

Supplier Guide to Challenge Shipping and Receiving Procedures and Chargebacks

Objective

The objective of this guide is to assist suppliers in their understanding of Challenge's shipping and receiving procedures. This document will help suppliers understand Challenge's expectations for shipping and receiving and our policies on when Challenge may debit (chargeback) a supplier for deviations from our protocols. Unless other specific arrangements have been made with a supplier and are documented in writing, the guidelines below apply to all kinds of Purchase Orders issued by Challenge. In all instances in which this guide refers to a chargeback to the supplier, the amount of the chargeback will be the actual losses and/or costs incurred by Challenge in addressing the deviation from protocol or the standard amount specified, whichever is greater. Any objection to a chargeback not presented in writing within 60 days of the chargeback will be deemed waived.

Guidelines for Shipping

1.1. Request for Shipment Pickup

- 1.1.1. Where shipping is at Challenge's expense:
- 1.1.2. Supplier must use Universal Traffic Service (domestic) or C.H. Robinson (international) to arrange pickups at the Supplier's facility for delivery to Challenge under Challenge's shipping account. If a supplier is manually creating domestic shipments (non-dedicated), the shipment must be entered in the UTS portal at least 24 hours prior to the pickup date.
 - 1.1.2.1. Unless a late pickup request was the result of Challenge's request for an expedited delivery in advance of the shipping date shown on the last normal release, pickup requests made after these deadlines will result in a chargeback of \$500 USD being issued to the supplier. This standard chargeback is based on the administrative time related to arranging for trucking, together with the increased likelihood that expedited service and lack of time to obtain competitive quotes will result in higher shipping rates.
- 1.1.3. Where shipping is at Supplier's expense: If the cost of freight is Supplier's responsibility in the agreements between Supplier and Challenge, then the above sections 1.1.1. and 1.1.2 do not apply. In this circumstance, the expectation is that Challenge is provided with shipment dates and delivery windows at the time of release confirmation.

1.2. ASN Submission

- 1.2.1. Suppliers on EDI must submit the ASN within 30 minutes of the shipment's departure from their facility. The part number and shipment quantity in the ASN should exactly match the physical shipment.
- 1.2.2. Any mismatch in the ASN to the actual shipment (including part revision level and purchase order), or ASNs submitted late, will be issued a \$500 USD chargeback. This standard chargeback is based on the labor needed to relabel product and manually receive it, along with the administrative time related to investigating the ASN-to-shipment mismatch error.

1.3. Shipping Paperwork

- 1.3.1. All Suppliers must ensure that paperwork is provided at time of delivery without errors as to number of containers/boxes/racks, pack density, PO #, and/or Challenge delivery location/address.
- 1.3.2. Any incorrect or missing paperwork not corrected or supplied to Challenge before the time of physical receipt of the freight, will be issued a \$500 USD chargeback per shipment. This standard chargeback is based on the labor needed to investigate the issue, along with the square footage in the receiving area at the Challenge facility where the product must be held pending receipt of the paperwork necessary to route the material correctly. Missing or incomplete paperwork must be supplied within 24 hours of Challenge's request for it, or an additional \$500 chargeback will apply.

1.4. On-Time Delivery

- 1.4.1. For purchased or processed parts, the supplier is required to ship the exact quantity requested on the releases. The supplier is also responsible for checking the latest release update and ensuring shipments are according to the latest release. Any under/late delivery, or over/early delivery, will result in potential chargeback(s) to the supplier. Under-quantity or late delivery may result in chargeback for expedited shipping of additional material. Over-quantity or early delivery may result in chargeback for storage fees and delayed payment for the parts over the released quantity.
- 1.4.2. For purchased raw materials, the provisions of paragraph 1.4.1 apply, except that the supplier is required to ship the quantity requested, plus-minus 15%. The delivery dates shall be as requested.
- 1.4.3. If supplier is not able to meet the releases due to unavoidable circumstances, Supplier needs to obtain approval from the Material Planner at least 72 hours prior to the shipment. Any Under/Late and Over/Early ship communication made within 72 hours will be reviewed on a case-by-case basis by considering the circumstances from the supplier and impact to Challenge as well as Challenge's customer base. Under/Late and Over/Early shipments without Material Planner's approval may be issued \$500 USD Chargeback per part number affected. This standard chargeback is based on the administrative time related to investigating reviewing and determining alternate material management.
- 1.4.4. In addition to any other chargebacks, if the supplier is past due and causes downtime at Challenge, a chargeback will be issued based on the hours of downtime, taking into consideration the amount and skill set of staffing needed to produce parts and if production needed to be completed during overtime/double time hours. Documentation of the calculation of the chargeback amount will be provided upon request.
- 1.4.5. If the supplier is past due and causes a short/missed shipment to Challenge's customer, a chargeback will be issued to the supplier for the freight costs incurred to get Challenge's finished goods to their customer. If the delay causes downtime at Challenge's customer, or the customer charges back to Challenge for any other reason, then the chargeback sent to Challenge will be charged to the supplier.

1.5. Logistics Delays

- 1.5.1. Shipments are classified as a logistics delay when the shipment pickup was requested on-time, the shipment was ready for pickup, and the carrier failed to pick up the shipment from the supplier.
- 1.5.2. The supplier is responsible for communicating any logistics delays to the Materials Planner within 12 hours of planned pickup time to avoid chargebacks because of the logistics delays.

- 1.5.3. If the supplier does not communicate a logistics delay, resulting in expedited shipping being needed, Supplier will be responsible for the expediting costs and will be responsible for providing Challenge with updates on shipment progress until delivery at Challenge.
- 1.5.4. If there is logistics delay attributable to the supplier and a carrier billing to Challenge assesses extra charges, such charges will be payable by the supplier.

1.6. *Communication*

- 1.6.1. Email is the official channel for communication to Challenge Material Planners. However, in case of any critical issues that could result in shortages or logistics delays, suppliers are expected to notify the planner through both email *and phone*. If Supplier is unsuccessful in connecting with the planner within 2 hours, it should engage the Supply Chain Analyst and/or Corporate Materials Analysts immediately. Supplier is liable for any cost incurred by Challenge due to failure to communicate in a timely manner. These costs may include but are not limited to expedited freight to Challenge, expedited freight to Challenge's customer, equipment downtime at Challenge and damages claimed by Challenge's customer.