreed upon.

## **3.0 Shipping and Replenishment Performance**

The standard for SHYFT suppliers is 100% on time arrival of all parts required by the SHYFT manufacturing site. This means shipping the correct quantity of the correct product to the correct location according to the designated replenishment method. It is mandatory that the supplier contact the SHYFT plant immediately upon recognition of an issue if the release schedule cannot be met. The supplier shall have a process in place to ensure that any potential problems that could impact the SHYFT operations are communicated as soon as they are identified. Differences shall be resolved with appropriate customer contact prior to shipment time.

It is our expectation that the supplier procures/produces to the high point of the forecast for authorized raw/fab, respectively. Notify your SHYFT Group materials planner if you receive 2 or more subsequent releases which show a

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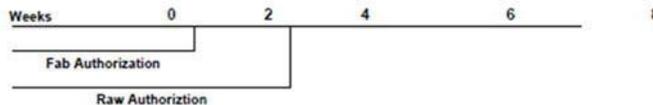
decreasing authorization. Suppliers are expected to receive forecasts and releases, and to process them with minimal manual entry.

### 3.1 Forecast Expectations

The forecast will grant fab & raw authorizations per the commercial terms between SHYFT Purchasing and the supplier. SHYFT will grant the supplier a raw and fab authorization in accordance to the authorization being provided by our customer. For example, SHYFT may grant 4 weeks raw and 2 weeks fab, for a total of 4 weeks (i.e. you're authorized to convert 2 weeks of the raw, not carry an additional 4 weeks raw). This will be provided to the suppliers in their releases. Certain commodities may be granted different standards per their release. Deviations from the standard must be authorized by SHYFT and will be communicated in the purchase order as well as the release.

Each SHYFT plant may or may not require the supplier to ship according to the forecast release, and will contact the supplier to set this protocol up if it's the desired method of delivery.

The authorization on a release is SHYFT Group's financial commitment for released material. See diagram below for illustrative definition:



Authorization for a cumulative 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 the order (can include manufacturing time as well as transportation time). This doesn't translate directly into the amount of weeks SHYFT will provide financial commitment in a cumulative authorization.

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## 3.2 Shipping & Delivery

Authorization to ship specific product will be communicated to the supplier through SHYFT plant designated replenishment method (MRP, Kanban, min/max, sequence). SHYFT will notify the supplier of the designated replenishment method. Note: Replenishment method may vary from plant to plant. Please reference section 14 for further details on SHYFT's standard replenishment tools.

A delivery signal will show either a ship date or a delivery date. A delivery date defines when the goods are to be ultimately received by SHYFT Group. A ship date indicates the date which the supplier should ship the goods. In this context the delivery date does NOT mean delivery to carrier. The supplier is expected to understand transit time and have product ready for shipment to meet the delivery date on the schedule, inclusive of transit time. Contact the SHYFT Group plant if you have any questions as to which date is being transmitted.

The supplier is required to:

1. Control its processes to assure the physical shipments correspond with the SHYFT Group demand.
2. Have the ability to meet either a 15% week to week net schedule increase or a 15% cum increase over the period authorized under the raw and fab authorization. This does not apply once the supplier has been notified of a balance out.
3. Contact SHYFT plant Materials Representative(s) if supplier is unable to meet the replenishment schedule, and supply the following information:
  - a. Date the parts will be available.
  - b. Suppliers' plan to get back on schedule. Assign the necessary resources to resolve any delivery issues.
  - c. If an established window time is missed or release schedule cannot be met, contact your SHYFT plant representative for agreement on necessity of expedites.

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- d. For expedites, obtain approval from SHYFT for the mode & carrier chosen. Every effort must be expended to reach agreement on the expedited freight responsibility at the time of shipment. If the supplier is responsible, the freight must be shipped "PREPAID" and the supplier may choose their logistics company. The supplier is also responsible for tracking the in-bound freight to SHYFT and advising the SHYFT plant Material Representatives as to shipment status.

A supplier will be held responsible for downtime and other associated costs (i.e. Premium freight or charter costs) due to their inability to meet delivery requirements.

## 4.0 Labeling Requirements

### 4.1 Labeling Introduction

The adherence to these labeling requirements, as well as the packaging requirements also stated within the SHYFT Supplier Standards manual, is mandatory and will be continuously monitored. Non-compliance to these instructions may be brought to your attention through the issuance of a SCAR (Supplier Corrective Action Request) by our receiving plant.

Suppliers must ensure that all materials shipped to SHYFT are correctly labeled and that the labels are properly attached. When labeling, verify that there are two labels per container on adjacent corners. The label must be placed in the upper left-hand corner of the major side. Whenever possible the label printing should be a bold black type with at least 25mm high letters. No more than one part number is to be packaged in a container or shipped on a pallet. Supplier owned packaging with "Return to" labels must be in a clearly visible area that does not interfere with the production identification labels.

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Label protection against moisture, weathering, abrasion, etc., may be required in harsh environments and is encouraged wherever practical. Care must be taken to assure that labels meet reflectivity and contrast requirements and can be scanned with contact & non-contact devices.

It is the supplier's responsibility to remove labels on returnable containers & affix a new label prior to shipment, unless prior arrangements have been made with the SHYFT receiving plant.

## 4.2 Part Shipping Labeling

All labels affixed to a container must contain the following information:

1. SHYFT Part Number
2. Quantity
3. SHYFT Supplier ID Number
4. Label Serial Number
5. Part Description
6. MFG Date (manufacturing date)
7. Part Revision Level
8. Lot Number
9. International Build Statement (i.e. Made in Mexico)
10. Purchase Order (PO) Number
11. Manufacturing Address (Actual address of supplier's final assembly plant - name should Mirror SHYFT scorecard plant location description to the fullest extent possible)

\*All material that is reworked must be labeled with a green R clearly identifying the reworked material as none first time passed.

All containers must have the final SHYFT destination information affixed either as a master label on the skid or within their standard label format affixed to each container. Data required includes SHYFT site name, SHYFT site number

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(when known), Address, city, state and postal code. An example of an acceptable label is at the end of this section.

\* All product shipped into SHYFT under a deviation must include the deviation request number, clearly visible on each box of product, a “yellow” deviation label on the part and a copy of the approved deviation with the packing slip.

### 4.3 Mixed Load Labeling

When release quantities require cartons of mixed material on one pallet, a special "Mixed Load" label must be used in addition to being labeled per SHYFT Labeling Specifications. All containers must be loaded to cubic capacity in order to maintain load density, package integrity, and obtain optimum transport utilization. The following criteria must be observed when shipping mixed loads to a SHYFT plant:

1. Cartons must be uniform in size to maintain load stability.
2. Each pallet must have material / product for only one SHYFT plant.
3. Avoid shipping less than a full layer whenever possible.

SHYFT Materials Planning shall be contacted to establish load quantities.

For unit load packaging that is shrink wrapped, the master label and mix load labels must be applied to the outside. When individual containers are palletized and made into a unit load for mechanical handling, the master label shall be attached to two adjacent sides of the unit load.

### 4.4 International Shipment Labeling

Shipments to or from countries (e.g., Mexico, US, Canada, EU) may require special labeling, other than the AIAG standard. SHYFT should be contacted to assist in obtaining the proper labels required if needed.

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## 4.5 Sample Shipment Labeling

When shipping sample parts for SHYFT part submission or new revision level, the "Sample Part" label must be utilized and must contain the name of the person expecting to receive the container.

Packaging Test shipments must have a "Sample Parts" identification label placed in a highly visible area and must contain the name of the person expecting to receive the container.

SHYFT's requirements for shipping labels are based on the AIAG bar-coded format. Reference the AIAG Parts Identification and Tracking Application (B-4) document and the AIAG Trading Partner Labels manual (B-10) for labeling specifications.

## 4.6 Label Example

The below is an example only

PART # CUKIT ID: 12X45A789 		SHIP TO PLANT 21, DOCK Y XYZ CO, INC 5 GRAND RIVER NOVI, MI 48001	
QUANTITY (43) 7654321 	CHANGE LETTER <b>A</b>	Country of origin United States	
P/N ID CUKIT ASEM ID: 982795 		PART NAME LEFT-HAND, SEA GREEN SNARK-CONTROLLING WIDGET	
PKYCID UNIT (18) 1948 M0925 	DATE PKG. 9/25 1998	SHIP FROM JONICID LAUTO PARTS 25 AD UNY TROY MI, MI 800-555-1212	

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# 5.0 Packaging

## 5.1 General Guidelines

1. Ensuring part-quality, as well as designing, purchasing, and maintaining packaging is the responsibility of the supplier.
2. Any PO that does not reflect supplier-owned packaging must be modified. It is the supplier's responsibility to initiate this request with their SHYFT Purchasing representative.
3. Requests for packaging piece price increases should be submitted to both the appropriate SHYFT planner & the SHYFT purchasing representative.
4. All efforts to meet packaging deadlines, including those for proposal submission, trial packs, packaging procurement, etc., must be made. If a deadline cannot be met, it is the supplier's responsibility to notify the appropriate SHYFT planner at least one week prior to the deadline date.
5. Packaging must be consistent with AIAG specifications and the Supplier should standardize packaging as much as possible with SHYFT.
6. SHYFT production control & logistics, plant personnel, and suppliers have collectively established multiple best practice standards for packaging. In doing so, great care was given in conducting trials, evaluating costs & quality, maximizing freight, tracking sustainability, etc. When considering the type of packaging to utilize for a part, suppliers should first attempt to utilize one of SHYFT best practice standards for packaging. See appendix for a complete list.
7. When best practice packaging is not feasible, consider the following options for new package development, in the sequence shown below.
  - Option 1: Utilize a pallet to secure parts (unusual size items)
  - Option 2: Utilize the smallest standard tote without dunnage
  - Option 3: Utilize the smallest standard tote with dunnage
  - Option 4: Utilize a standard bulk bin without dunnage
  - Option 5: Utilize a standard bulk bin with dunnage
  - Option 6: Utilize a custom tote without dunnage

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Option 7: Utilize a custom tote with dunnage

Option 8: Utilize a custom rack or bin

8. Returnable containers are preferred at ALL SHYFT Facilities.
9. In the case of loss or damage to returnable containers, suppliers are required to keep at least 2 shipments worth of expendable back-up packaging in house at all times so as not to disrupt production at the receiving plant. Expendable back-up packaging must be similar in-size to approved returnable packaging & contain the exact quantity per container.
10. When a new program launches, all efforts to re-use existing containers should be made before any new containers are procured.
11. Returnable packaging should be designed to withstand normal handling throughout the life of the program.
12. When required, internal dunnage should consist of the most inexpensive materials to adequately protect the part.
13. Containers should be filled to capacity without exceeding maximum weight limits or compromising part quality. See container weight limits for more information.
14. All containers must be secured to pallets with either plastic banding, seat belts or stretch wrap.
  - a. The overall pallet height MUST NOT EXCEED 52".
  - b. All pallets must have 4-way entry.
15. Prior to each shipment, suppliers should ensure that containers are clear of debris and in good-working order.

## 5.2 Packaging Approval Process

1. Prior to launch, SHYFT will send a list of parts & a blank packaging data form (PDF) to all suppliers.
2. The supplier is responsible for filling out a preliminary PDF for each unique type of packaging. (Multiple part #s may be submitted on one form if the packaging is common). Packaging forms must be submitted to the specified SHYFT Materials contact by the specified due date for each program. Although suppliers should make every effort to fill out the PDFs

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as completely as possible, at a minimum the following information is mandatory for a PDF submission to be accepted:

1. Program Name
  2. Supplier Name, Location & Contact Information
  3. Revision Date
  4. SHYFT Part # and Description
  5. Part Dimensions & Weight
  6. Container Type
  7. Container Dimensions & Weight
  8. Pallet Information
  9. Picture / Sketch of parts in a FULL PACK
- 
3. Once the proposal form is submitted, the SHYFT Materials contact will review the concept with the receiving plant's engineering, materials, & quality departments.
  4. The SHYFT Materials contact will approve the concept, request changes, or request a trial and notify the supplier.
  5. The supplier will submit a final PDF, including the piece price & fleet-size calculation forms.
  6. The PDF is signed & packaging is authorized.

### 5.3 Returnable Containers

Whenever possible, all programs should use returnable packaging unless a returnable system cannot be cost justified. A container's success as cost-effective packaging however, depends on how well it is maintained, controlled, and returned. Factors to be considered in the decision to utilize returnable packaging should include, but are not limited to:

- Geographical location of suppliers & receiving plant
- Product protection
- Availability of containers from previous programs for re-use

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- Initial cost of container purchase
  - Piece price cost for returnables vs. expendables
  - Maintenance / Repair Costs
  - Developing Maintenance / Repair Program
  - Transportation costs
  - SHYFT facility & equipment constraints, both line-side & warehouse
  - Cube utilization (container)
  - Cube utilization (truck, RR car)
  - Return ratio
  - Weight Limitations
  - Tracking & administrative costs

## 5.4 Dunnage

1. Dunnage should be used for additional part protection when required.
2. Dunnage should be designed from recycled and/or recyclable materials.
3. Dunnage should be as simple & inexpensive as possible, and allow for easy access to the parts.
4. Dunnage in totes/racks should be returnable & semi-permanently attached.
5. Returnable dunnage in bulk-bins is preferred, however must be made to knock-down to maximize freight usage. Expendable dunnage costs vs. freight costs should be analyzed if returnable dunnage is not feasible.

## 5.5 Pallets

1. All pallets must be 48"x45" or 32"x30" (domestic) or 47"x45" or 36"x30" (overseas) according to AIAG specifications.
2. Returnable totes should ship on returnable pallets; expendable totes should ship on expendable pallets.

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3. When a returnable pallet is used, a returnable top cap must be used to ensure part integrity & stacking stability.
  4. Returnable pallets should be the vendor's standard color (black).
  5. Expendable pallets should be made of durable materials so as not to cause a safety hazard while being handled.
  6. Expendable pallets entering or leaving the US must be heat-treated. See Export Guidelines for further clarification.
  7. Pallet stack height may not exceed 52".
  6. All wooden pallets must be able to support a minimum of 2000 lbs.

## 5.6 Placement of Containers on Pallets

1. Place containers so that AIAG labels are unanimously visible on 1 side and 1 end.
2. Each pallet should contain only one part number worth of parts; do not mix skids unless otherwise directed to do so by the receiving SHYFT Facility.
3. Containers must not hang over the edges of the pallet.

## 5.7 Shipping Bins/Racks

1. Racks should only be used when all other packaging forms – totes, bulk bins, coffin boxes, etc. – have been exhausted, i.e. not feasible for the application.
2. Bins/racks should be designed to not only best suit the part, but to also best utilize the inside dimensions of a standard trailer (636"x96"x110").
3. Bins/racks should be powder-coated the vendor's standard color (blue, black, grey, or beige), unless otherwise specified by the receiving SHYFT Facility.
4. Potential pinch point areas should be painted red.
5. Racks must be stenciled in accordance with the SHYFT container marking standard.

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## 5.8 Packaging Labeling Requirements

### 5.8.1 Label Placards

1. Corrugated (cardboard) boxes – Two (2) AIAG labels 4” x 6” per container. One on end and one on side adjacent.
2. Racks – Two (2) placard locations for labels on adjacent corners to hold standard 4” x 6” AIAG bar code labels.
3. Totes – Two (2) Kennedy-style placards for use with standard 4” x 6” AIAG bar code labels. One placard on each short end of the tote.
4. Pallet Boxes (large collapsible containers) – Two (2) Kennedy-style placards placed on container walls for use with standard 4” x 6” AIAG bar code labels. Placards will be placed on the short sides of the totes.

### 5.8.2 Container Marking

All container markings are to be permanent. Container markings should read “Property of SHYFT”.

- Totes – Two (2) hot stamps, one on each long side of the container are required. Lettering should be in white and 1” tall.
- Plastic Corrugated Totes – 1” tall white lettering, usually silk screened, on each long side of the container is required.
- Pallet Boxes – Minimum of two (2) ID tags securely affixed to base of the pallet box.
- Pallets – Minimum of two (2) ID tags securely affixed to the pallet.
- Lids – Minimum of one (1) ID tag or sticker per lid. Raised or hot stamp lettering is acceptable providing that the lettering is of sufficient size and visibility to clearly identify that the container is owned by SHYFT.
- Racks, trays or large bins – Should be stenciled, painted or marked in such manner as to clearly convey ownership of container.

### 5.8.3 Supplier “Return to....” Labels

Each tote must contain a minimum of two (2) return-to labels which state “Return to Supplier xxxx, Any town, State” or other similar wording. The labels should be white with black lettering unless otherwise specified by the receiving

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SHYFT plant. Size should be approximately 6" x 1.5". Return-to labels should be placed on containers in an area that does not cover hot stamps or bar code labels. Printing should be large enough so that it is visible from a distance.

## **5.9 Container Maintenance & Repair**

It is expected that SHYFT -owned returnable containers and dunnage will be maintained, cleaned, repaired and replaced by the supplier. It is the supplier's responsibility to account for maintenance costs in the packaging piece price. Exceptions should be noted in the Supplier quotation. Suppliers must ensure that packaging materials in need of repair or cleaning are set aside in a clearly marked area and repaired in a timely manner.

Suppliers will not be reimbursed for expendable back-up containers until all of the following are proven:

- a. Supplier purchased the fleet quantity authorized (copy of PO, delivery receipt)
- b. Supplier's budget for maintenance & repair has been exhausted (repair/replacement costs)
- c. Supplier notified the SHYFT Facility of a returnable shortage prior to expendable being shipped (email)
- d. SHYFT Facility did not return containers as agreed upon (if applicable)
- e. Containers were lost/damaged not by any fault of the supplier (if applicable)

## **5.10 Domestic Expendable Packaging**

- 1) Expendable container sizes must closely resemble the approved returnable container sizes.
- 2) Whenever possible, expendable packaging should be made of recycled materials.
- 3) All boxes should be RSC (regular-slotted container) style.

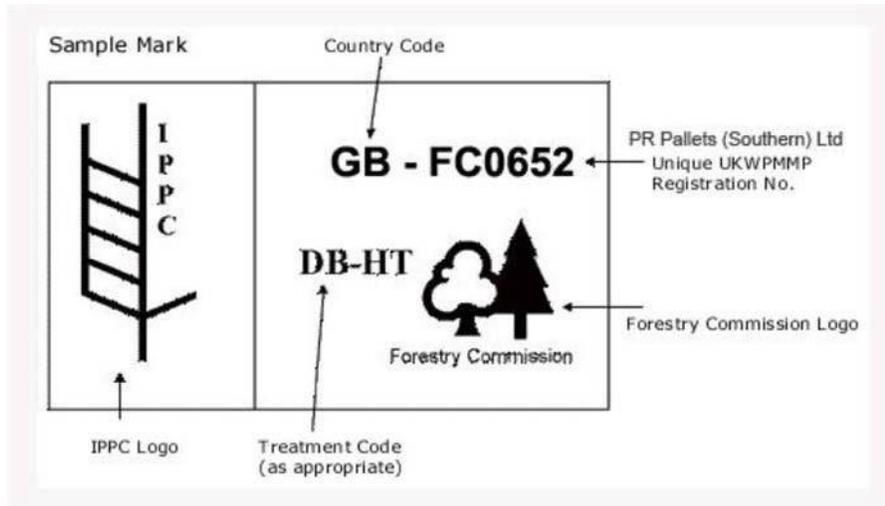
- 
- 4) Boxes may be single, double, or triple wall, depending on size & weight requirements.
  - 5) Boxes must be adhered with tape. Metal staples are not acceptable.
  - 6) Boxes should be secured to expendable pallets using either stretch wrapping or plastic banding and fiber board corner post to secure cartons on the pallet.

## 5.11 Export Packaging

International transportation modes utilize sea-container methods of transport that are different in container dimension from truck containers. Packaging design specifications have been developed to standardize container dimensions and optimize cubic efficiency in transportation. Other options beyond what is outlined below may be required by your specific SHYFT customerplant.

### 5.11.1 Export Pallets

1. Footprint sizes are developed to maximum sea-container cubic utilization.
  - a. 36 x 30 (in) = 915 x 762 (mm) 2-way
  - b. 47 x 45 (in) = 1193 x 1143 (mm) 4-way (Preferred footprint size)
2. All wooden pallets shipped must have flush stringer design and be assembled using cross ties. Full perimeter pallets are acceptable. Single and double wing pallets, are not allowed.
3. All wooden pallets must be able to support a minimum of 2000 lb; (907 kg) internal load capacity.
4. All wooden pallets and wooden packaging *must* conform to government and local transportation rules and regulations.
  - a. Wood must be treated and marked using the International Plant Protection Convention's (IPPC).



- b. “Guidelines for Regulating Wood Packaging Material in International Trade” (International Standards for Phytosanitary Measures Number 15 (ISPM 15). (reference, USDA-APHIS, WPM (September 16, 2004, 69 Federal Register (FR) 55719, Docket No. 02–032–3). [www.aphis.usda.gov](http://www.aphis.usda.gov)
- c. Failure to comply with Government Regulations may have adverse liabilities. Any associated costs and/or fines incurred as a result will be the supplier’s responsibility.

### 5.11.2 Export standard cartons

Design and usage type of corrugated packaging material needs to be evaluated based on the method of transportation and handling through to the point of use. Other considerations are the packaging and transportation cost. In developing a design, the following factors should be considered:

- a. Part Protection
- b. Handling Process (part orientation)
- c. Transportation Cost (cube utilization)
- d. Packaging Durability
- e. Load Transfer
- f. Storage Space

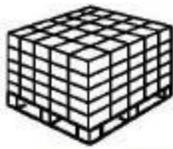
All expendable containers *must* be filled to maximize container density of 95% to maintain cubic fill and packaging integrity during handling, as well as optimized cubic freight.

### 5.11.3 Approved Export Expendable Sizes:

Container	Exterior Dimensions			Containers Per Layer	Layers Per Pallet
	L:	W:	H:	Maximum	Maximum
	in	9	9	25 (5-5)	5
	mm	228.6	228.6		
	in	11.75	15	12 (3-4)	5
	mm	298.45	381		
	in	23.5	15	6 (2-3)	5
	mm	596.9	381		
	in	23.5	15	6 (2-3)	4
	mm	596.9	381		
	in	23.5	22	4 (2-2)	5
	mm	596.9	558.8		
	in	23.5	22	4 (2-2)	4
	mm	596.9	558.8		

### 5.11.4 Approved Bulk Container Sizes:

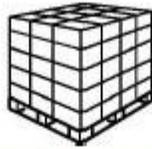
Container	Exterior Dimensions			Type	Load Capacity	
	L:	W:	H:	Grade	KG	LB
	in	36	30	HSC / RSC TW	340	750
	mm	914.4	762			
	in	47	45	HSC / RSC TW	227	500
	mm	1193.8	1143			
	in	47	45	HSC / RSC TW	227	500
	mm	1193.8	1143			
	in	47	45	HSC / RSC TW	227	500
	mm	1193.8	1143			



9" x 9" x 5" carton

25/layer (5-5)

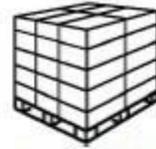
47 x 45 x 30 UL



11.75" x 15" x 7"

12/layer (12-5)

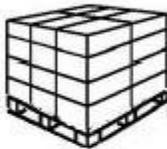
47 x 45 x 40 UL



23.5" x 15" x 7"

6/layer (6-5)

47 x 45 x 40 UL



23.5" x 15" x 9.875"

6/layer (6-4)

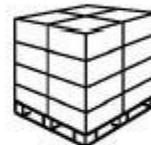
47 x 45 x 44.5 UL



23.5" x 22" x 7"

4/layer (4-5)

47 x 45 x 40 UL



23.5" x 22" x 9.875"

4/layer (4-4)

47 x 45 x 44.5 UL

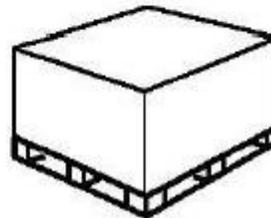
**Expendable bulk container sizes:**

36" x 30" x 22.25"

47" x 45" x 22.25"

47" x 45" x 29.6"

47" x 45" x 44.5"



## 5.12 Unit Load Stacking and Corner Supports

1. Unit load stack heights *must* be designed of sufficient strength to withstand a minimum stacking height at 89 (in) (2260 mm) under full load in transit or storage.
2. Unit load top layer *must* be configured with support in all four corners to allow for stacking in loading and storage. Void fillers or empty cartons are an acceptable practice; load transfer needs consideration when using such methods.
3. Pyramid stacking is not an acceptable practice.
4. Standard unit load height of 22.25, 29.6 and 44.5(in) are to be maintained to assure maximum cubic transportation efficiency

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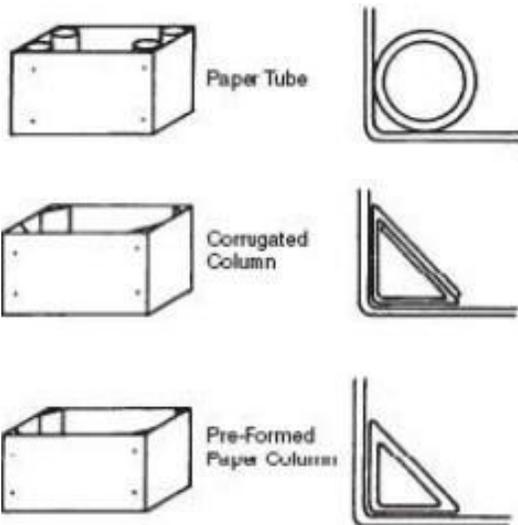
**Properly Palletized Unit Load (Leveled Layers)**



**Unacceptable Palletized Unit Load (Pyramid)**



5. When corner supports are required for stacking strength, the preferred option is corrugated; paper tubes, build-up block and roll-ups are typical. Formed Fiberboard angle board is an acceptable option. Wooden corner supports are an allowable alternative when heavy loads are applied. All wooden dunnage *must* follow the U.S Government Certification, USDA-APHIS (ISPM-15) specification.



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6. It is the supplier's responsibility to secure all unit loads with adequate banding.
  7. Polyester plastic strapping is the preferred method for securing a unit load of manually handled tote cartons to a pallet. Supplier is recommended to use four (4) way strapping practices on manually handled carton unit loads. Shrink-wrap film, (non-PVC) is acceptable and recommended to ensure load integrity. Metal banding is restricted and allowed on an acceptance basis only.

### **5.13 Corrosion Protection**

Unless otherwise specified, all uncoated or unprotected ferrous and nonferrous metal surfaces (internal and/or external) shall be protected against rust and corrosion for a minimum of sixty (60) days from the date of shipment. If a corrosion-protected ferrous or nonferrous metal is to be imported into the United States, the corrosion protection substance must be certified to be in compliance with the Toxic Substance Control Act (TSCA) prior to leaving U.S. Customs. They shall be suitably packed to prevent shipping and handling damage. All openings (i.e. fuel, hydraulic, electrical connections, etc.) shall be adequately protected by closures to prevent contamination or damage.

All fuel system and hydraulic components shall be free from visible contaminants, foreign material, rust or burrs. Fuel system components shall be protected with corrosion-protective compound. Hydraulic components shall be protected with corrosion-protective compound compatible with standard hydraulic oils.

### **5.14 Electronic Static Discharge (ESD) Packaging**

If ESD (Electronic Static Discharge) packaging is required, SHYFT Group will specify on product drawings.

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## 6.0 Logistics Requirements

### 6.1 Logistics Requirements Introduction

SHYFT planning and/or Logistics will determine carrier selection and routing instructions to effectively manage inbound freight through the careful consideration of these factors:

- Supplier location
- Product volume
- Packaging
- Transportation costs
- Lead time

SHYFT expects our suppliers to share in the ownership of the shipping process to ensure products are received in a timely and cost-effective manner - essentially, at the right time, in the right container, at the right shipping price, to the right location. Below you will find supplier responsibilities necessary in order to fulfill our transportation requirements.

### 6.2 Logistics Requirements Communication

All shipments must be accompanied by appropriate documentation. Documentation may include, but not limited to, packing slip, bill of lading, NAFTA certificates, commercial invoices, CMR (EU and Asia) and hazardous materials information.

The supplier is responsible for contacting the appropriate carrier, freight forwarder and SHYFT Materials personnel to ensure timely pick-up and delivery. It is the supplier's responsibility to set shipping window times in conjunction with SHYFT plant materials personnel and the carrier to ensure delivery at the SHYFT facility by the delivery date shown on the release.

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Any failure to meet the agreed upon shipping windows that result in carrier detention charges may result in a debit to the supplier to compensate for excess carrier detention charges.

Information to be provided should include, but may not be limited to, product availability, expected delivery time, special instructions, container dimensions, and weights. If shipping less-than-truckload quantities to one ship-to location, each skid must include a label indicating the plant name and address.

### 6.3 Packaging Slip Requirement

SHYFT requires all suppliers to prepare their packing slip(s) in a standard format.

***Mandatory:*** Packaging slip must be attached (glue or tape) to the packaging (pallet shipment). The packing slip must be in a pouch/sleeve that protects it but also allows it to be removed by receiving plant.

Failure to comply with this requirement may result in a SCAR issued for the shipment per the SCAR procedure. Items required include:

- Packing Slip #
- Sold To info
- Supplier Production Plant
- Ship to
- BOL #
- Customer part #
- Description
- Supplier part #
- Quantity shipped
- PO #
- Footer which includes page number and repeats the pkg slip # Packing Slip Bill of Lading Information Requirements

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## 6.4 Bill of Lading Requirements

The following information instructs a SHYFT Supplier on how to properly complete a bill of lading (BOL) form for shipments that are sent collect into SHYFT. Non-compliance to these requirements that result in excess freight charges to SHYFT will be debited back to the Supplier.

A separate bill of lading must be created for each ship-to location, even when shipping on the same carrier. Each BOL must contain a unique BOL #.

### 6.4.1 Shipper/Vendor Information

Must include: Vendor Name, Supplier ID, Street address, city, state, and zip.

<i>Example 1</i>	<i>Example 2</i>
<i>ABC Supply</i>	<i>ABC Supply - 12345</i>
<i>Supplier ID 12345</i>	<i>1234 Cornell Rd</i>
<i>1234 Cornell Rd</i>	<i>Anytown, OH 45242</i>
<i>Anytown, OH 45242</i>	

### 6.4.2 Consignee and Destination

The Ultimate Consignee should be shown as: SHYFT, Plant name, and Plant #.

The Destination must include:

Street address  
City, State, and zip  
and c/o where applicable

6.4.3 In addition to the above information, your BOL must include:

1. Number of Packages and/or Handling Units - If packages are consolidated on a skid, provide both package count and skid count on the bill of lading.
2. Description of shipment - Enter the description of each line item. Please note the type of package (carton, tote, barrel, etc.) and the quantity per package. Each line item must include the correct National Motor Freight Classification (NMFC) Item # and Class. This information is critical to ensure correct rating so as to avoid excessive charges.

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3. Weight - Enter the total gross weight, in pounds, for each line item. Include the weights of pallets, skids or any secondary container.
  4. Freight Terms – Indicate “FOB Origin, Freight Collect” terms if SHYFT is responsible to pay for the shipment. All freight shipped to SHYFT facilities must be shipped freight collect unless Purchase Order states otherwise or shipment is a Supplier paid expedite or routing deviation.

## 6.5 Routing Instructions

Routing instructions will be provided for all routes to SHYFT locations. The routing instruction will include at least one primary carrier and an expedited carrier, and is issued by each SHYFT receiving location.

It is the supplier's responsibility to ensure compliance and availability. Contact your appropriate plant materials personnel if you have not received a Supplier Specific Routing Instruction. A copy of the routing instruction must be signed and returned to the SHYFT plant materials contact.

Plant approval must be obtained from the receiving plant materials personnel for any routing instruction deviation. Any deviation from these routing instructions without plant approval may result in a supplier chargeback to compensate for excess freight charges and/or administrative fees.

## 6.6 Premium Freight/Expedites

Any premium freight which results from a supplier event will be managed and paid for by the supplier. SHYFT will not take responsibility for the set-up, management, tracking or payment of a supplier-caused premium freight event. The supplier will communicate to the plant all expedite information and provide milestone updates to keep the plant informed on the arrival of the expedited components. SHYFT reserves the right to take-over the management of the premium freight event if the supplier fails to communicate and effectively manage the event themselves. In these cases, the supplier may be charged for SHYFT's time.

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When expediting freight at SHYFT expense, authorization must be obtained from the appropriate SHYFT receiving plant materials personnel. Unauthorized expedited freight may result in a debit to the supplier to compensate for excess freight charges and/or administrative fees.

Upon authorization of an expedite shipment, the supplier should be prepared with the following information to share with the arranging party:

1. Protect time (the time by which the shipment must arrive)
2. Ready time (the time by which the shipment will be ready for pickup)
3. Shipment terms (prepaid or collect if at SHYFT's expense)
4. Origin
  - a. address
  - b. contact
  - c. operating hours of shipping facility
5. Shipment details
  - a. weight
  - b. dimensions
  - c. stack ability
6. Destination details
  - a. address
  - b. contact
  - c. plant number

## 6.7 LTL and Small Package Shipments

All Less-than-truckload (LTL) and small package shipments made at SHYFT expense must originate with / be routed through the SHYFT's 3<sup>rd</sup> Party Logistics Provider as noted on your Routing Letter. This process has been developed to ensure that shipments made in these modes are routed through the low-cost provider and to ensure that the BOL has the proper National Motor Freight Classification (NMFC) Item # and Class.

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# 7.0 International Shipping

## 7.1 International Shipping Introduction

The purpose of this section is to provide suppliers of SHYFT with better understanding of their responsibilities as exporters and suppliers. Our goal is to ensure that suppliers are aligned with the procedures of SHYFT as a supply chain we strive to adhere to Customs Regulations.

This section contains information regarding:

- Shipment requirements for exports to SHYFT
- Warehouse & inventory requirements for international shipments
- Documentation requirements

Each supplier to SHYFT is responsible for complying with all customs laws and regulations as it relates to their activity with SHYFT. This includes, but is not limited to, the items outlined in this manual.

## 7.2 Inco Terms

SHYFT uses one of two INCO terms for international shipments.

1. FCA (free carrier), where the named place is the shipping location or export port. The Supplier / supplier will be responsible for:
  - loading material onto transport vehicle
  - providing all necessary paperwork such as export licenses, documentation,
  - authorizations
  - check that the quantity and quality of the goods are in conformance with the submitted documentation
  - provide appropriate packaging and markings
2. DDP (delivered duty paid), where the named place is the SHYFT receiving location. The Supplier / supplier will be responsible for all items

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listed in #1 above, inclusive of inland freight and any duties/fees payable for import until it reaches the destination. If your shipments will be utilizing a different INCO term, you will be notified by the planner, buyer, materials manager or logistics analyst. (Not applicable in South America)

### 7.3 Warehouse and Inventory Requirements

In order to minimize the risk of an inventory stock-out and to support lean manufacturing, our strategy is to utilize a regional warehouse/domestic pick-up point to manage and retain buffer stock inventory for certain international supply chains.

A supplier may manufacture overseas, but they are expected to import to their own domestic warehouse or distribution center. SHYFT will then pick up the freight at the named domestic facility. If a supplier does not have a domestic presence, SHYFT will be the importer and will recommend the 3rd party warehouse provider with whom the supplier should contract to manage the buffer stock. SHYFT will determine on a case-by-case basis when this requirement is necessary and will notify the supplier to implement these requirements.

### 7.4 Custom Brokers

SHYFT has designated UPS clear shipments on our behalf. Suppliers must use the designated broker as per the routing instructions set forth by SHYFT's corporate offices.

### 7.5 International Shipment Documentation

Suppliers are responsible for providing complete and accurate documentation for all international shipments. Documents must be sent with each cross-border shipment. Documents include, but are not limited to, the Bill of Lading, Packing List, Commercial or Pro-Forma Invoice, and a Certificate of Origin (NAFTA or other as requested) where applicable. Incomplete or inaccurate documents may delay the timely delivery of product to a SHYFT's facility; therefore, failure to supply complete and accurate documentation will result in a supplier SCAR and a debit for the cost incurred in a delayed shipment.

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## 7.6 Valuation of Merchandise

Suppliers are responsible for stating the proper value of the product being shipped per the terms and conditions of your contract with SHYFT. Failure to do so may result in a SCAR and subsequent SCAR debit charge.

## 7.7 Harmonized Tariff Schedules usage (HTSUS)

All suppliers are required to show the proper tariff classification on the commercial or pro forma invoice.

### 7.7.1 Commercial or Pro forma Invoice

A commercial or pro forma invoice shall accompany each export to a SHYFT facility (see attached). Contents of invoices and general requirements:

1. Port of entry to which the merchandise is destined.
2. Complete name and address of consignee, along with the plant ID # (see Transportation/Billing Requirements section).
3. Complete name and address of shipper, including tax ID#. Include contact name & phone number
4. Complete name and address of the customs broker
5. Ship date
6. A detailed description of the merchandise, including the SHYFT part number. It is very important that the SHYFT part number is listed so that SHYFT, as the importer, can apply proper HS Classification and NAFTA eligibility. Do not modify the SHYFT part number (e.g. add a suffix or prefix). If shipment involves equipment, the invoice must also include the serial # and make & model #.
7. Quantities, weights, and unit of measures of the merchandise shipped. (e.g. liters, gallons, kilograms, lbs...)
8. The purchase price in the currency of purchase.
9. Value of each item in the currency in which the transactions are usually made.
10. Type of currency.

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11. All charges upon the merchandise itemized by name/category and amount.
  12. All rebates, drawbacks, bounties, separately itemized, allowed upon the exportation of the merchandise.
  13. Country of origin.
  14. Assists, dies, molds, tools, engineering work and cost associated.
  15. Tariff classification number.
  16. INCO terms see section 4.2 of this section.
  17. Invoice #
  18. Declaration of truth

Invoice and all attachments must be in the language appropriate for the country of importation. When the above contents are excluded from the invoice, the customs clearance of the shipment is delayed. Often, a shipment is flagged for examination by customs due to the absence of values, description, and country of origin.

Special Notes:

- Equipment must be invoiced separately from Raw Material.
- Equipment must be separated on different skids from Raw Material inside the cargo.
- Invoices must be sent at the time of dispatch of the shipment from origin with an ETA report (Estimated Time of Arrival), specifying the following:
  - Trailer Number
  - Quantity of bundles or skid
  - Time of estimated arrival

## 7.8 Country of Origin Marking

Every article of foreign origin (or its container) shall be marked in accordance with the regulations of the importing country.

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## 7.9 International Shipment Checklist

1. Completed Bill of Lading with the name and address of the shipper, the consignee, and the broker. This must be the same BOL # as on the ASN.
2. Completed Packing List
3. Completed Commercial or Pro-Forma Invoice per guidelines listed above.
4. Completed Certificate of Origin or NAFTA certificate
5. Completed Annex 18 & Certificate of Manufacturer for suppliers shipping metal sheets, steel piping, and textiles (fabrics, zippers, heaters, leather) to Mexico.
6. Completed Shipper's Export Declaration for shipments to Mexico or an authorization for the Mexican Customs Broker allowing them to complete the form.
7. Completed Textile Declaration for shipments into the US only of rolled goods or cloth.

## 8.0 NAFTA and Trade Agreements

### 8.1 NAFTA and Trade Agreements Introduction

All suppliers of SHYFT have responsibilities relative to NAFTA and other trade agreements. This is true whether or not a supplier ships product cross border. Our goal is to ensure that suppliers are aligned with the procedures of SHYFT as we, as a supply chain, strive to adhere to Customs regulations.

As put forth in our global terms and conditions, each supplier to SHYFT is responsible for complying with all Customs laws and regulations as they relate to their activity with SHYFT. This includes, but is not limited to, the items outlined in this chapter of the Standards Manual.

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## 8.2 Certification Requirements

These documents include, but are not limited to, the following: North American Free Trade Agreement (NAFTA) Certificate of Origin, Manufacturer's Affidavit, Traced Value Affidavit, American Automobile Labeling Act (AALA) certificates, Korea/US (KORUS) certificates of origin, US/Australia Certificates of Origin, China Compulsory Compliance (CCC), as well as various Mexico based agreements.

All responses must be complete, accurate, and signed by an authorized representative, including both the SHYFT part number and the supplier's part number as shown on purchase orders. Suppliers should note that signing the various documents carries the legal obligation to advise SHYFT of any changes that would affect the accuracy or validity of the information. This notification must be in the form of an amended document.

If parts on a certificate are produced at more than one manufacturing location, the supplier must furnish either an Additional Plant/Shipping Location (APSL) form, or provide additional certificates utilizing the additional manufacturing locations.

Any part that is not certifiable under the trade agreement requested must be returned indicating 'not eligible' or 'non-originating' and the country of origin must be provided in the corresponding field on the document.

Please note that the traced value is required on all NAFTA responses regardless of eligibility status.

Suppliers may receive multiple requests for various parts throughout the year, and are asked to provide certificates only for the parts requested on each individual solicitation.

If SHYFT incurs duties/fees during importation and/or the supplier does not respond to a solicitation by the deadline given, the supplier will be debited. The debit is either a standard \$500.00 per month per supplier number charge, or the sum of all fees & duties paid as a result of not having a certificate on file, whichever is greater. In addition to direct financial penalties, suppliers that fail to

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comply, risk losing their eligibility for a supplier award via a supplier scorecard rating deduction and/or the ability to quote on new business.

### **8.3 NAFTA Training**

NAFTA / AALA training is strongly recommended for all suppliers. The Automotive Industry Action Group (AIAG) offers a two-day NAFTA workshop - see <http://www.aiag.org/staticcontent/education>.

## **9.0 Quality Requirements**

### **9.1 Product Quality Assurance**

#### **9.1.1 Sampling Plans**

Suppliers shall inspect characteristics in product at levels necessary to achieve zero defects.

#### **9.1.2 Statistical Process Control (SPC)**

SHYFT Group strongly encourages suppliers who are implementing or executing a sampling system to use statistical process control (SPC) techniques. Such statistical data must be comprehensive enough to adequately document quality conformance. The program shall be in accordance with a recognized standard such as SPC (July, 2005) through AIAG.org and shall address the criteria described in the selected standard.

#### **9.1.3 Monitoring, Measuring and Test Equipment**

Suppliers shall establish and maintain a documented calibration system for all measuring and test equipment (M&TE) such as gages, tools, jigs, fixtures, dies and software used to produce and/or verify conformity to requirements. The program shall be in accordance with a recognized standard such as Measurement Systems Analysis (June, 2010) MSA through AIAG.org and shall address the criteria described in the selected standard.

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For all non-calibrated measurement equipment, a Gage R&R of 10/2/2 shall be submitted to a SHYFT Supplier Quality Engineer for approval and maintained as an annual, updated record. Alternative options may be allowed with documented validation of equipment and approval from a SHYFT SQE.

Calibration standards shall be traceable to the National Institute of Standards and Technology (NIST). External sources for calibration shall have A2LA, ISO 17025 or equivalent certification. Calibration reports shall be maintained for all equipment used in the acceptance of product by the supplier and shall include the actual measurement data made during the process. Report records shall identify the person performing the calibration.

#### 9.1.4 Fastener Quality Requirements

Supplier shall have a system which controls threaded steel fasteners Grade 5 and higher as defined in SAE-J429 and metric fasteners with strength designations of 8.8 and higher as defined by SAE-J1199, or DIN standards with equivalent strength designations. These fasteners may be supplied to SHYFT Group either in bulk quantities or as part of a subassembly per the purchase order.

The system shall ensure traceability of fastener lots back to the manufacturer as well as objective evidence the fasteners meet all technical requirements. Note: Grade 8.1 or 8.2 fasteners are not acceptable.

All fastener suppliers shall adhere to the "Fastener Quality Act of 1999: PL-106-34".

## 9.2 Quality Documentation and Record Retention

Suppliers shall have a system for establishing and maintaining control of records documenting product compliance to applicable procurement documents, drawings, specifications, and standards.

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Records shall provide traceability to specific products (i.e. Purchase Order, date of inspection, drawing revision level/specification number) and use actual data (when required by applicable specifications) to indicate acceptability of the product. Records shall be maintained for a minimum of ten (10) years after final shipment and available for review upon request.

It is supplier's responsibility to comply with all applicable requirements specified on the purchase order and data package/drawings. The supplier is to develop the appropriate objective quality evidence necessary to demonstrate compliance to the requirements of the purchase order and data package/drawings for each item being procured including sub-components, special processes (i.e. welding, painting, plating, NDT) and to support the Certificate of Compliance, along with PPAP requirements.

### **9.3 Non-Conforming Material**

Suppliers are responsible for establishing controls to ensure products non-conforming to requirements are identified, segregated, dispositioned and controlled to prevent inadvertent use. If it is determined non-conforming material has been shipped to SHYFT Group, the supplier quality representative and Material planning must be notified with part numbers, quantities, and shipped dates as soon as possible.

Shipments found to be nonconforming without a supplier deviation or other written authorization shall be rejected and may be returned for appropriate rework, repair or replacement at the supplier's expense according to the SHYFT vendor chargeback procedure. When material is reworked, it is the vendor's responsibility to provide verification data such as inspection results to their respective SHYFT supplier quality engineer. All product that is reworked **MUST** be labeled with a "Green R" clearly identifying the reworked material as non-first-time pass.

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## 9.4 Corrective Action

Suppliers are responsible for implementing quality systems capable of resolving problems adversely affecting quality and correcting those conditions. Suppliers shall contain discrepant parts in stock or in process, determine root cause (primary reason which caused product nonconformance or quality system deficiency), institute measures to prevent recurrence and implement corrective action. Nonconforming material or quality system deficiencies detected by SHYFT Group may require supplier response to a Supplier Corrective Action Request (SCAR) on SHYFT Group Practical Problem-Solving document (PPS). It is expected that appropriate problem-solving tools and knowledge are used to understand root cause and apply permanent/preventative corrective action(s).

The supplier may also be required to participate actively in SHYFT's internal corrective action process team (CART) and provide information to complete formal problem-solving reports (PSRs).

## 9.5 Advanced Product Quality

### 9.5.1 Advanced Product Quality Planning (APQP)

SHYFT Group reserve the right to involve suppliers in our APQP process for any product or system launch. The supplier will be contacted by SHYFT Group to be involved in the initiation of APQP until production sign off (PPAP). The supplier shall be involved in meetings or conference calls as scheduled and are required to implement and maintain APQP activities and documentation. APQP activities with suppliers may include but are not limited to onsite visits, meetings, conference calls or the development of appropriate launch readiness documentation.

### 9.5.2 Production Part Approval Process (PPAP)

The supplier is responsible for submitting required PPAP documentation to SHYFT Group as requested.

- SHYFT Group follows the AIAG PPAP manual and the submission level of PPAP and due dates will be determined by SHYFT Group

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and shared with the supplier. If a Supplier is unable to comply with any PPAP requirements, it is their responsibility to contact the SHYFT Group supplier quality representative for further clarification or to work out a mutually agreeable solution, such as an approved supplier deviation. Any deviation that is requested shall be submitted before any PPAP documentation is submitted. Approved deviation shall be submitted with PPAP documentation.

- Prototype parts are expected to be verified to available specifications and dimensions prior to delivery to the extent that they meet intent of the design.
- Supplier must have the capability or otherwise secure the resources necessary to carry out appropriate layout, testing and certification of supplied materials, prototype, production or service for purchase order requirements. SHYFT Group suppliers must be able to demonstrate product acceptability prior to commencement of production
- All Suppliers must keep records of all PPAP documentation for a period of ten (10) years, and have them available for review upon request.

### 9.5.3 Certificate of Compliance

When PPAP is not required as defined in section 9.5.2, a Certificate of Compliance (AIAG Part Submission Warrant (PSW) or similar) shall be completed for each end item manufactured and maintained on file for each shipment. Certifications to support the sub level components need not be sent but must be maintained by the supplier and be readily available when requested by SHYFT Group. Supplier shall certify that the materials and processes used in performance of the purchase order meet all applicable specification requirements and that inspection/process and control/test data necessary to substantiate the Certificate of Compliance are on file and available for SHYFT Group to review. The Certificate of Compliance, signed by an authorized individual, certifies that a product or service has met all requirements of the

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purchase order including drawings and specifications at the prescribed revision level.

## **9.6 Painting as a Special Process**

Painting and coating processes are considered special processes. At a minimum, suppliers are required to meet the requirements of control for these processes and through subordinate applicable standards/specifications detailed on drawings. All records required by the detail or subordinate specifications shall be in place prior to any painting/coating process being conducted on production or otherwise saleable parts.

## **9.7 Surveillance**

### **9.7.1 Government Source Surveillance (GSS)**

The items and supporting quality documentation covered by purchase order(s) may be subject to government source surveillance/inspection and/or witnessing of tests prior to shipment from the supplier's plant. SHYFT Group customer(s) reserve(s) the right to add source surveillance to any purchase order at any time throughout the period of performance.

### **9.7.2 Customer Source Surveillance (CSS)**

The items and supporting quality documentation covered by purchase order(s) may be subject to SHYFT Group source surveillance/inspection and/or witnessing of tests prior to shipment from your plant. SHYFT Group reserves the right to add source surveillance to any purchase order at any time throughout the period of performance at no cost to SHYFT Group.

## **9.8 Age Control – Shelf Life Material**

For products that are time or age sensitive, parts shall be clearly marked with manufacture date and/or expiration date. For those components where part

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marking is not reasonable due to size or nature, the manufacture/expiration date shall accompany or be affixed to the component(s). If expiration date is not marked on the part, the shelf life information shall be supplied to SHYFT purchasing. Components will not be accepted if useable life of the product is unreasonably deteriorated.

Shelf Life Material – The maximum period of time between the cure date and the date the elastomeric product is first removed or unpackaged for installation of fabrication into a component part of a subassembly, assembly, or system. During the shelf life time, the stored elastomeric product is expected to retain its characteristics as originally specified.

## **10.0 Supplier Corrective Action Requests (SCAR)**

### **10.1 SCAR Introduction**

This procedure defines the process which SHYFT uses to communicate issues and monitor supplier performance with regards to accuracy of part shipments and accompanying documentation.

### **10.2 SCAR Requirements**

SCAR's will be issued for non-conforming material, incorrect paperwork and packaging or invalid information when material arrives at our dock.

When a SCAR is issued, we expect our suppliers to complete a serious and methodical problem-solving exercise and report validated root causes with corrective actions and systemic solutions noted as applicable.

#### **10.2.1 Details on Specific SCAR issuance**

For non-conforming material, a SCAR may be issued if a part does not meet dimensional criteria as defined in the part print or if the material does not meet appropriate fit, form and function.



For delivery or paperwork issues, A SCAR may be issued when a shipment is received with one or more issues in the following categories;

- 1. Delivery: Delivery performance, based on reasons shown in bold below
- 2. Information: Information accuracy performance, based on remaining non-bold reasons shown below.

Grid for SCAR Issues (This is not all inclusive)

Incomplete/Inaccurate Commercial Invoice	International shipment where the commercial invoice is missing info.
<b>Late Shipment against Defined Delivery Window</b>	<b>Entire shipment arrives after scheduled window time and was not the fault of carrier delay</b>
Missing Commercial Invoice	International shipment that was missing a commercial invoice
No ASN	Supplier doesn't send an ASN for the entire shipment, or it arrives later than the shipment. Should be used for suppliers that are ASN capable or been told to be capable and have not complied.
Purchase Order Discrepancy	Wrong PO# shown on the packing slip or ASN.
<b>Wrong Ship-to Address</b>	<b>Shipment that was sent to another SHYFT facility first or paperwork lists incorrect address. SCAR is issued by SHYFT facility which ultimately receives it (NOT by the facility who received it by mistake).</b>

<b>Incorrect Freight / Routing Instruction</b>	<b>Shipment was delivered by the wrong carrier or through incorrect consolidation point</b>
ASN Qty Different than Packing Slip	Quantity on the ASN doesn't equal the printed quantity on the pkg slip. Not used for over or under shipments where a new item is shipped that didn't have an ASN.
<b>Box Qty Different than Label</b>	<b>Quantity in the box doesn't equal the printed quantity on the label. Not used for over or under shipments where a new item is shipped that didn't have an ASN.</b>
Incomplete / Inaccurate Packing Slip	Parts were shipped but not listed on the packing slip/ASN, or there was missing/inaccurate data on the Pkg slip/ASN
Incorrect Part Number on Label	Part number on the label doesn't match part number in the box
Label Non-Conformance	Label is not printed to SHYFT standards, e.g. missing barcode, missing part # or qty info.
<b>Late Shipment Against Defined Delivery Window</b>	<b>Item arrives after scheduled window time and was not the fault of carrier delay (could be applicable to one part that was thrown on the second day's truck. Plant should not issue an under-shipment SCAR when the first truck arrived w/o this part).</b>
Non-conformance to Packaging Specification	Parts arrived in expendable when should have been in returnable' s. Parts arrived in wrong sized containers, etc...
<b>Over shipment</b>	<b>Supplier shipped more pieces than required in the release; min/max; kan-ban. Assumes the</b>

	<b>ASN showed this increased qty and matches the shipment.</b>
<b>Packing Slip Qty Different than Label</b>	<b>Packing slip shows 40 pieces, box / label show different quantity.</b>
Purchase Order Discrepancy	Wrong PO# shown on the packing slip or ASN; wrong freight terms used for shipment
<b>Under shipment</b>	<b>Supplier shipped less pieces than required in the release; min/max; kan-ban. Assumes the ASN showed this decreased qty and matches the shipment.</b>
Non-Conforming Material	Part supplied does not meet print specifications or does not meet fit, form or function criteria.
Appearance Defects	Part supplied has unacceptable visual appearance as determined by agreed upon criteria or generally accepted observation
Lack of timely response on a SCAR	Lack of response to SCAR based on criteria listed below

## 10.3 SCAR Communication

### 10.3.1 SCAR Communication to the supplier

1. Receiving, Quality Technician, or Material Analysts' identify information, quality, and/or shipment errors as close to the time of the receipt as possible and identify it as a potential SCAR issue.
2. The Material Analyst reviews the shipment documentation and evidence of the error and determines whether the SCAR is valid. Likewise, the Supplier Quality Engineer reviews the product quality issues and determines whether a SCAR is appropriate. When the Supplier Planner / Quality Engineer approves the issue, an e-mail notification is sent to the affected supplier and any additional people the Supplier Planner / Quality Engineer has entered into the issue.

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### 10.3.2 SCAR Supplier Response Expectations

1. Upon receipt of a SCAR, the supplier is required to complete the document per the timeline described below.
2. If the supplier believes that the SCAR is inaccurate or unsubstantiated, the supplier may dispute the issue, which then prompts the Supplier Planner or Quality Engineer to either agree with the dispute, reject the dispute and return the SCAR to the supplier, or override the dispute to allow the SCAR to progress through the system.
3. The supplier is expected to assign an internal champion to address all SCAR related issues and to provide timely and accurate responses to the issues that have been identified via the SCAR.
4. The supplier's SCAR champion must track the supplier's SCAR performance, drive corrective action for all SCAR's and communicate improvement plans to the appropriate supplier personnel (e.g., Account Manager, Customer Service Manager, Materials Manager, etc.).

## 10.4 SCAR Supplier Response Expectations

### 10.4.1 2 Business Days to complete:

- Step 1 – Problem Description – SHYFT will complete this section explaining the problem in as much of a detailed description as possible.
- Step 2 – Team Members supporting Problem Owner – This area is for the supplier to identify their internal team that is working on solving the issue associated with the SCAR.
- Step 3 – Problem Definition – Document the scope of real problem as determined through the supplier's investigation and data collection.
- Step 4 – Immediate Containment – The Supplier to acknowledge the problem and provide containment actions to be taken at SHYFT, SHYFT's customers, and the Supplier's site.

### 10.4.2 10 Calendar Days to complete:

- Step 5 – Defined Root Cause – Determine validated root cause of the

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problem.

Step 6 – Permanent Corrective Action Plan(s) – Document a permanent corrective action plan(s) to be completely implemented with timing.

10.4.3 60 Calendar days to complete:

SHYFT to perform:

Step 7 –Verification – SHYFT will determine a method of verification and upon approval, the SCAR will be closed.

## 10.5 Supplier Charge Backs

Suppliers are subject to chargebacks from SHYFT Group for supplier created issues. The intent of these chargebacks is not to be punitive, but to eliminate all financial harm done to SHYFT Group because of supplier performance. It is a means to introduce business discipline and drive accountability within our supply chain.

### 10.5.1 Supplier Charge Back Matrix

Below is a standard matrix of chargebacks that may be issued to a supplier. Please note that all SCAR's issued may be accompanied by a \$250 administration fee chargeback.

<b>Violation caused by Supplier</b>	<b>Chargeback Amount</b>
Wrong carrier	\$300 + difference in freight costs
Shipped to wrong location	\$250
In-transit damage*	See note below
Overage/Shortage per packing slip and/or freight bill	\$300
Late delivery (one day or more)	\$250
Early delivery (+1 days or more)	\$250
Rework / Sorting charge (per hour)	\$125-\$150/ hour

Production Disruption** (per hour)	Up to \$10,000/ hour See note below
Downtime** (per hour)	Up to \$10,000/ hour See note below
Corrective Actions (Past Due > 15 days)	\$200
Mismatch information on Packing list or Packing list not included	\$350

**\*In-transit damage**

Any material that is damaged in-transit due to Supplier poor packaging, or no packaging at all, may result in a charge equal to the purchase order piece price to the Supplier for each of the parts that receive the damage.

**\*\*Production Disruption & Downtime caused by supplier**

- Any late parts deliveries from the agreed upon commitment date
- Any supplier quality issues that impacts throughput at rate
- Any part number misidentification that impacts throughput
- Any part out of specification that impacts throughput
- Wrong part revision level shipped by supplier
- Parts packaging issues out of conformance with agreed upon standards, pack size, containerization, etc.
- Occurrences where the supplier ships short on quantities

## 11.0 Cumulative Maintenance

### 11.1 Cumulative Maintenance Introduction

The generation, verification, tracking and reconciliation of cums is the standard requirement for automotive suppliers. Cums are a way to identify the amount of product that is required to ship to your customer. SHYFT expects the supplier to reconcile cums upon receipt of each EDI release. Identifying and initiating the resolution process of cum discrepancies is the responsibility of the supplier. The definition and procedure is defined below.

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## 11.2 Cumulative Maintenance Communication

When applicable and agreed upon between SHYFT and the Supplier, SHYFT will provide the supplier with the following:

1. A starting cum of 0 upon issuance of a new purchase order
2. Last cum received quantity will be noted. Each shipment received will be accumulated to provide the last receipt cum received. This will include the last quantity received, date received into SHYFT inventory, and the supplier packing slip number received by the SHYFT manufacturing facility. The last receipt cum received could potentially change under the following conditions:
  - a. Subsequent receipt of shipment into SHYFT's inventory
  - b. Issuance of Supplier Corrective Action Request (SCAR). Issuance of a SCAR may result in either an increase or decrease of SHYFT cum received.
  - c. Cum reset (may be done annually). Supplier will be notified prior to this occurring.
3. An electronic or manual release indicating net quantity due and total cum required per due date.
4. Prior cum required quantity - this field will represent the previous quantity due.
5. Physical copy of SCAR to support cum resolution.

SHYFT expects the supplier to:

1. Track and accumulate all production part shipments. This will become the supplier's cum shipped quantity.
2. Update suppliers cum shipped quantity when the supplier is issued a SCAR.
3. Identify past due quantities - using the most current release the formula is the SHYFT last cum received quantity minus the prior cum required quantity.
4. Identify SHYFT cum required - using the most current release formula is the SHYFT last cum received plus the net quantity due (If an alternate

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replenishment method is designated by SHYFT, the cum required will serve as forecast data rather than replenishment requirements).

5. Net quantity required is calculated using the most current release's cum required minus the suppliers cum shipped quantity.
6. Resolve any cum discrepancies with the appropriate SHYFT materials personnel immediately.
7. Please direct any questions regarding cumulative maintenance to your SHYFT Materials contact.

## **12.0 Balance Out and Claims**

### **12.1 Balance Out and Claims Process Introduction**

Balance Out and Claims Process - SHYFT believes that obsolete material claims can be avoided by minimizing lead times, strictly adhering to production schedules, and properly managing inventory received by our suppliers. Most obsolete material claims occur at the balance out of a product. Balance out is defined as end of model year as well as current model engineering changes. Our goal at balance out is to have zero obsolescence.

### **12.2 Balance Out and Claims Process Communication**

One of the tasks in our balance out process requires the SHYFT materials plant representative to notify, in writing, the source supplying the components to be balanced out. SHYFT 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 may not be honored.

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 SHYFT supplier scheduler or balance out coordinator.

If obsolescence occurs due to the discontinuation of a part, the following procedure must be followed to file a claim:

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1. Determine the highest RAW and (FAB) fabricated material authorizations issued by SHYFT. To determine the highest RAW/FAB authorizations, a cumulative release history must be reviewed. The high point is the highest cum release for the period prior to B/O notification. The 15% rule is no longer a requirement once a B/O notification has been issued.
  2. Fill out the "Obsolescence Claim Form" and attach the supplier management or schedule/release documents, purchase order, and any minimum run authorizations to support the claim.
  3. All obsolete material must be segregated and stored, pending audit and final disposition by SHYFT.
  4. Suppliers are encouraged to submit to SHYFT, regardless of value. However, external supplier claims less than \$250.00 dollars may not be paid to the supplier.
  5. Supplier must obtain SHYFT plant authorization in order to sell claimable material at a price lower than unit cost.
  6. Claims must be submitted within 30 calendar days of the date on the final balance out notification letter

## **13.0 Replenishment Methodology Requirements**

### **13.1 Replenishment Methodology Requirements Introduction**

To standardize supply chains, optimize inventory levels and minimize freight expense, SHYFT has defined four replenishment methods to order material from our supply chain partners.

Our goal is three-fold:

1. Optimize turns, truck utilization, and prevent premium freight by using one of 4 standard methods per discrete supply chain; minimize use of other methods
2. Maximize internal & external visibility of component parts

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3. Appropriate use of technology & electronic commerce to communicate replenishment signals

This means that a supplier could receive different replenishment signals from different SHYFT receiving plants, and a single SHYFT plant could use different signals with different suppliers. A supplier should not have multiple signals from the same SHYFT plant, unless they are going through different stages in the product life cycle.

Why not just ONE method?

The determination of which method is used is based on many components, but to simplify this explanation it depends on the following:

1. Lean manufacturing strategy – or where the SHYFT plant is at in their journey to lean manufacturing.
2. Stability of customer demand
3. Supply Chain footprint – or how close the shipping point is to the end destination.

To determine the optimal replenishment method to use for each component, SHYFT plants will follow a standardized process annually or when operational or supply chain conditions shift (i.e. when a supplier moves production to another location that is geographically different than the existing supplier location). SHYFT will communicate these changes to the supplier as soon as possible.

Suppliers who ship either in truckload quantities or as part of a milk run may be requested to utilize future forecasted demand (within raw and fab authorizations) to fill allotted space on the designated carrier. The supplier should utilize future demand from material according to priority level, e.g. a part with additional demand 2 days out should be used before demand showing due 2 weeks out. When there is a choice, the supplier should always ship the higher runner first. Suppliers not filling their allocated space may be liable for freight costs associated with lost utilization opportunities. Pulling ahead to fill a truck will not result in an over-shipment SCAR in these instances.

The four methods are:

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1. MRP - Use of standard purchase orders, purchase order reports and requirements reports to communicate required shipment quantities.
  2. Kanban - Kanban may be communicated either via e-mail, internet, or through a visibility tool (i.e. Trade beam) –Kanban provides discrete quantities the supplier must monitor and use to calculate required shipment quantities.
  3. Min/Max - Through the visibility tool, Min/Max provides a range of acceptable inventory levels the supplier must monitor and use to calculate their required shipment quantities.
  4. Sequence - Replenishment data that is sent to suppliers to optimize truckload utilization and/or prioritize shipments. This method is commonly used when suppliers make multiple deliveries in the same day to a given SHYFT site.

## **14.0 Materials Management Operations Guidelines / Logistics Evaluation (MMOG/LE)**

### **14.1 Materials Management Operations Guideline Introduction**

The Materials Management Operations Guideline (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 practices to facilitate effective communication between supply chain partners.

The purpose of the MMOG/LE, as well as the reasoning behind the deployment of this by SHYFT is to produce one common material planning and logistics evaluation that can be used by the supplier and customer throughout the product life cycle, including the early development phases.

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The MMOG/LE is being deployed with our suppliers as a self-assessment tool; although SHYFT reserves the right to audit MMOG/LE scores by conducting an onsite review of supplier facilities. The MMOG/LE was re-written by AIAG in 2015, and the new version, version 4, is the only accepted version. It is also known under the product code “M7-4” on the AIAG website.

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

## **14.2 MMOG/LE Scorecard Performance**

A MMOG/LE assessment should be completed for each supplier shipping location (child location on the scorecard) to SHYFT to serve as a guideline in developing their materials management business processes. It must be submitted once per location, but on an annual basis SHYFT expects the supplier to review their status and notify the scorecard manager if the score has changed.

# **15.0 Security**

## **15.1 Security Introduction**

SHYFT is committed to ensuring the security of its supply chain. Security measures are set in place with the primary goal of preserving the safety of our employees, protecting the physical property from loss or damage, safeguarding the integrity of our intellectual property and preventing interruptions in the manufacturing process.

We expect the same approach to be taken by the supplier with whom we conduct business: to make a commitment toward the common goal of creating a more secure and efficient supply chain.

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## 15.2 Security Procedure Requirements

Suppliers should develop and implement a comprehensive security plan throughout their operations and supply chain, following the recommendations outlined by U.S. Customs & Border Protection as part the of Customs-Trade Partnership Against Terrorism (C-TPAT).

The C-TPAT program covers multiple business points, including but not limited to:

- Business Partner Requirements
- Security Procedures
- Participation/Certification in Foreign Customs Administrations Supply Chain Security Programs
- Container Security & Inspection
- Container Seals
- Container Storage
- Physical Access
- Visitors Controls
- Pre-Employment Verification and Personnel Termination Procedures
- Shipping & Receiving Security Procedures
- Cargo Discrepancies
- Security Training and Threat Awareness
- Physical Security
- Information Technology Security

## 16.0 SHYFT Parts & Accessories (SPA)

### 16.1 Parts Supply

SHYFT's Service Parts & Assembly (SPA) Division is the primary channel by which SHYFT supports its aftermarket customers, including dealers and end

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customers. Service parts are defined as assemblies and/or subcomponents purchased by SHYFT's SPA division. Suppliers are expected to supply service part to SHYFT SPA for its sale and distribution to its dealers and customers.

Supplier will maintain parts availability for a minimum of 10 years after part is no longer used in production.

Prior to discontinuance, supplier shall review discontinuance plan with SPA. In the event supplier elects to discontinue service parts supply, supplier agrees to share technical specifications, prints, or drawings required by SHYFT to fabricate or procure part elsewhere.

In addition, SHYFT may request supplier present SPA with a discounted final buy opportunity prior to ceasing production of components supplied.

Unless formally agreed upon via formal drop ship program or to assist with emergency truck down delivery, parts will be shipped to:

1111 Mikesell Rd. Plant 7  
Charlotte, MI 48813

Purchase orders will be assumed to be confirmed unless supplier communicates differently to buyer.

International Suppliers must refer to and comply with the requirements outlined in the Supplier Materials Standards Production Control document.