

SUPPLIER PARTNERSHIP HANDBOOK



SHURE

"WE KNOW
VERY WELL
THAT **ABSOLUTE
PERFECTION**
CANNOT BE
ATTAINED, BUT **WE**
**WILL NEVER STOP
STRIVING FOR IT."**

– S.N. Shure

ABOUT **SHURE**

Founded in 1925, Shure Incorporated is widely acknowledged as the world's leading manufacturer of microphones and audio electronics. Our continued success is built on over nine decades of technical expertise and a commitment to innovation and excellence. Leveraged by our high levels of support and a passion for audio, Shure's mission is to be the most trusted audio brand worldwide.

Shure is headquartered in Niles, Illinois, in the United States with more than 30 additional manufacturing facilities and regional sales offices throughout the Americas, EMEA, and Asia.



SHURE

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MARKETS OF FOCUS

Shure serves customers involved in every aspect of audio, whether as a business or as a hobby.



PROFESSIONAL AUDIO

Live sound + recording
Media production
Broadcast
Theater

CONSUMER AUDIO

Musicians
Personal listeners
Vloggers + podcasters
Digital content creators

INTEGRATED SYSTEMS

Installed sound
AV / IT integration in
corporations, education,
government, hospitality

I. GENERAL

HANDBOOK OVERVIEW

The Shure Supplier Partnership Handbook is to serve as a helpful reference guide for suppliers who do business with Shure. Specific terms and conditions, quality requirements, and contractual obligations are contained in every purchase order and purchasing contract. The purchase order or purchasing contract takes precedence over any information included in this handbook.

ABOUT SHURE

Shure is an American audio products corporation. It was founded by Sidney N. Shure in Chicago, Illinois in 1925 as a supplier of radio parts kits. We became a consumer and professional audio-electronics manufacturer of microphones, wireless microphone systems, discussion systems, mixers, and digital signal processing. We also manufacture listening products, including headphones, high-end earphones, and personal monitor systems. From microphones to headphones to wireless gear, we make products that help users define their sound.

OUR MISSION IS **“TO BE THE MOST TRUSTED AUDIO BRAND WORLDWIDE”**

At Shure, customer satisfaction is our number one priority. Shure products are designed to meet and exceed sound quality and performance expectations. Additionally, we want customers to know how to achieve optimum performance out of the models they purchase. As we expand into new markets and categories, our enduring commitment to premium sound quality and technological innovation will remain at our core. Paired with our passion for audio, this commitment will fuel the development of many more world-class, industry leading products.

SHURE CORE VALUES

- As a company and as individuals, we are ethical, honest, and fair in dealing with associates, customers, and suppliers.
- We manufacture products of unmatched quality, reliability, and durability.
- Shure associates show respect for one another in all circumstances.
- Shure is a good corporate citizen, neighbor, and employer.

QUALITY POLICY

Shure manufactures innovative products of extremely high quality and reliability that meet the needs and exceed the expectations of our customers. We achieve this by adherence to our quality management and planning systems, thorough validation of our products, and focus on continuous improvement of our processes, while maintaining compliance with statutory and regulatory requirements.

WHAT SUPPLIERS CAN EXPECT FROM SHURE

We will develop and maintain mutually beneficial partnerships with suppliers who share our commitment to achieve increasing levels of customer satisfaction through continuous improvement in quality, service, on-time delivery and cost.

We will conduct our business with the highest level of integrity. We will be honest and responsible in dealing with customers, associates and suppliers.



II. EXPECTATIONS FROM SUPPLIERS

COMMUNICATION AND INVESTMENT IN THE FUTURE

Shure expects our suppliers to deliver quality product on time with no defects at a cost that enables both of us to be competitive and viable. We expect our suppliers to be proactive and to alert us of any potential problems, changes in process or product and situations that may arise causing risk to our joint ability to meet our contractual obligations to our customers. Your primary contact for all strategic business related issues is Commodity Management. Additionally, we expect frequent cross functional communication on tactical issues that is accurate, reliable, and timely and in a language that all parties understand. Shure's official language is English. Shure suppliers are expected to invest in the technologies and capabilities that will allow both of us to continue to grow and support our customers worldwide.

CONTRACTING

Key supply partners for Shure will be expected to agree to enter into contractual agreements. The terms of the contract may be tailored to the individual scope of the business between Shure and the supplier. This can include purchase order commitments, ownership of intellectual property, and strategies for part changes or obsolescence.

TOTAL COST BREAKDOWNS

Upon request, suppliers will be required to provide a detailed cost breakdown with quote submissions. This typically includes breakdowns for raw material costs, processing costs, overhead, and profit. The objective of this request is to ensure that quotes are reasonable and reliable, while accounting for all aspects of providing the parts requested.

CODE OF CONDUCT

Shure strives to operate at the highest ethical standard and requires each of our supply partners and their sub-contractors do the same. We expect that each partner operates in compliance with all applicable laws and regulations of the countries and locations in which it has operations and does business. All partners will be required to sign a Code of Conduct agreement attesting to this commitment, as well as allow Shure to conduct audits to ensure adherence.



INTERNATIONAL TRADE COMPLIANCE

Free Trade Agreements

Shure conducts an annual solicitation for Free Trade Agreement information, including qualification status, country of origin and Harmonized Tariff Schedule (HS) Code. Suppliers are required to provide the information to Shure when requested.

Product Information for Customs Purposes

Shure requires suppliers to provide us with country of origin, harmonized tariff schedule (HS) codes, and export commodity code number (ECCN/ECN) for the products we purchase.

Preferred Trade Partner Program Status

Shure is a member of C-TPAT (Customs-Trade Partnership Against Terrorism) in the US and AEO (Authorized Economic Operator) in many countries. Shure will periodically request information from suppliers on their status in these programs, and to complete a questionnaire that is required for our continued participation in these programs. Suppliers may be selected to participate in a government audit to insure compliance.

GLOBAL COMPLIANCE

Shure's products are used globally with each country having specific regulations. Shure expects our suppliers to comply with or provide support for international regulatory requirements relating to environment, product safety, radio spectrum matters, or energy efficiency. This includes, but is not limited to, ensuring that all materials or products sold to Shure meet EU RoHS 2011/65/EU with Amendment 215/863. Regulatory documentation will need to be provided to Shure as requested.

NOTIFICATION OF CHANGES

Suppliers are expected to provide advance notice to the appropriate Shure associates for the changes which will happen at the supplier or their sub-supplier(s). After receiving such notification, Shure will decide how to address the changes and if any efforts or actions need to be taken.

CONTACTS	CHANGES
Commodity Manager	Changes on manufacturing equipment, tooling, manufacturing processes, manufacturing location, critical direct/indirect material, purchase sources, product life cycle, technology roadmap, organization, company acquisitions, commercial terms, etc. Any company entity changes, whether its name or headquarter address, financial or banking information.
Tactical Buyer	Changes on shipping schedule, logistic arrangements, etc.
Supplier Quality Engineering	Changes on manufacturing equipment, tooling, manufacturing processes, manufacturing location, critical direct/indirect material, purchase sources, etc.
Product Development Division	Changes on drawings, specification, material, software programming, etc.

CONFIDENTIALITY

Shure requires all suppliers to sign a Non-Disclosure Agreement (NDA) prior to the initiation of a business relationship. The initial terms of this agreement will be prepared by Shure and issued to a potential partner for review, signature, and resubmission prior to discussing any potentially confidential information. NDA's are renewed periodically.

CONTINGENCY PLANNING

Shure actively develops contingency plans to ensure consistent delivery of products to satisfy our customers and expects our suppliers do the same. This can include formal succession plans for ongoing business operations, risk mitigation planning to address force majeure, and operational redundancies for daily production problems. We will audit these plans on a periodic basis and take this information into account as we assess suppliers for ongoing business opportunities.

SUB-SUPPLIER MANAGEMENT

Shure expects our supply partners to disclose and actively manage all sub-contractors and sub-suppliers. This is inclusive of supply chain management, quality control, engineering management, and adherence to all related Shure policies and procedures. Shure will also require access to visit or audit these sub-suppliers upon request.

CONTINUOUS IMPROVEMENT

Shure is always striving to improve in all facets of our organization and we expect our suppliers to do the same. Suppliers should embrace the concepts of Continuous Improvement to actively look for ways to become more efficient, reduce waste, and improve overall operations.

PAYMENT & INCO (INTERNATIONAL COMMERCIAL) TERMS

Shure's standard payment term is Net 60 days from date of invoice and our standard INCO Term is EXW (Ex Works) Factory.

RISK ASSESSMENT

In an on-going effort to minimize risk in Shure's supply chain, Shure's commodity managers actively monitor / address > 20 different risk categories at our supply partners. These items include but are not limited to:

- Quality System Gaps
- Labor Shortage Exposure
- Suppliers with long / highly variable Lead-times
- Workforce Practices
- Product Discontinuation

ETHICAL STANDARDS

- Shure suppliers are not permitted to use images of the Shure brand, parts or products without prior written consent from Commodity Management.
- Suppliers should not offer business courtesies or gifts of any kind to Shure Associates.



III. DEFINITION OF FUNCTIONS

Commodity Management (CM) – Strategic supplier relationship management

Purchasing (Purch) – Day to day tactical supplier and purchase order management

New Product Sourcing Specialists (NPS) – Procurement support of all new product activities

Supplier Quality Engineers (SQE) – Supplier quality management

Product Design & Development (PDD) – Product and component engineering and design



IV. NEW PRODUCT INTRODUCTION TEAMS



SHURE NEW PRODUCT DEVELOPMENT PROCESS

To develop new products, Shure utilizes a methodology of gated processes composed of five phases, which is called Blue Ribbon Product Development.

These are the Blue Ribbon Process Phases:

BLUE RIBBON PROCESS PHASE	ACTIVITY
Charter	<ul style="list-style-type: none">• Define the product
Specification and Planning	<ul style="list-style-type: none">• Plan the project
Working Model	<ul style="list-style-type: none">• Verify design meets requirements• Execute and monitor the plan• Prototype and/or Production Tooling• Working Model (WM) Build
Design Model	<ul style="list-style-type: none">• Validate design is production-ready• Execute and monitor the plan• Design Model (DM) Build• Pilot Production Run (PPR) Build
Launch	<ul style="list-style-type: none">• Prove operational & supply capability• First Production Try-Out (FPTO) Build• Mass Production• Close-out the project

Each phase must be completed before the next phase can begin.

A Blue Ribbon Team (BRT) is a cross-functional team of Shure associates, along with key supply partners, working together and following Shure's Blue Ribbon Process, with the goal of developing and launching new products. The New Product Sourcing Specialist is the Purchasing representative on each BRT, and has the sole authority to issue Purchase Orders to the Supplier.



SUPPLIER SUPPORT OF NEW PRODUCTS

Shure involves supply partners as early as feasible during new product development. In some cases, Suppliers may be invited to the process in the very early design stages; and suppliers are fully engaged during the Working Model phase.

These are expectations of Suppliers for the Blue Ribbon Process Phases:

BLUE RIBBON PROCESS PHASE	SUPPLIER EXPECTATIONS
Working Model	<ul style="list-style-type: none"> • Deliver materials to schedule for Working Model (WM) Build • Lead-Time and Capacity Risk Assessment • Pipeline long lead-time materials for Launch • Design for Manufacturing: Collaborate with Shure PDD to ensure design is feasible and optimized for manufacturing and functionality
Design Model	<ul style="list-style-type: none"> • Deliver materials to schedule for Design Model (DM) Build and Production Pilot Run (PPR) Build • SPAP approved by Shure, in advance of Pilot Production Run (PPR) Build • Pipeline all materials for Launch including appropriate safety and buffer stocks
Launch	<ul style="list-style-type: none"> • Build and deliver materials to schedule for First Production Try-Out (FPTO) Build • Build and deliver materials to schedule for mass production • Enable Shure operational flexibility through adaptable production planning and strong inventory management to improve responsiveness to changes in demand

The Shure New Product Sourcing Specialist in Purchasing has responsibility for scheduling materials deliveries and coordinating raw material pipelines with Suppliers.



V. SUPPLIER MANAGEMENT

SUPPLIER SCORECARDS

In order to continuously improve supplier performance, Shure uses supplier scorecards to measure and track supplier performance. The Shure scorecard includes three major elements: Quality, Delivery, and Cost. Each major element has a number of sub-areas being rated. Shure commodity managers communicate the scorecard performance with select suppliers every quarter in a business review meeting. Based on the scorecard results, the commodity manager and supplier evaluate shortfalls in performance and collaboratively develop corrective actions. Shure also communicates supplier scorecard performance to internal stakeholders for the purpose of determining supplier classifications, awarding new business, and developing sourcing strategies.

SUPPLIER CLASSIFICATIONS

Supplier Classifications is another tool Shure deploys to develop our supply base portfolio and improve supplier performance. It's a ranking system to classify suppliers into a series of levels. From top to bottom they are: Strategic, Preferred, Restricted, and Suspended. The classification is based on factors including supplier performance, supplier risk elements, and Shure business strategies.

Classifications are associated with the level with new business opportunities and access within the Shure organization.

SUPPLIER APPROVAL PROCESS

Shure has a formal Supplier Approval Process which is led by Commodity Management. It begins with an initial short survey and the completion of a Non-Disclosure Agreement. Various methods of investigation and evaluation are utilized and may include: financial background checks, visits to supplier's sites, in-depth surveys, and/or in-depth Supplier Quality System Audits. The addition of any new direct material supplier requires the approval of both Commodity Management and Supplier Quality Engineering.

SUPPLIER PORTAL

The Shure Supplier Portal is a web-based source of information for mutual data exchange for business-to-business integration. The portal will provide suppliers with critical information that may include: Shure Supplier Labeling Guide, Shure Global Transportation Routing Guide, Supplier Scorecards, announcements, specifications, data files, metrics, and part related information.

TOOLING OWNERSHIP AND MAINTENANCE

Shure prefers ownership of all tooling, jigs, and fixtures related to the production of our parts. This will be paid for in agreed upon installments, not in terms of amortization across piece parts cost. As part of tooling ownership, we also own the tooling drawings, as well as models related to the development of the tools. Also, standard ongoing maintenance cost of the tools are expected to be included in the initial tooling cost.



VI. PACKAGING AND LOGISTICS

ON TIME DELIVERY

On time delivery is a measure of process and supply chain efficiency which measures the amount of finished goods delivered to customers on time and in full. It helps determine how efficiently we are meeting our customer's deadlines. If the performance is too low, it could be a signal that somewhere along the supply chain there are inefficient or time consuming processes, which are not adding value.

Global Purchasing measures supplier on-time delivery performance based on supplier order commitment to the full order quantity delivered on time versus total committed orders.

INVENTORY AVAILABILITY

Suppliers are expected to participate in inventory management programs with Shure, as agreed with the Commodity Manager and the Buyer. Various approaches are employed, depending on specific business needs. These may include inventory consignment, buffer stocks of raw materials and/or finished products, Just-In-Time delivery, and other methods.

PACKING LISTS

Each shipment is to be accompanied by shipping documentation and packing lists which clearly identify this information:

- Supplier name
- Date of Shipment
- Purchase Order Number and Purchase Order Line Number
- Shure Part Number
- Quantity Shipped
- Unit of Measure
- Country of Origin
- Supplier Code
- Packing Slip Number
- Shipping Location
- Supplier Part number
- Part Description
- Shure Plant Location
- Carrier Information

Two packing lists are required for each shipment:

- One copy to be placed inside Box #1
- One copy to be placed in a Packing List pouch attached to the outside of the box/pallet

PACKAGE LABELING

The use of bar code labels on packages facilitates the movement of goods and information between suppliers and customers. Shure has a bar code labeling program to take advantages of the benefits which labels provide.

The expectation is to have quality bar code labels attached properly to every shipment which Shure receives because:

- Bar code labels identify the type, quantity, and source of materials within a shipping container.
- When scanned, bar code labels tie the physical materials in a shipment to the purchase order, part number, and quantity information.
- Bar code labels allow effective and efficient capture of data for:
 - Production counts
 - Warehouse input/output
 - Cycle checking and counting
 - Robust inventory controls
 - Forwarding
 - Freight transfer control
 - Shipper generation
 - Timely matching of receipt to invoice for payment

Suppliers to Shure are expected to apply labels to all shipments as specified in the **"Shure Supplier Labeling Guide"** (Located within the Shure Supplier Portal or may be obtained from the buyer by request). All boxes, containers, and pallets must be labeled with printed bar code labels to ensure proper identification and verification of the product and quantity shipped.

The supplier is responsible for obtaining approval of the label format prior to the first shipment. Samples of the labels must be submitted to the Buyer for review and approval, including proper format and ability to read with scanner.

TRANSPORTATION REQUIREMENTS

Suppliers are responsible for following instructions in the Shure Global Transportation Routing Guide, which is located within the Shure Supplier Portal or may be obtained from the buyer by request.



VII. ORDER MANAGEMENT

GENERAL

The Shure Buyer has the sole authority to issue Purchase Orders with the supplier. At the Buyer's discretion, various order types may be used, including discrete order lines, schedule agreements, and contract releases.

Suppliers are responsible for ensuring on-time delivery of materials. Schedule changes from Shure customers occur, and those changes will be communicated to Suppliers. The Buyer will provide Suppliers with future demand views, current Purchase Order information, and required changes to any Purchase Order deliveries. The Buyer will provide as much advance notice as possible regarding changes to schedules and delivery requirements.

ELECTRONIC DATA INTERCHANGE (EDI) REQUIREMENTS

Shure requires all vendors to trade with us using EDI communications. EDI is an efficient, secure and timely method of communicating business transactions. We have engaged SPS Commerce, a SaaS provider of supply chain solutions, to provide a complete suite of EDI. All EDI data to or from Shure is processed through SPS Commerce. A uniform and consistent interface has allowed us to rapidly engage our trading partners in communications via EDI. Discussion with a Shure Buyer and/or Commodity Manager is the first step for EDI enablement.

SPS Commerce offers a range of hosted solutions ranging from web browser based to direct integration with your back end applications. If you have in-house EDI capabilities or have already partnered with an 3rd Party EDI provider, you may certify these existing capabilities for our EDI program through SPS Commerce.

Please contact SPS Commerce's Client Services department for more information regarding how to enable these capabilities with Shure.



SPS Commerce Client Services

www.SPSCommerce.com
866-245-8100
ClientServices@SPSCommerce.com

If you already have existing services through SPS Commerce or any questions regarding our program, please contact SPS Commerce's Customer Operations team for your selected service.



SPS Commerce Customer Operations

www.spscommerce.net 888-739-3232
support@spscommerce.com – SPS Commerce users

If a new EDI system is installed or any major changes are made to your current system, SPS Commerce must be contacted for re-certification of the trading partnership, ensuring that future transmissions continue to meet Shure's standards.

REQUIRED ELECTRONIC DOCUMENTS

SPS Commerce hosts the most current documentation related to our program on a Shure specific portal. Please use the following credentials to access our Trading Partner Specific Documentation:



www.spscommerce.net

Username: Will be provided by SPS Commerce
Password: Will be provided by SPS Commerce

The following EDI document types are supported by Shure through SPS Commerce and are required for all vendors.

- 850 Purchase Order and Schedule Agreement Purchase Order
- 855 Purchase Order Acknowledgment (original and change)
- 860 Purchase Order Change and Schedule Agreement Purchase Order Change
- 830 Schedule Agreement Forecast
- 862 Schedule Agreement Delivery Schedule
- 856 Advanced Shipment Notice
- 861 Goods Receipt Advice
- 810 Invoice

Other Requirements included in the program

- GS1 Barcode Label

ORDERS

Suppliers are responsible to ship in adherence to the quantities and dates as directed in the Purchase Orders provided by the Buyer. All products must be shipped to those requirements, including use of standard pack quantities, unless authorized in advance by the Buyer.

Orders must be acknowledged within the time frame and according to the method specified by the Buyer; either with Electronic Data Interchange (EDI) transactions or via direct email communication.

Over-shipments may not be accepted, and the Buyer could return at the supplier's expense. Under-shipments will incur a supplier On-Time-Delivery (OTD) defect and may require corrective action response from the Supplier, as coordinated by the Buyer.

SHIPPING NOTIFICATION

Suppliers are responsible for communicating any and all changes or updates related to the timely delivery of materials to Shure. Suppliers are expected to immediately notify the Buyer of any unexpected changes, risks, or modifications to shipping and delivery schedules.

Examples of notifications which are required for changes in:

- Shipping schedule or time
- Shipping method
- Shipping quantity

Suppliers participating in the Electronic Data Interchange (EDI) program are expected to provide accurate and timely EDI ASN 856 notification for all shipments.



ACCURATE SHIPPING AND INVOICING

Suppliers are expected to provide accuracy in both shipments and invoices. This includes:

- Use of Shure designated shipping methods
- Accurate packaging documents (customs declarations, packing lists, bills of lading, etc.)
- Use of and accurate bar code labels
- Quantity of parts in shipments matches shipping and invoice documents
- Use of and accurate Electronic Data Interchange (EDI) transactions
- Invoices contain accurate quantity and price

Inaccuracies in the documentation, shipping method, physical counts, electronic data interchange (EDI), or any missing elements will be considered as delivery defects. The Buyer will coordinate corrective action response from the Supplier.

VIII. PRODUCT DEVELOPMENT REQUIREMENTS



DRAWING REVIEWS

The SQE and Product Design & Development (PDD) Engineer will review all new drawings for clarity and content of the stated specifications. They will ensure that all important and critical dimensions and notes are identified with the appropriate symbols, for the purposes of tool making and inspection plan development.

SPECIFICATIONS REVIEW

The SQE will review the drawing specifications with the selected supplier to ensure:

- The supplier understands the specifications
- Can build tooling/jigs/fixtures
- Has the gauges and equipment to measure the specifications accurately
- Can develop inspection plans to validate compliance to those specifications

TOOLING AND THEIR REVIEWS

The supplier is expected to provide feedback with regard to clarity, dimensional requirements and tolerances on the specification prior to tool design. The supplier will develop a tool design and submit that to Shure PDD for design review. This review may include the SQE assigned to the project.

SHURE PROVIDED EQUIPMENT

Shure may provide specific functional gauges, test equipment and fixtures for parts as required.

Shure SQEs will work with the supplier during part development to identify gauging and measurement needs. It is up to the supplier to maintain any Shure equipment from misuse and damage.

Shure Automated Test Engineers, ATEs, will develop test equipment that will be used at the supplier. The supplier is to maintain the equipment and have it calibrated on an annual basis. Shure will coordinate calibration and parts for maintenance.



IX. SUPPLIER QUALITY ENGINEERING REQUIREMENTS

SUPPLIER PART APPROVAL PACKAGE

A Supplier Part Approval Package (SPAP) is an electronic package submission from suppliers that can and/or will include documentation detailing out all necessary information required by Shure for a production ready part. This is Shure's way of qualifying a first article submission or an initial sample request for the production of a new part or a change in an existing part. To help navigate this, Shure has enlisted the help of a third party web based system called EtQ to manage SPAPs and provide a robust process for issue management and a method for real-time response with our global supply base.

SUPPLIER PART APPROVAL PACKAGE CERTIFICATE OF COMPLIANCE

The SPAP Certificate of Conformance (C of C) is a declaration by the supplier ensuring that all parts have been manufactured, processed, inspected, tested and delivered in accordance with all of Shure's specifications and purchase order requirements. In addition, the C of C certifies all complete supply chain (including subcontractors and all suppliers of all sub-processes) used to manufacture the parts have also been fully identified and declared. The declaration is done electronically through the SPAP module on EtQ. The Supplier is required to submit a C of C for each SPAP requested.

COMMODITY PART REQUIREMENT

Any time Shure requires a SPAP on a specific part, a number of items are required of the supplier to submit with the SPAP. The Supplier Quality Engineer (SQE) for that assigned part will decide which requirements are needed from the supplier. All the commodities Shure works with (plating, electronics, cable, plastic, die cast, etc.) each have different requirements and those will be listed in the respective job aids.

SHURE DIMENSION CONTROL REQUIREMENT

The Shure Dimension Control Requirements detail the various symbols seen on Shure drawings and the associated information required. In addition, the Shure Dimension Control Requirement details the ANSI AQL sampling procedure for various lot sizes. The dimension control requirements help both Shure & the Supplier clearly know the expectations to record/distribute data when producing production parts.

SHURE COSMETIC SPECIFICATION

The "Shure Cosmetic Specification" standard defines the cosmetic requirements for purchased parts, sub-assemblies, or complete products used by Shure. This includes, but is not limited to, individual parts, sub-assemblies, and OEM/ODM products with the Shure brand. It defines plastic, finishing, silk screen flaws and establishes acceptance criteria.



XI. QUALITY REQUIREMENTS-SUPPLIER EVALUATION + EXPECTATIONS

AUDITS

Shure conducts Supplier Quality System Audits as an objective method to evaluate a supplier's Quality Management System. The audit is used as an evaluation tool to aid in making strategic business decisions with potential new suppliers, as well as providing a format for a deep dive of process related activities.

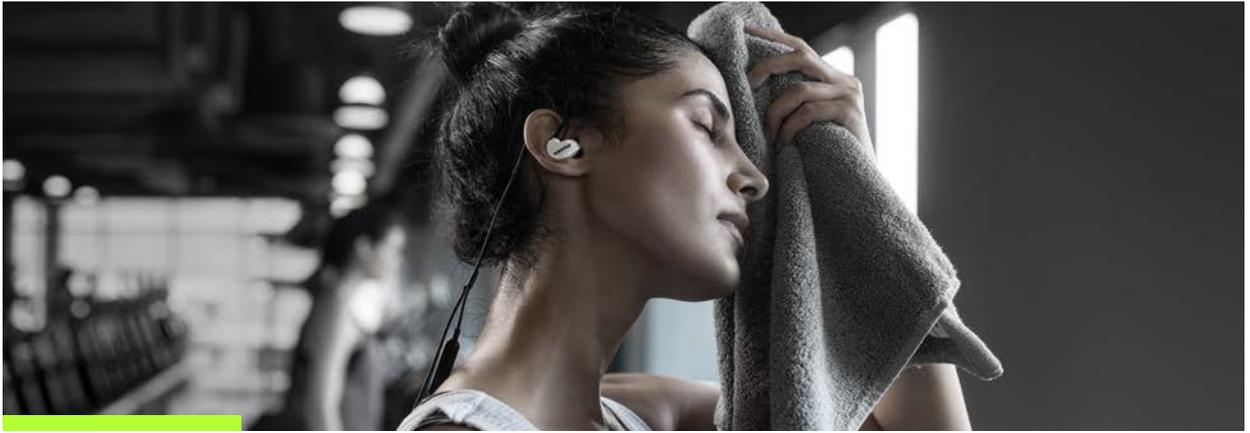
The audit process is structured with a point system and contains comprehensive elements based primarily on the ISO9001 and TS16949 Quality Management Standards (QMS). Each supplier scheduled for an audit will perform a self-assessment of their QMS before Shure representatives do an on-site evaluation. After the audit is completed, a final score is given which results in a supplier status and any open issues discovered during the audit are recorded for subsequent follow-up by the supplier.

Shure also uses the quality systems audit as a continuous Improvement tool by performing recurring audits. We believe that through this process we can grow together in our partnership to deliver excellent quality products and service to our customers.

QUALITY SCORECARDS AND IMPROVEMENT PLANS

As a measure of supplier monitoring and performance, Shure issues Supplier Quality Scorecards to our suppliers. The quality scorecards contain metrics and results from three categories: Part Approvals, Lot Acceptance, and Corrective Action. Each of the categories in the quality scorecard is based on points achieved compared to points possible, which results in an overall total score.

Suppliers that fall below the minimum requirements are issued a Supplier Improvement Plan (SIP). The SIP is reviewed regularly by the assigned SQE with the supplier and captures all actions required to improve performance. Quality improvement tools, such as 5-Whys and fishbone diagrams, are encouraged to be used in order to achieve the required results of a supplier's performance. The SIP tool may be used for systemic issues discovered during an audit.



INCOMING INSPECTION PLANS

Inspection Plans are used by the Shure Receiving Inspection teams to validate incoming parts to the associated controlled prints. Inspection plans are generated during product development as part of the SPAP. The SQE will also identify the need for any new gauges and tooling to measure the part.

After approving the part through the SPAP the SQE will generate the IP. The IP may have up to 3 specific sections.

Appearance:

- The appearance section includes general items related to the part, such as scratches, nicks, burrs, contamination, etc.
- It also contains specific information for the inspectors to look for related to the notes on the drawing such as artwork that should be printed on the part, date code information, and specific data requirements.

Dimensions:

- Critical dimensions are identified for the inspectors to measure.
- In some cases, the data is recorded for later analysis.
- The specific method and equipment is identified for the measurements.

Functional Tests:

- Specific finishes will be measured for color and gloss
- Paint adhesion is tested in after parts have been in a humidity tank for 24 hours
- Printing is tested for adhesion.
- Basic functional testing is performed on Batteries and other electronic components.

Shure uses several dynamic modification rules (DM rules) for inspections. Depending on the critically of the part and supplier history the inspection rule may be changed. In general, they are:

- DM1, Dock to stock, no inspection
- DM2, Always inspect
- DM4, Normal inspection, Inspect 8 lots then cycle: skip 3 and inspect 1. This is continued until nonconforming material is found where it returns to inspect 8 lots.
- DM5, inspect one lot, skip one lot.



QUALITY NOTIFICATIONS (QN'S)

Quality notifications are the method that Shure uses to identify when material is not acceptable for production use. Once material is found to be nonconforming it is placed on QN.

Some of the reasons that material may be placed on QN include but are not limited to:

- Parts may not be specified properly (critical dimensions not shown of the drawing).
- The supplier may not have fabricated the part per the drawing.
- The drawing specifications may be incorrect or have a tolerance that is not manufacturable.
- The incorrect revision software may be programmed on the assembly.

Once the QN has been generated it is reviewed by the plant Supplier Quality Engineers. They review the parts and specifications to determine if the QN is chargeable to the supplier. Chargeable means that the defect is the fault of the supplier. A plant material review board will determine the disposition of the material based on the necessity of use. The material may be sorted, returned or reworked based on the plant need.

Any material that has to be sorted or reworked will have the cost charged back to the supplier. The charge back is handled by purchasing.

Chargeable QNs will affect the supplier scorecard. The scorecard is also affected by QNs that have rework and sorting costs charged back to the supplier and QNs that cause a line disruption in the plant. Line disruptions could be a line down situation or one that causes a line to be rescheduled.

SUPPLIER CORRECTIVE ACTION REQUESTS

Supplier Corrective Action Requests (SCARs) are issued to suppliers and used as a primary tool for Problem Resolution. Shure partners with a third party (EtQ) to manage SCARs. This web-based software portal provides a robust platform to work through the different phases of a SCAR, including Containment, Root Cause, Preventative/Corrective Action(s), and Implementation. Each phase has a timeframe pre-determined and tracked and responses are approved by Shure Supplier Quality Engineering. The SCAR methodology is a mutually beneficial continuous improvement tool to drive best practices in the supplier's production processes.



XII. ACRONYMS

- ANSI** – American Nations Standards Institute
- AQL** – Acceptable Quality Level
- ATE** – Automated Test Engineers
- BRT** – Blue Ribbon Team. Shure’s name for New Product Development Teams
- C of C** – Certificate of Compliance
- CM** – Commodity Management
- CTPAT** – Customs Trade Partnership Against Terrorism
- EDI** – Electronic Data Interchange
- IP** – Inspection Plan
- MCDA** – Mutual Confidentiality Discloser Agreement
- PDD** – Product Design & Development
- QN** – Quality Notification
- QMS** – Quality Management Standard
- SCAR** – Supplier Corrective Action Request
- SIP** – Supplier Improvement Plan
- SQE** – Supplier Quality Engineer
- SPAP** – Supplier Part Approval Package

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