

Section 2

C o s t
M a n a g e m e n t
S y s t e m

Section 2 List

- 2.1 Pre-Production Cost Management
- 2.2 Production/Service Cost Management
- 2.3 Commercial Agreements

2.1.1 Pre-Production Cost Management General Requirements

The supplier is responsible for the pre-production volume cost management of all components and prototype parts supplied to Coupled Products

This shall be achieved through the application of the APQP process.

2.1.2 Cost Planning

The supplier shall ensure that competitive cost targets are clearly established, understood and are committed to at the earliest possible opportunity in any new component development program.

Cost targets shall be mutually agreed upon and established for all elements of cost, not only the component cost, and represent the target cost at the point of volume production.

The cost targets may only be modified if there is a significant change in the part.

2.1.3 Cost Analysis

The supplier must employ open book costing principles and techniques when working with Coupled Products.

The supplier must maintain a current set of quotation analysis forms for all Pre-production components. These should, at any point in time, provide detail of the component, logistics, tooling and prototype parts.

2.2.1 Production/Service Cost Management— General Requirement

The supplier is responsible for the post-volume cost management of all products supplied to the customer. Post volume cost management is for service parts/service supplied to the

customer. The approximate time duration is to be determined by the appropriate Purchasing activity.

2.2.2 Cost Improvement

Supplier's shall identify and seek approval prior to implementing cost reduction ideas program to eliminate waste in the supply chain.

Cost reduction proposals may include ideas, which involve but are not limited to:

- Component Design
- Material Type
- Packaging Requirements
- Logistics
- Process Standards
- Cycle Time Reduction
- Workplace Organization
- Value Analysis/Value Engineering
- Validation Test Requirements
- Certification Methods

Coupled Products encourages its suppliers to develop and implement a continuous improvement program as a mechanism to reduce cost.

2.2.3 Cost Control and Reduction

The supplier shall have a process that ensures:

- All costs are controlled during the life of the products.
- All potential cost reduction opportunities are clearly identified.

As part of this process, the supplier shall establish and maintain documented records of all criteria that may influence the cost of their products.

This information shall primarily be used to manage and control the cost; to ensure that the impact of economic factors and market fluctuations are minimized. This information shall also be used to highlight opportunities for cost improvement.

The supplier shall compile and maintain a document of continuous improvement/cost reduction ideas for submission to the customer. Variance Reports, Flash Reports, PO with year over year cost structure – documented.

The continuous improvement ideas shall be frequently reviewed with the appropriate local facility purchasing contact to maximize the effect of potential cost improvements.

2.2.4 Cost Analysis

The supplier must provide up to date quotation analysis forms, on request, for components in volume production to facilitate effective cost analysis activity.

2.3.1 Commercial Agreements—General Requirement

The supplier must comply with Coupled Products terms and conditions. The supplier shall consult the appropriate Purchasing agent for clarification.

2.3.2 Warranty

If applicable, the supplier shall commit to the terms and conditions of warranty as laid down in the relevant Coupled Products Warranty Agreement. The supplier shall consult the appropriate Purchasing agent for clarification. Refer to section 17 of Terms and Conditions.

2.3.3 Service Parts Pricing

The supplier shall commit to the provision of service parts, during volume supply; at the same price as trackside delivery plus or minus the cost of any variations in the delivery process or containerization.

Supplier shall be responsible to match addendum on RFQ. The time period specified shall be 10 years, to support aftermarket requirements, unless otherwise agreed upon.

2.3.4 Design and Development Costs

The supplier shall clearly identify design and development costs in their product proposal if applicable.

2.3.5 Prototype and Development Parts

The supplier shall commit to the provision of prototype and development components at fixed prices, recognizing the mutual benefit derived from the pre-volume build process. New components must be charged at the agreed volume production price once the part is fully off-tool.

To support the Advanced Quality Planning Process (APQP) the supplier should fund the production of a sufficient quantity of parts to demonstrate achievement of the targeted levels of process capability.

