

Supplier Selection and Contracting Standard

【Core】

1 General Provisions

1.1 Purpose

The purpose of this standard is to ensure effective achievement of objectives for consistent quality, cost, quantity and delivery time by clarifying and implementing procedures, contract details, etc. for selection of and contracting with a supplier from which a facility purchases parts (including parts, materials, indirect materials, and accessories; same applies hereinafter) which comprise a product.

1.2 Scope

This standard applies to the selection of and contracting with suppliers from which a facility purchases parts that comprise a product of the facility.

1.3 Terms

Definitions of terms used in this standard are as follows.

No		Definition
1	Supplier's drawing (Part supplier's drawing)	Part drawing designed and developed by a supplier in accordance with basic requirements by R&D, where R&D outsources design and development of parts to the supplier.
2	SQM	SMQ standard for Supplier Quality Manual. SQM is created by a facility to issue to its suppliers and consists of two parts; one contains quality requirements for a supplier to follow and is supplemental to a contract document that is the basis of the transaction of parts, and the other one is a reference document to convey the facility's view for quality control to the supplier.

2 Supplier Selection and Contracting

2.1 Roles and Responsibility

2.1.1 The management system related to supplier selection and contracting is based on Attachment-1 "Management Framework for Supplier Selection and Contracting."

2.1.2 The person in charge of each operation outlined in the "Management Framework for Supplier Selection and Contracting" is the head of a section responsible for the operation.

2.2 Research and Selection of New suppliers

2.2.1 The purchasing section, when starting to do business with a new supplier, conducts research on the supplier.

The research involves the following as a minimum.

- (1) Financial health the company
- (2) Technical competency
- (3) Quality management system, etc.

2.2.2 The purchasing section examines the results of the research on a potential new supplier and determines whether or not the supplier is in good standing to start a business.

If notification to related sections is needed, the purchasing section develops procedures for notification, and notifies related sections as set out in the procedure.

2.3 Conclusion of Contract

2.3.1 The purchasing section enters into and concludes a contract using a contract document that is the basis of the transaction of parts before starting a business with a new supplier.

Memorandums may be used as necessary, depending on the outcome of the discussions over the contract.

2.3.2 The purchasing section stores and manages contracts concluded with suppliers.

2.3.3 The purchasing section, when providing a contract to a new supplier, gives one of the two signed copies of the contract, and SQM, etc. to the new supplier.

2.3.4 The purchasing section, if necessary, informs related sections that the purchasing section has entered into a new contract with a new supplier. If notifying the sections of the details of the contract, a copy of a memorandum annexed to the contract may be issued to them and it may be regarded as a notification.

The purchasing section clarifies related sections, such as procurement, receiving quality and certification sections.

2.3.5 The purchasing section manages form, etc. necessary for concluding a contract.

2.4 Signatory

The signatory of contract is, in principle for both Honda facilities and their suppliers, a person who has authority to represent its own company (representation right), or person who has authority to give final approval for new transactions.

2.5 Presentation of Order Specifications

The purchasing section or procurement section provides suppliers with information, which are such as drawings, specifications or governing laws that are necessary for them, as order specifications.

If deemed necessary, provides limit samples, etc.

2.6 Individual Contract

The purchasing section or procurement section places orders based on the order specifications by using a parts order form, etc. and concludes individual contracts with the acceptance of the order from the supplier.

2.7 Selection of Supplier Per Part

2.7.1 After coordinating with related sections, the purchasing section determines a supplier for each of the parts.

2.7.2 The purchasing section decides criteria for selection of suppliers in advance.

For such criteria, supplier quality evaluations performed based on G-HQS Supplier Quality Performance Evaluation Standard are considered as a minimum.

2.7.3 The purchasing section obtains approval from the head of the department for each supplier from which the purchasing section purchases parts.

2.8 Supplier change

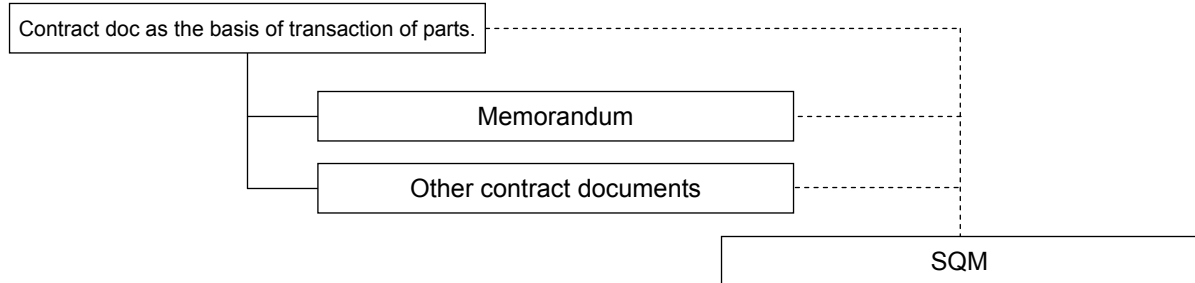
2.8.1 The purchasing section may, after a supplier has been selected, change the supplier if it fails to meet or maintain quality, cost, quantity, delivery time as agreed and if generating a continuous supply is difficult for the supplier.

2.8.2 Supplier change is determined by the purchasing section upon request from the requesting section after having coordination with related sections.

3 Contracts

3.1 Framework for Contracting

Framework for contracting with suppliers is as follows



3.2 Management Framework

3.2.1 Management system for contract documents are outlined in Attachment-2 “Contract Document Control System”

3.2.2 Responsible person for each operation as described in the “Contract Document Control System” is the head of department who is in charge of this operation.

3.3 Contract Documents

Contract document that is the basis of the transaction of parts is one in which basic agreements with suppliers are entered for continual placement of orders of parts.

Contract document includes provisions for quality assurance and indemnity for defective units.

3.4 Review of Contract Documents

Contracts or memorandums are reviewed mainly by the purchasing section and, where necessary, by related sections.

3.5 Preparation of Contracts and Confirmation of Regulatory Compliance

3.5.1 The purchasing section prepares a contract document in accordance with the results of the review.

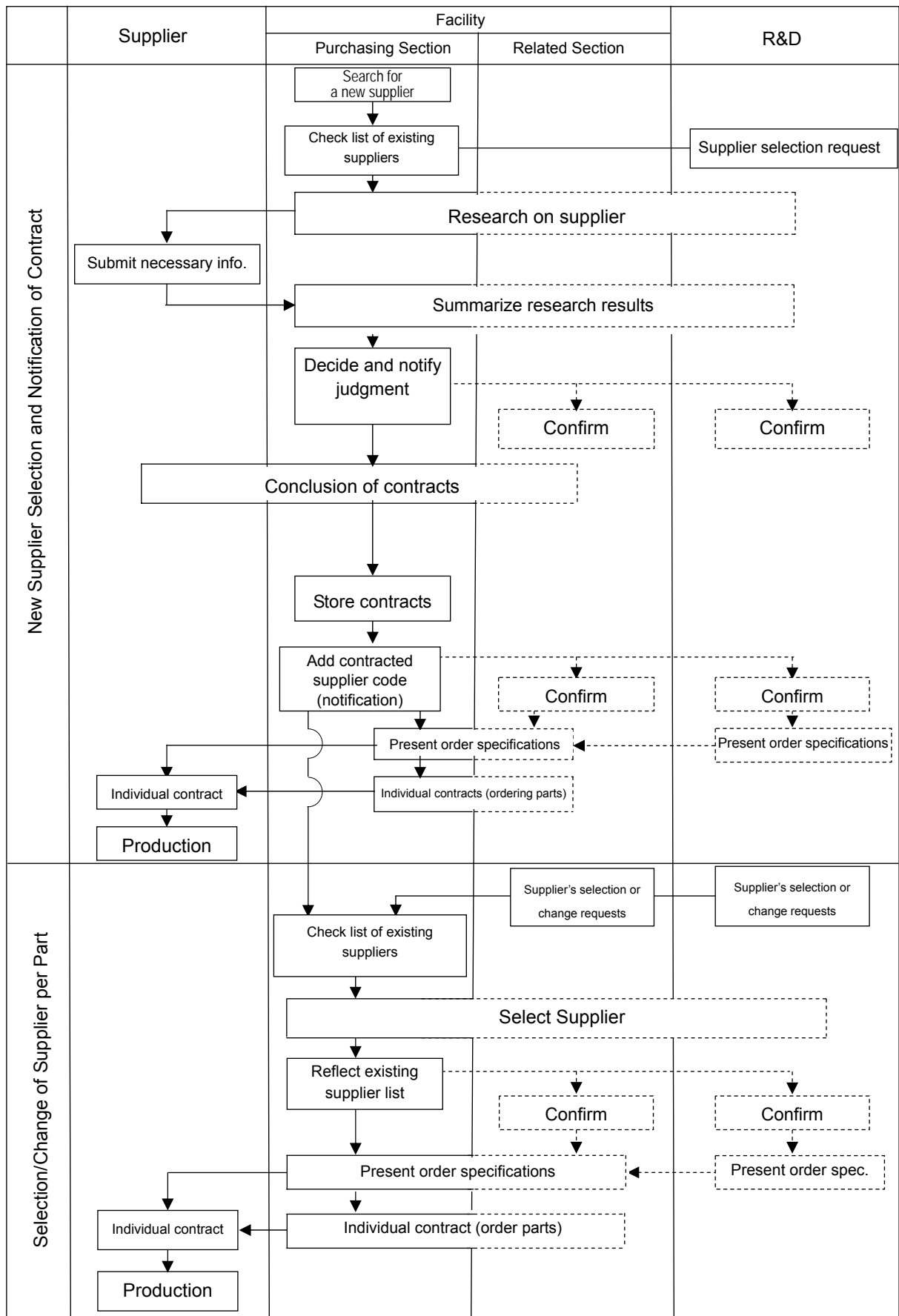
3.5.2 The legal section confirms compliance of the contract document submitted by the purchasing section with applicable laws and regulations.

4 Supplementary Provision

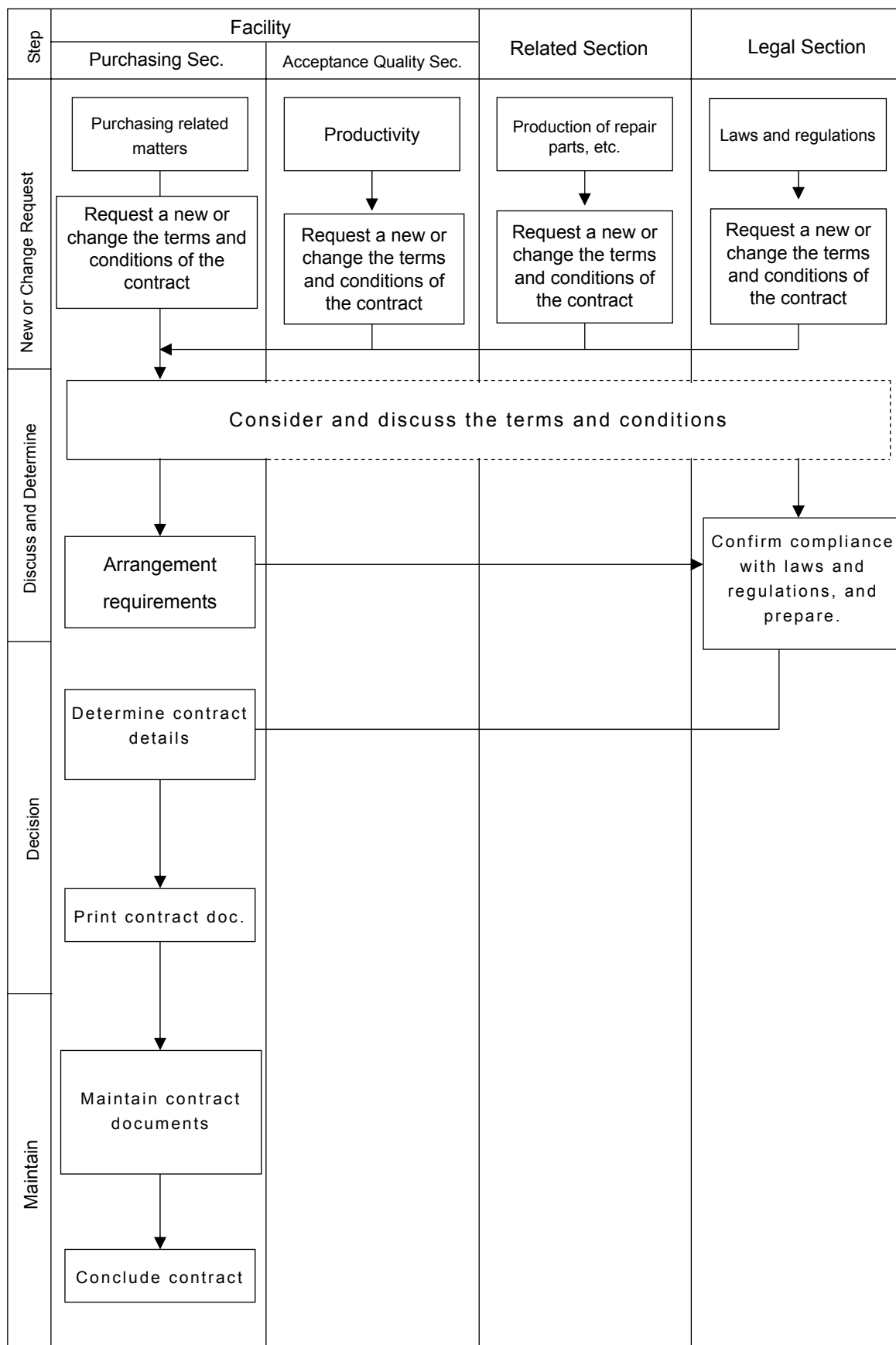
4.1 Application of This Standard

Matters relating to establishment, revision and implementation of this standard are outlined in G-HQS [Quality Management Standards Control Standard].

Attachment -1 Management Framework for Supplier Selection and Contracting



Attachment-2 Contract Document Control System



[illegible]