



HP Pelzer Automotive Systems, Inc

SUPPLIER MANUAL

General Standards for Suppliers

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HP Pelzer Automotive Systems, Inc

HP Pelzer (Automotive Systems), Inc.

Quality and Environmental Policy:

Our Goal: To enhance our customer's satisfaction through our Business Management System, providing products and services to their requirements every time.

Our Mission: To supply the highest quality acoustics systems worldwide by:

- Complying with requirements and environmental legislation and regulations
- Continually improving the effectiveness and suitability of the Business Management System
- Committing to the prevention of pollution
- Promoting the establishment and review of Quality and Environmental Objectives and Targets



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SCOPE AND OBJECTIVE

Increasing quality and delivery expectations, cost reduction pressures from automakers, and the globalization of markets are putting tremendous pressures on our business to identify new ways to deliver high quality products and continually improve on our processes.

Realizing that communication and cooperation are key elements in maintaining high-quality standards, this manual has been developed as a guide to give HP Pelzer Automotive Systems, Inc.'s suppliers a general overview of requirements. This manual is not intended to be a binding business agreement. In all cases, Purchase Orders, PPAPs, Supplier Agreements, Contracts and any other business agreements shall prevail.

This Supplier Requirements Manual applies to all suppliers, distribution centers, and agents supplying HP Pelzer Automotive Systems, Inc.

BASIC SUPPLIER REQUIREMENTS

- All suppliers shall comply with the Quality System Requirements of ISO 9001 and/or ISO/TS 16949 at their latest revisions. Suppliers must be third-party registered based on their supplier classification. Any deviation from this requirement must be approved by HP Pelzer's end customer.
 - Direct Ship Suppliers – ISO/TS 16949
 - Primary Component Suppliers – ISO 9001 or ISO/TS 16949
 - Primary Material Suppliers – ISO 9001 or ISO/TS 16949
- Supplier quality performance shall be consistent with OEM requirements: attain zero PPM, with sorting activities avoided at all times.
- Supplier delivery performance shall be 100% on time.
- Suppliers shall assume responsibility for engineering and design as directed by HP Pelzer Automotive Systems, Inc.
- Suppliers shall be responsible for their proportionate share of Systems Engineering and Design expenses as required.
- Suppliers shall provide continual support from concept phase to post-launch, and throughout the lifetime of the product.
- Supplier will respond to corrective action requests with a containment response within 24 hours, and a final response within 14 days or written request for extension.
- Suppliers must notify HP Pelzer Automotive Systems, Inc., of any customer special status notifications related to quality or delivery issues.
- Suppliers shall be competitive with marketing pricing.
- Suppliers shall provide annual cost reductions consistent with HP Pelzer Automotive Systems, Inc. requirements.
- Suppliers shall provide tooling at zero mark-up, and will comply with requests to audit financial documents.
- Continuous improvement, lean thinking, mistake proofing, and VAVE analysis shall be part of supplier's culture.
- Suppliers shall provide HP Pelzer Automotive Systems, Inc. with material data stipulated in the IMDS (International Material Data System) in electronic format, and obtain such information from their suppliers.
- Suppliers shall respond accurately and timely to all HP Pelzer and OEM initiated surveys.
- Suppliers shall accept and support any e-business activities, as required.
- Suppliers shall log in to www.hppelzer.com on a monthly basis to review any updates to this Supplier Manual.



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PURCHASING AND MATERIALS MANAGEMENT

Request for Quote

HP Pelzer Automotive Systems, Inc. will officially notify suppliers to quote. To be considered for business, the supplier must complete all breakdown attachments, and reference the HP Pelzer RFQ Inquiry number. For more information on the RFQ process, please contact your HP Pelzer Buyer.

Accounting Practices and Payment Terms

The items listed below are guidelines only. For actual payment terms, refer to the Purchase Order or actual Contract.

- Payment terms are as specified on the Purchase Order or actual contract unless otherwise agreed upon.
- All material, parts and/or tooling must be received through our Receiving Department and must have a proper packing slip firmly attached to the outside of one of the containers as described in the Shipping/Materials Management section of this Manual. The packing slip must reference the appropriate Purchase Order number and Part/Tool number and have the appropriate signature(s) from the Receiving Department to serve as proof of delivery to ensure payment.
- Each invoice must reference HP Pelzer Automotive Systems, Inc. part/tool number and Purchase Order number exactly, or the invoices will be returned to the appropriate supplier further delaying payment
- HP Pelzer Automotive Systems, Inc. has a thirty day dispute policy regarding issues of problems, past due invoices or short payments. All notifications shall be in writing and followed up by a telephone call within seven days of submission to our accounts payable department. Any and all issues brought to our attention after the ninety day dispute period will not be honored.

Delivery

It is a HP Pelzer Automotive Systems, Inc. requirement that all suppliers provide 100% on time delivery using the First-In-First-Out (FIFO) system.

Specific requirements will differ based on HP Pelzer Automotive Systems plants and supplier classification. These requirements will be defined during the APQP process, and any deviation will result in delivery score reduction.

- Suppliers will submit their packaging instructions which must identify, as necessary, the container, pack count, orientation of parts, and number of layers for PPAP. All suppliers using returnable packaging must have an expendable packaging back up plan which is to be submitted at PPAP. Any deviation in packaging method must be approved by receiving location.
- Labeling requirements will be defined during the APQP process as these requirements may differ by HP Pelzer Automotive Systems, Inc. Plant and/or end Customer. In any case where label requirements are not specified, supplier should default to AIAG standard label.
- EDI requirements/method of releases will be determined during the APQP process as this differs by HP Pelzer Automotive Systems, Inc. Plant and classification of supplier
- Freight terms and requirements are defined on the Purchase Order. HP Pelzer requires notification in the event of premium freight necessity.
- Supplier Shipping Windows are determined by the individual receiving plant. HP Pelzer Automotive Systems, Inc. Plant or OEM Customer will define these during the APQP process. Any shipment outside the normal window must be approved by the receiving plant.



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Delivery (Continued)

- A Certificate of Analysis (CofA), or sometimes phrased as a Certificate of Quality (CofQ) or Certificate of Conformance (CofC), must be provided for every new lot of material / product that is shipped to HP Pelzer. The CofA is to contain actual measured inspection data from the production run being delivered, as well as Lot# information that is traceable back to the material / product label. An example CofA must be provided at PPAP and the specific requirements or contents called out on the CofA will be agreed upon at that time. CofA's must be emailed to the appropriate email address (listed below) based upon the HP Pelzer receiving plant. CofA's must be emailed before material arrives at the plant for delivery. The subject line in the CofA email must follow this format: Supplier Name – Product Description – HP Pelzer Part#.
 - Eudora_CofA@HPPelzer.com
 - PortHuron_CofA@HPPelzer.com
 - SterlingHeights_CofA@HPPelzer.com
 - Thomson_CofA@HPPelzer.com

Service Parts Requirement

All suppliers are responsible for the supply of original equipment service parts. Service parts are to be manufactured on production tooling, with regular PM activities required to maintain production capability.

Because service part requirements vary greatly across HP Pelzer Automotive Systems, Inc. customers; the buyer will define volume and duration requirements for each part number.

Obsolescence

HP Pelzer Automotive Systems, Inc. extends an offer of compensation to suppliers for all product produced to the limit of fabrication and material authorizations extended but not consumed as of the completion of the original equipment assembly build schedule. This guarantee applies only to all discount materials. All claims are to be sent to your HP Pelzer Automotive Systems, Inc.'s Buyer.

- All claims for obsolescence compensation must be submitted to HP Pelzer Automotive Systems, Inc. within 14 days of product discontinuation.
- Claims must be submitted in writing. Contact your HP Pelzer Automotive Systems, Inc.'s Buyer to confirm information required.
- A copy of your release schedule, which establishes your high points, and verification of your final accumulated ship quantities to HP Pelzer Automotive Systems, Inc. must accompany each claim.
- Claims for raw or work in process material must include the usage per part sold to HP Pelzer Automotive Systems, Inc., and supporting documentation for the price per unit claimed.
- All claim material will be audited and must be held in storage until an HP Pelzer Automotive Systems, Inc.'s representative verifies its existence and the claim is settled.
- Claims received after 14 days of product discontinuation will be returned, and HP Pelzer Automotive Systems, Inc. will not accept responsibility for the claimed amount.
- Claim settlement monies are paid once HP Pelzer Automotive Systems, Inc. receives funds from its Customer.



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SUPPLIER SELECTION AND QUALIFICATION

Approved Supplier List

HP Pelzer Automotive Systems, Inc. selects its suppliers based on their ability to meet our requirements. The selection process is performed by the Supply Chain Management Department with Corporate Supplier Quality maintaining the Approved Supplier List. The following are the principal criteria used to determine the suitability for inclusion on this list:

- Directed by Customer
- Third-Party Certification of Quality System
- Supplier Profile Questionnaire
- Competitiveness
- Successful New Supplier Assessment by Corporate Supplier Quality
- Capacity
- Technology
- Support Capabilities
- Location

Each potential supplier's review is unique; therefore, Corporate Supplier Quality will communicate to the supplier the specific requirements needed for that supplier to be placed on the Approved Supplier List.

Supplier Profile

All suppliers are required to complete a Supplier Profile Questionnaire FCD-0435. A copy of this form is available at www.hppelzer.com or can be obtained by contacting your buyer. Suppliers are required to submit an updated profile to Corporate Supplier Quality within 14 business days when significant changes occur.

Quality System Certification

Suppliers required to have a quality system certification, as designated in Basic Supplier Requirements, must forward a copy of their certification to Corporate Supplier Quality. Suppliers are required to keep updated certifications on file with Corporate Supplier Quality.

New Supplier Assessment

HP Pelzer Automotive Systems, Inc. Supply Chain Management Department will complete a Sourcing Summary and Risk Assessment (FCD-0439) for all new suppliers and, based on the results, may conduct a New Supplier Assessment. A copy of this assessment can be obtained by contacting Corporate Supplier Quality, or your buyer (QSI Portal, Supplier Assessment database).

With the conclusion of the assessment process the new supplier shall receive a written report, which summarizes the findings. Suppliers not achieving the minimum requirement for approval will be provided assistance towards that goal and will be re-evaluated periodically to monitor progress.

Maintaining Position on the Approved Supplier List

Suppliers currently on the Approved Supplier list will remain in good standing by providing a high level of service in the areas on Quality, Delivery, Responsiveness and Cost Reduction. See Supplier Performance Measurement for further detail.

Suppliers not meeting HP Pelzer Automotive Systems, Inc. expectations will be asked to submit a corrective action plan detailing how they will improve performance. HP Pelzer may place a supplier on "Containment" status until performance reaches acceptable levels. Continued failure to meet expectations could result in removal from the Approved Supplier List. In all cases, HP Pelzer Automotive Systems, Inc. Supply Chain Management will communicate a change in status to the suppliers and the HP manufacturing plants.



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APQP AND PPAP

APQP Requirements

HP Pelzer Automotive Systems, Inc. follows the five phases of the product quality planning cycle, and the methodology outlined in the AIAG APQP Manual.

- Plan and Define;
- Product Design and Development;
- Process Design and Development;
- Product and Process Validation; and
- Feedback Assessment and Corrective Action.

Upon award of a new program, Corporate Supplier Quality will coordinate a Kick-Off Meeting with the Supplier and appropriate HP Pelzer functions. At the Kick-Off Meeting, the team will review the list of required APQP deliverables. The supplier will establish a project timeline based on the requirements, and maintain an open issues list. Corporate Supplier Quality will establish APQP meetings to review the issues with the supplier, as appropriate. The APQP meetings are concluded once all APQP deliverables have been accepted, and the product PPAP has been approved.

In many cases, HP Pelzer's Customers may cascade their requirements down to our suppliers. Corporate Supplier Quality will communicate these requirements to the supplier, and the supplier will be required to add these requirements to their project timeline. While customer requirements may not always be known at the time of business award, they will be communicated to suppliers as quickly as they are available.

International Material Data System (IMDS)

All suppliers must provide material data stipulated in the International Material Data System (IMDS), and obtain such information from their suppliers. Additional customer requirements (e.g. Honda Environmental Database) shall also be obliged when required by the OEM.

IMDS submission, by HP Pelzer part number, should be sent to each receiving location utilizing the following identification numbers:

- Alliance Interiors – Lansing 54040
- HP Pelzer Automotive Systems, Inc. – Direct Ship 53979
- HP Pelzer Automotive Systems, Inc. – Eudora 51395
- HP Pelzer Automotive Systems, Inc. – Port Huron #1 51331
- HP Pelzer Automotive Systems, Inc. – Port Huron #5 53477
- HP Pelzer Automotive Systems, Inc. – Sterling Heights 51330
- HP Pelzer Automotive Systems, Inc. – Thomson 51332
- HP Pelzer Automotive Systems, Inc. – Troy 16586
- HPP Carpets – Dalton 80273

IMDS approval by HP Pelzer is required prior to the time of PPAP, and IMDS approval number should be documented on Part Submission Warrant (PSW). Missing IMDS information will result in PPAP rejection. For further information, visit <http://www.mdsystem.com> or contact Corporate Supplier Quality at HP Pelzer Automotive Systems, Inc.



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New Product Containment

HP Pelzer Automotive Systems, Inc. requires suppliers to use an enhanced inspection process for a defined number of shipments on new product. This requirement is similar to GM's GP-12 requirements and Chrysler's FPSC requirements. At minimum, suppliers will be required to certify and identify shipments for 30 days from start of production.

In some cases, HP Pelzer's customer will require a longer new product containment period. Corporate Supplier Quality will communicate this requirement to the supplier, and the plan will be reviewed and approved as part of the APQP process.

Quality occurrences during this New Product Containment period will lead to requirement extension, and/or the implementation of a third party sort. In such cases, corrective action will be at the discretion of the Corporate Supplier Quality department.

Supplier Capacity Studies

All suppliers will be required to complete the Supplier Capacity Statement as part of the APQP process. This worksheet can be obtained by contacting Corporate Supplier Quality.

HP Pelzer Automotive Systems, Inc. will identify key suppliers and components where Run@Rate confirmation is required. When a particular product is identified for Run@Rate, Corporate Supplier Quality will notify the supplier in writing. The purpose of Run@Rate is to verify the supplier's capability and capacity while operating under normal conditions.

Based on quality or delivery concerns, HP Pelzer Automotive Systems, Inc. may elect to perform Run@Rate on a current product. In such cases, the supplier will be notified in writing by Corporate Supplier Quality.

PPAP Requirements

The purpose of the supplier production part/material approval is to determine if all customer engineering design records and specification requirements are properly understood by the supplier and that the process has the potential to produce product meeting those requirements during an actual production run at the quoted production rate. Suppliers must comply with the requirements identified in the AIAG PPAP Manual 4th Edition.

To clarify supplier submission requirements on new products and design changes, Corporate Supplier Quality may issue a formal Statement of PPAP Requirements. Additionally, on-site reviews may be conducted with the supplier to track progress.

HP Pelzer requires early notification and consent prior to any process or material changes. For supplier-initiated changes, it is the supplier's responsibility to notify HP Pelzer and submit for part approval prior to the first production shipment. This applies to all situations identified in Table 3.1 and Table 3.2 of the AIAG PPAP Manual, 4th Edition. In some cases, HP Pelzer may waive this requirement; when this happens, the supplier must review all items in the PPAP file and update them as necessary to reflect the current process.

Suppliers are expected to submit PPAP packages, in their entirety, to Corporate Supplier Quality before the agreed-upon date. Electronic PPAPs can be submitted via email, using the following address:

PPAP@HPPelzer.com



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When received, HP will review the PPAP submission and give one of three statuses:

- Full approval indicates that the part or material meets all specifications and requirements. The supplier is authorized to ship product. Unless otherwise agreed on, supplier can only invoice for tooling when they achieve full PPAP approval.
- Interim approval permits shipment of product for production requirements on a limited time or piece quantity basis. The supplier must submit, at the time of PPAP, an action plan to address the issues preventing the PPAP from obtaining full approval.
- Rejected means, that the submission, does not meet the specifications and requirements. HP Pelzer Automotive Systems, Inc. will state the reasons the submission was rejected on the PPAP warrant and return the warrant to the supplier. A corrected PPAP must be submit and approved before the supplier can ship product.

Annual PPAP

HP Pelzer Automotive Systems, Inc. requires annual PPAPs from all suppliers. Annual PPAP submission must reflect current engineering levels and processing methods. This submission is due to Supplier Quality on January 30, each year, and should include the following:

- Part Submission Warrant
- Material and/or Performance test data less than one year old
- Updated DVP&R
- Current process capability study showing Cpk > 1.33



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SUPPLIER CORRECTIVE ACTION

Supplier Corrective Action Request (SCAR)

HP Pelzer Automotive Systems, Inc. communicates issues to suppliers using the Supplier Corrective Action Request (SCAR) form. HP Pelzer Automotive Systems, Inc. will document quality and delivery issues in the SCAR, and forward it to the supplier.

Suppliers are required to complete an initial containment response within 24 hours. Initial responses should disposition all material in the pipeline and include the following items:

- Containment method
- Certified product marking
- Product clean date

Suppliers are required to implement corrective and preventive action within 14 days. When required, SCAR responses should be submitted in OEM Customer format (i.e. GM Drill Deep and Wide, or Honda 5P). In all other cases, suppliers may use their own corrective action forms, so long as the response addresses the following items:

- Identification and verification of Root Cause(s): Prevent, Predict, Protect
- Identification of Permanent Corrective Action(s)
- Implementation of Permanent Corrective Action(s)
- Validation of Permanent Corrective Action(s)
- Prevention of Recurrence

Failure to complete initial or final response by the due date can result in additional containment by HP Pelzer or a third party, to be billed to the supplier.

HP Pelzer Automotive Systems, Inc. will notify suppliers upon successful closure of SCAR.

Supplier Chargebacks

HP Pelzer Automotive Systems, Inc. will charge back suppliers for errors in workmanship or discrepancy in delivery. These Supplier Chargebacks are typically transacted as a debit against open invoices. The following is a summary of charges which can be assessed:

- A \$500 per hour administration, cost recovery charge may be issued for line stoppage charges based on man hour and machine idle time.
- A \$250 administration cost recovery charge, per incident, may be issued in the event of the following receiving discrepancies:
 - Packing slip discrepancies, or no packing slip submitted with the shipment
 - AIAG bar code label errors or no bar code label affixed to the shipping container(s).
 - Incorrectly labeled containers
 - Incorrect ASN, or no ASN transmission
 - Material shipped in any manner other than FIFO
 - Date of delivery different from release / order
 - Quantity of delivery different from release / order
 - Material delivered outside of window
- A \$250 administration, cost recovery charge may be issued in the event of incomplete or discrepant PPAP submissions.
- A \$250 administration, cost recovery charge may be issued in the event of all SCAR notifications.



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- A \$250 administration, cost recovery charge may be issued if a supplier fails to notify HP Pelzer, within 5 days, of the following situations:
 - Loss of Quality System Certification
 - Ford Q1 Status Revocation
 - General Motors “New Business Hold”
 - Chrysler “Needs Improvement”
- A \$150 per man-hour charge may be issued for clerical activities performed by HP Pelzer Automotive Systems, Inc. personnel as a result of Supplier Corrective Action.
- A \$100 per man-hour charge on behalf of HP Pelzer Automotive Systems, Inc. personnel spent sorting and/or re-working supplier product.

In addition to the above charges, HP Pelzer Automotive Systems, Inc. will pass through the following costs incurred where related to supplier issues:

- Product containment cost as received by third-party provider.
- Product re-work cost as received by third-party provider.
- Administrative charges for supplier sort and/or re-work in an HP Pelzer Automotive Systems, Inc. location.
- Customer charges attributed to defective supplier material.
- Premium freight charges incurred as a result of the supplier.

Debits will be approved by HP Pelzer Automotive Systems, Inc. Corporate Supplier Quality Department. Any disputes regarding supplier charge backs (discrepancy charges) shall be submitted to Corporate Supplier Quality, in writing, within 30 days of issuance.



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SUPPLIER PERFORMANCE MONITORING

Supplier Score Cards

To be effective, HP Pelzer Automotive Systems, Inc. must build relationships with suppliers who can consistently meet our needs. The Supplier Score Card utilizes composite measures covering various aspects of supplier performance, and is used to do the following:

- Recognize exceptional supplier performance
- Promote and encourage improved communication on performance issues
- Provide objective data for use in supplier management and sourcing decisions
- Identify opportunities for continuous improvement.

Supplier performance will be monitored by each HP Pelzer facility, summarized by Corporate Supplier Quality, and distributed quarterly in the Supplier Score Card. HP Pelzer Automotive Systems, Inc. will measure suppliers in three categories:

- Quality = 40% of total score. The Quality goal is zero defects. A supplier will be issued a SCAR for a quality concern. The Quality score will be reduced by 50% for each SCAR relating to a Quality Concern. Two or more Quality SCAR's in one month will result in a 0% Quality Rating for that month.
- Delivery = 40% of total score. The On-time Delivery goal is 100% on time. A supplier will be issued a SCAR for a delivery concern. The On-time Delivery score will be reduced by 50% for each SCAR relating to a delivery concern. Two or more Delivery SCAR's in one month will result in 0% delivery rating for that month.
- Responsiveness = 20% of total score. The Responsiveness goal is 100% on time. Suppliers are expected to respond to SCAR's, complete PPAP's, and answer any corporate survey or request for information by the communicated due date. A supplier will be issued a SCAR for a Responsiveness Concern. The Responsiveness Score will be reduced to 0% every month that a supplier has an open SCAR for a Responsiveness Concern. Responsiveness SCAR's will carry over from one month to the next until the supplier has responded appropriately to the concern and closed out the SCAR.

Supplier Performance Rating

Supplier Performance Ratings are a description of the performance level of supply as viewed by HP Pelzer Automotive Systems, Inc. Supplier Performance Ratings associated to the overall score are as follows:

- Preferred – Monthly score of 90-100%. HP Pelzer Automotive Systems, Inc. will work with these suppliers on the development of new business, and assist them in maintaining a competitive market position.
- Acceptable – Monthly score of 70-89%. HP Pelzer Automotive Systems, Inc. will closely monitor suppliers' performance, and assist them in achieving Preferred Status as requested by the supplier.
- Developmental – Monthly score of 0-69%. HP Pelzer Automotive Systems, Inc. will require corrective action to improve performance. Persistent Developmental rating can be cause for supplier development activities, and possible re-sourcing. See Supplier Development.



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Supplier Development

Suppliers not meeting performance requirements will be subject to supplier development activities. HP Pelzer Automotive Systems, Inc. uses a number of tools to help suppliers better their performance.

- Corporate Supplier Quality Incoming Quality Meetings for suppliers whose performance is not meeting expectations. A supplier will receive a written invitation to attend the meeting at HP Pelzer's NA Headquarters. The notification will list the issues to be addressed and the personnel required to attend. The goal of this meeting is to address the issues causing the supplier not to be meeting expectations, and to get the supplier back on track to meet performance requirements.
- HP Pelzer may elect to perform an audit at the supplier's site in order to help the supplier resolve their performance issues. Corporate Supplier Quality will notify the supplier of an audit and provide the supplier a copy of the audit to be performed.
- In cases where suppliers' performance is suffering because of system issues, HP Pelzer may require them to participate in Training and Implementation Seminars. Corporate Supplier Quality will notify the supplier in writing, and provide a list of approved third-party training providers.
- HP Pelzer Automotive Systems, Inc. requires suppliers to implement immediate containment action as part of the response to a SCAR. There may, however, be occasions where the severity of the issue warrants an increased level of containment. In these cases, suppliers will receive a containment entry letter which will explain the reason for containment, and criteria required for exit. HP Pelzer Automotive Systems, Inc. uses two such levels of containment:
 - Level I Containment (CSI) is used to isolate HP Pelzer Automotive Systems, Inc. from the effect of bad product. CSI is a redundant inspection process performed by the supplier to ensure that the defect(s) being inspected for are contained at the supplier's facility.
 - Level II Containment (CSII) is similar to CSI; however inspection is performed by a third party, in order to further protect HP Pelzer's interests. The third party is selected by the supplier, approved by HP Pelzer Automotive Systems, Inc., and paid for by the supplier.
- HP Pelzer Automotive Systems, Inc. Corporate Purchasing may place a supplier on New Business Hold for severe quality, delivery, or financial issues. A supplier on Business Hold will not be allowed to quote on any new HP Pelzer Automotive Systems, Inc. business. A formal letter will be sent by Corporate Purchasing to the supplier stating that they are on Business Hold and list the reasons why. The supplier is required to present an action plan, within one week, to address these issues.