



# Global Supplier Standards Manual

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## 1.0 | PURPOSE / SCOPE / VISION / MISSION / VALUES

### 1.1 | Purpose

- The purpose of the Global Supplier Standards Manual is to communicate Yanfeng Global Automotive Interiors (YFAI) requirements to our suppliers. YFAI expects this manual to provide the foundation for our working relationship with our Suppliers.
- It is the expectation of YFAI that all suppliers of Direct Materials comply with all the requirements documented in this manual. Organizations supplying goods (such as components, bulk materials, and service parts) that are processed by YFAI and subsequently become part of a vehicle are defined as Direct Materials suppliers.
- All suppliers of Indirect Materials and Services are expected to comply with all the requirements in section 2.3 | *Indirect Materials and Services Supplier Expectations*. Indirect suppliers are defined as organizations providing goods and services (such as contract labor, sorting and containment services, packaging, marketing materials, software, and travel services) in support of YFAI's production business. Services that affect customer specific requirements such as sub-assembly, sequencing, sorting, rework, and calibration are subject to additional requirements.
- Injection Mold tooling requirements affecting both tooling sources and direct material suppliers are addressed separately in section 2.4 | *Injection Mold Tooling Supplier Expectations*.
- YFAI will strive for excellence through continuous improvement in the products and services we receive through close working relationships with our suppliers. YFAI expects all suppliers to provide Zero Defect material and services delivered on-time, and to strive for continuous improvement in quality, delivery, service, innovation and competitiveness.

### 1.2 | Scope

- This manual applies globally to all Yanfeng Global Automotive Interiors Manufacturing and Parts Distributions locations that are involved in the purchase of products and services for use internally or resale.
- The Global Supplier Standards Manual was developed to present a minimum set of requirements to current and potential suppliers. Requirements can differ based on applicable Customer Specific Requirements.
- *Where applicable, unique Asia & Pacific (AP) region specific requirements are listed at the end of the sections.*
- It is the supplier's responsibility to check at regular intervals for updates to this manual at [www.yfai.com](http://www.yfai.com). All updates and changes will be communicated using the Supplier Communications section in the Supplier section of the YFAI website.

### 1.3 | Vision / Mission / Values of Yanfeng Global Automotive Interiors

We have defined a bold **vision** for the business:

**“Better life onboard through superior automotive interior solutions.”**

To bring our vision to life, we've made it our **mission** to be our **customers' preferred partner for automotive interior solutions**. We will do this through our **global capabilities** and **partnerships**, imaginative and cost-effective innovations, and execution excellence.

The basis for our success will be our **people**—a committed global team with a passion for shaping the future of the interiors industry and delivering sustainable, superior value.

## 2.0 | GENERAL EXPECTATIONS

### 2.1 | General Terms and Conditions of Purchase

The Terms and Conditions of Purchase (“Terms”) shall govern buyer’s purchase orders, delivery releases and all future transactions with supplier. By accepting receipt of these terms without objection, or by fulfilling our purchase order (“Order”) without objection, supplier declares its agreement to their applicability for the purchase of goods and/or services (“Supplies”), including service parts.

Buyer does not acknowledge any additional or different terms proposed by supplier, unless expressly stated in the Order. When accepted, the Order supersedes all prior purchase orders, quotations, proposals and other communications. The Terms can be found in their entirety at [www.yfai.com](http://www.yfai.com).

### 2.2 | Direct Materials Supplier Expectations

YFAI expects to enhance our strategic advantage with our growing customer base by consistently demonstrating a best cost position through a commitment to commercial openness, a competitive cost structure, and a customer-oriented footprint throughout our supply chain. YFAI’s strength lies in our approach to knowledge based sourcing: emphasis on continuous improvement and full supplier engagement in the process, development of subject matter Procurement experts through collaboration with supplier’s technical teams, and identification of innovative differentiators and unique value that leverages both YFAI and supplier capabilities. Understanding YFAI and OEM customer specific requirements and expectations is critical to our collective success.

YFAI’s primary procurement strategy utilizes a collaborative Materials Best Business Practice (MBBP) approach with our supplier partners. MBBP involves a cross-functional team from both organizations in development and maintenance of an optimal cost solution through continuous improvement workshops, preferred engineering solutions, and related efforts that improve supplier’s operational cost and create value for the supply chain. Suppliers are required to maintain compliance to PACT (Partners Achieving Cost Targets) expectations if MBBP agreements are not in place. For additional detail on MBBP and PACT expectations, please contact your respective YFAI Commodity Manager.

When quoting, suppliers are expected to provide accurate and detailed cost breakdowns for piece price and tooling. Timeliness and accuracy of responses for pursuit of programs, OEM business awards, and engineering change quotes is monitored and impacts the supplier’s eligibility to receive continued business opportunities. Additionally, a critical review and approval of the Supplier Statement of Work (SSOW) is requested as well as the timely return of the signed award letter.

Projected production volumes and industry growth in various regions drives continued expectation for detailed capacity planning addressing both equipment and resources. Each supplier is expected to take proactive measures to ensure YFAI and customers are protected from quality and supply chain issues due to poor capacity management. At a minimum, suppliers are required to review capacity studies with their YFAI Commodity Managers on an annual basis.

Customer engagement is an important factor in our business success and future opportunities. Suppliers are expected to interface with the YFAI team in a number of forums which may include: Annual Business Reviews with a cross-functional Procurement team; launch readiness reviews with program teams; proactive on-site supplier support at YFAI facilities throughout launch; post-launch audits with Buyers and Continuous Improvement representatives. If an issue is identified, suppliers

are requested to escalate quickly to YFAI contacts and Procurement team to ensure awareness by those impacted and necessary support is engaged in issue resolution.

Ongoing satisfaction with supplier performance, along with overall relationship and long-term strategy, is evaluated throughout the year, results communicated according to regional practices, and excellence recognized annually through YFAI's supplier awards process. Reference section 4.0 *Supplier Scorecard and Annual Awards* for additional details.

### 2.2.1 | Supplier Sustainability

YFAI respects the needs and concerns of the communities in which we live and work. Our products, services, and manufacturing methods reflect this concern and our belief that what is good for the environment is also good for YFAI.

Suppliers to YFAI shall comply with all applicable governmental regulations. These regulations relate to the health and safety of the workers, environmental protection, use of toxic and hazardous materials, and free trade. Suppliers must recognize that the applicable regulations might include those in the country of manufacture, as well as the country of sale. Registration to ISO14001 (Environmental Management System) and OHSAS 18001 / ISO 45001 (Health and Safety Management System) is strongly recommended. Suppliers are required to be able to show documented evidence of compliance to ISO14001 and OHSAS 18001 / ISO 45001 or conformance to local country regulations.

YFAI and its suppliers are responsible for health and safety of their employees. Work processes and policies must be designed and implemented to minimize risk. Suppliers must routinely review and improve workplace conditions to ensure a safe and healthful workplace and report unsafe working conditions anywhere in the world to supervisors and management.

YFAI values diversity and equal treatment within the workplace and is committed to providing an environment that is free of harassment or any other behavior that diminishes a person's integrity and self-esteem. Harassment or abuse in any form is not tolerated. We expect the same approach from our supplier base.

Suppliers shall comply with the YFAI's Code of Conduct or equivalent policy. Our Code of Conduct provides guidance for ethical business conduct and serves as a foundation for our commitment to integrity as a company. YFAI's Code of Conduct can be found in its entirety at [www.yfai.com](http://www.yfai.com). Suppliers must demonstrate their level of compliance to these requirements by completing YFAI's on-line sustainability survey. The questionnaire contains questions related to human rights, working conditions, employee safety, and environmental management. The resulting sustainability rating is used for measuring sustainability activity within our supply base and as an input to the supplier scorecard. Suppliers shipping to YFAI locations that have implemented the IQS application will be notified by email with specific upload instructions. The questionnaire is not applicable to Asia & Pacific suppliers.

#### Asia & Pacific region specific requirements:

*Suppliers must obtain an official environmental protection approval and fire completion acceptance from local government. Assessment of Supplier Sustainability to the risk process suppliers is done by the third party performing an onsite Sustainability audit regularly.*

*If the products provided by supplier involves voluntary product certification, the supplier must be certified by the third party. Supplier must recertify the products if the following changes (not limited)*



*took place: company title, manufacture location transfer, key sub-parts, materials, structure, processes and sub-supplier. If the products provided by the supplier involve hazardous chemicals, the supplier must obtain the government approval for production, sale, storage and transport.*

### 2.3 | Indirect Materials and Services Supplier Expectations

This section details expectations for those organizations providing goods and services which will not become part of a vehicle in support YFAI's production business.

YFAI Indirect Procurement seeks to form strategic alliances with our key Indirect Material and Services suppliers. A key strategic Indirect Supplier is defined as supplier who demonstrates excellence and innovation in the products and/or services they provide, by increasing efficiencies, reducing waste, improving communication, and adding overall value to the supply chain.

The YFAI collaborative supplier approach involves the following key elements:

**Annual Business Review** - YFAI invites key strategic Indirect suppliers to an Annual Business Review in which the supplier's performance is reviewed in a 360 degree feedback format. The strategic supplier's capabilities and future initiatives may also be presented at the Annual Business Review for collaborative discussion.

**Supplier Annual Award** - YFAI Indirect Procurement may nominate a key strategic supplier who has demonstrated excellence in support of the YFAI vision. Reference *4.2 Supplier Annual Award* for additional details.

Indirect Suppliers that affect customer requirements such as sub-assembly, sequencing, sorting, rework, and calibration must also reference section *3.0 Quality Management System Requirements* for certification details.

### 2.4 | Injection Mold Tooling Supplier Expectations

All Tooling Suppliers, both domestic and offshore, that provide injection molds directly to YFAI must adhere to applicable YFAI Global Injection Mold Tooling Standards. Additionally, domestic and offshore tooling suppliers must adhere to applicable Tooling Responsibilities guides as detailed in table shown on the following page.

- Domestic refers to the home Procurement Region (Asia Pacific (AP), Europe and South Africa (EU&SA), & North America (NA))
- Offshore refers to regions beyond the home Procurement Region (AP, EU&SA, NA)
- For further clarification, any Region can be a Domestic or Offshore Region. Example: If AP purchases tools in AP and in EU&SA, AP tooling suppliers and EU suppliers are Offshore suppliers.

Part Suppliers (PS) to YFAI that manage the procurement and building of their own tools must also meet applicable YFAI standards. For this purpose, YFAI provides the YFAI-PS Injection Mold Tooling Responsibilities guide and the PS Injection Mold Tooling Standards document, which is a subset of the tooling standards for YFAI managed molds.

Both YFAI and its Part Suppliers must adhere to the same applicable Injection Mold Gauge Standards.



Tooling Responsibilities documents and Gauge Standards are posted under the Standard Formats link on in the supplier section of the YFAI website; Tooling Standards can be obtained by contacting responsible YFAI Procurement contact.

All suppliers are subject to tool audits by YFAI and its Customers.

Supplier Type	Applicable Standards (applicable to EU&SA, NA suppliers)	Applicable Guides (applicable to AP, EU&SA, NA suppliers)
Tooling Supplier: Domestic	YFAI Global Injection Mold Tooling Standard	YFAI Injection Mold Tooling Responsibilities
Tooling Supplier: Offshore	Injection Mold Gauge Standards	YFAI Direct Offshore Injection Mold Tooling Responsibilities
Part Suppliers	YFAI-PS Injection Mold Tooling Standard  Injection Mold Gauge Standards	YFAI-PS Injection Mold Tooling Responsibilities

## 2.5 | Supplier Risk Management Expectations

YFAI views a supplier's ongoing financial health as an important consideration for business award. YFAI's Risk Management team utilizes the 3PI rating tool by KPMG to evaluate a supplier's profitability, efficiency, liquidity and leverage. 3PI is a standardized, web-based application that is recognized and accepted throughout the global automotive industry. **Direct materials, tooling, and capital equipment** suppliers are required to maintain their own accounts and expected to submit their financial data two (2) times per year using the rating tool in order to maintain their eligibility for new business. This includes supplier's fiscal year end results as well as six (6) month year-to-date results. Each legal entity we procure from must have a rating or parental commitment on file. Rating details are maintained in strict confidentiality by our Risk Management team. If you are a new supplier to YFAI, please contact your Buyer to initiate an invitation to join YFAI's 3PI network.

Additionally, suppliers are required to establish written contingency plans to support production in the event of emergency such as utility interruptions, labor shortages, key equipment failures, or supply chain risks.

## 2.6 | Global Supplier Diversity and Business Development Expectations

YFAI leadership and Global Procurement have released a Supplier Diversity policy that supports our customers' expectations and contributes to the overall growth and expansion of our business. The policy states that "diverse business concerns shall have equal opportunity to compete for contracts or subcontracts held by YFAI and its operating units. Purchase of goods and services shall be made from such concerns to the fullest extent possible, consistent with this policy, and the efficient performance of our operations. YFAI will also assist in developing and strengthening diverse businesses."

YFAI's execution of this policy ensures that our operating units encourage meaningful participation of diverse-owned businesses, offer management and technical assistance where appropriate to assist diverse-owned business concerns to become stronger suppliers in their area of expertise, and **expect all YFAI key suppliers to adopt similar initiatives.**

A diverse business concern is defined as a company that is certified to be at least 51 percent owned, managed and controlled by one or more minority persons, or non-minority women, or veterans/disabled veterans, or a small business that conforms to guidelines established by the United States Small Business Administration, or a historically underutilized population group business based on local country definitions.

## 2.7 | Materials and Logistics (Supply Chain) Expectations

The Materials and Logistics (Supply Chain) organization at YFAI assures the on-time delivery of component materials and shipment of finished goods at the lowest cost.

Continuous improvement in our global supply chain systems is, and will continue to be, a competitive advantage for YFAI. This advantage is created through the engineering and design of Lean Replenishment and Logistic Business processes, which are enabled through effective application of Lean Technologies. To fully leverage the potential of these innovative systems and processes, the knowledge and capabilities of our extended enterprise must be flexible and capable of meeting our replenishment requirements.

Total Supply Chain Management is achieved through the execution of comprehensive, common business processes and systems such as:

- IATF 16949 / ISO 9001 standards
- AIAG Materials Management Operating Guidelines
- YFAI Business Operating System (BOS)

The following are critical supply chain elements that must be in place to execute flawlessly:

- Communicate electronically between suppliers and customers
- Implement/Utilize Lean Manufacturing practices
- Analyze demand
  - Understand and react to schedule variation week to week
  - Reconcile cumulative customer receipts to shipments
  - Compare demand to capacity
- Proactive communication through the supply chain when there are potential issues in meeting demand requirements
- Ship according to the transportation routing instructions
- Respond to the Customer specified replenishment method(s) and establish replenishment processes to assure on-time delivery from the extended supply chain
- Respond to “issue communication” tools (DMR, MQR, etc.)
- Development of team members which focuses on: process knowledge, technical capability, problem solving skills, and leadership ability
- Implement repeatable processes that minimize human intervention, and audit them to assure conformance (AIAG MMOG/LE is preferred, or equivalent)
- Identify and measure key metrics monthly, with an emphasis on corrective action planning to address metrics that don’t meet goals

### North America region specific requirements:

*Specific detailed requirements are outlined in the NA Supply Chain Management Standard located in the Supplier page of [www.yfai.com](http://www.yfai.com).*

## **2.7.1 | Electronic Commerce**

YFAI and our automotive customers require EDI (Electronic Data Interchange) to be utilized by all suppliers throughout the Supply Chain. This includes the ability to receive releases and send Advanced Shipping Notices. An advanced Shipping Notice (ASN) is the electronic transfer of shipment data from a supplier to customer (YFAI).

All suppliers must develop a contingency plan for their primary EDI system. This allows us to keep both product and information flowing if the primary system fails for any reason

## **2.7.2 | Shipping**

Our goal is to ensure that the supply chain is aligned with YFAI's procedures that cover adherence to Customs Regulations. YFAI uses INCOTERMS; the agreed term is defined in the Award Letter with reference to the supplier's quote.

### **2.7.2.1 | Warehouse and Inventory Requirements**

YFAI's strategy is to utilize a regional warehouse/domestic pick-up point to manage and retain buffer stock inventory for certain international supply chains. This practice minimizes the risk of an inventory stock-out and supports our lean manufacturing initiatives,

#### **2.7.2.2 | Custom Brokers**

YFAI has designated Customs Brokers to clear shipments on our behalf. Suppliers must use the designated broker according to the trade incoterm according to routing instructions set forth by YFAI corporate offices.

#### **2.7.2.3 | International Shipment Documentation**

Suppliers are responsible for providing complete and accurate documentation for all international shipments. Documents must be sent with each cross-border shipment. Documents include, but are not limited to, the Bill of Lading, Packing List, Commercial or Pro-Forma Invoice, and a Certificate of Origin (NAFTA, FORM E or other as requested) where applicable. Incomplete or inaccurate documents may delay the timely delivery of product to YFAI's facility; therefore, failure to supply complete and accurate documentation will result in a supplier DMR (Discrepant Material Report) and a debit for the cost incurred in a delayed shipment.

#### **2.7.2.4 | Valuation of Merchandise**

Suppliers are responsible for stating the proper value of the product being shipped per the terms and conditions of your contract with YFAI.

#### **2.7.2.5 | Harmonized Tariff Schedules Usage (HTSUS)**

All suppliers are required to show the proper tariff classification on the commercial or pro forma invoice. Specific details of the invoice to be agreed with the YFAI receiving plant's financial department or corporate office.

#### **2.7.2.6 | Country of Origin**

Definition:

The country where an item was manufactured, produced, grown or where substantial transformation occurs. Specific rules of origin are used to prove that items qualify for reduced duties or duty-free treatment under trade agreements.

- Every article of foreign origin (or its container) shall be marked in accordance with the regulations of the importing country.
- Prior to the shipment all suppliers shall send a manufacturers affidavit showing country of origin to the destination country's Customs and Logistics team or designated representative.

### **2.7.3 | Shipping and Replenishment Performance**

The standard for YFAI suppliers is 100% on time arrival of all parts required by the YFAI manufacturing site. This means shipping the correct quantity of the correct product to the correct location according to the designated replenishment method. It is mandatory that the supplier contact the YFAI plant immediately upon recognition of an issue if the release schedule cannot be met. The supplier shall have a process in place to ensure that any potential problems that could impact the YFAI operations are communicated as soon as they are identified. Differences shall be resolved with appropriate YFAI contact prior to shipment time.

Suppliers are expected to receive forecasts and weekly releases electronically, and to process them without manual entry. Reference the YFAI Electronic Commerce document for further details on electronic transmissions.

#### **2.7.3.1 | Forecast Expectations**

The forecast will grant fabricated product (fab) and raw component (raw) authorizations per the commercial terms between YFAI Procurement and the supplier. YFAI will grant the supplier a raw and fab authorization in accordance to the authorization being provided by our customer. For example, YFAI may grant 4 weeks raw and 2 weeks fab, for a total of 4 weeks (i.e. supplier is authorized to convert 2 weeks of the raw, not carry an additional 4 weeks raw). This will be provided to the suppliers via EDI in their releases. Certain commodities may be granted non-standard raw and fab authorizations in their releases if prior agreement is reached with YFAI Procurement and documented in associated award letter.

#### **2.7.3.2 | Shipping & Delivery**

Authorization to ship specific product will be communicated to the supplier through YFAI plant designated replenishment method (MRP, Kanban, min/max, sequence). Within 90 days from SOP YFAI will notify the supplier of the designated replenishment method. During launch or pre-production, YFAI will use MRP or spot-buys.

### **2.7.4 | Labeling Requirements**

The adherence to labeling requirements, as well as the packaging requirements stated within the YFAI Supplier Statement of Work, is mandatory and will be continuously monitored. Non-compliance to these instructions will be brought to your attention through the issuance of a DMR by the YFAI receiving plant.

Suppliers must ensure that all materials shipped to YFAI are correctly labeled and that the labels are properly attached. Label protection against moisture, weathering, abrasion, etc., may be required in harsh environments and is encouraged wherever practical. Care must be taken to assure that labels meet reflectivity and contrast requirements and can be scanned with contact and non-contact devices.

It is the supplier's responsibility to remove labels on returnable containers and affix a new label prior to shipment.

### **2.7.5 | Discrepant Material Reports**

A supply chain non-conformance is defined as a material, process or document(s) that does not comply with YFAI standards. (i.e.: missing paperwork, late shipments, wrong labels, wrong packaging)

A non-conformance can be identified at receiving, incoming inspection, assembly, processing, final product audit, reliability testing, or through OEM notification. Suppliers are notified of nonconforming material through a documented rejection notice, called a Discrepant Material Report (DMR). The DMR process helps to monitor supplier performance where suppliers create undue inefficiencies in our processes or where they put the overall supply chain health at risk.

Upon receipt of a DMR, the supplier is required to respond within 48 hours if there are any disputes, and an 8D report (if required) by the specified due date. Unless otherwise directed by the YFAI Materials contact, the supplier is expected to respond in using YFAI's standard 8D Problem Analysis Report, also called Corrective Action Preventative Action (CAPA) in YFAI's QMS. A supplier's failure to respond to 8D requests by the specified deadline(s) affects their Supply Chain rating on the Supplier Scorecard. If the supplier believes that the DMR is inaccurate or unsubstantiated, the supplier may dispute the issue by contacting the YFAI material scheduler to resolve the issue. All costs occurred due to corrective actions will be charged to the supplier according to the time spent. YFAI will pass all costs related to the supplier if due to delivery delays, short shipments, non-conforming material production, or YFAI or the customer is interrupted,

*See Section 3.5.5 | Supplier Chargeback*

### **2.7.6 | Logistics Requirements**

YFAI expects our suppliers to share in the ownership of the shipping process to ensure products are received in a timely and cost-effective manner - essentially, at the right time, in the right container, at the right shipping cost, to the right location. All shipments must be accompanied by appropriate documentation. Documentation may include, but is not limited to, packing slip, bill of lading, NAFTA certificates, commercial invoices, CMR and hazardous materials information.

Below you will find supplier responsibilities necessary to fulfill our transportation requirements.

#### **2.7.6.1 | Packaging Slip Requirements**

YFAI requires all suppliers to prepare their packing slip(s) in a standard format. Packaging slip must be attached (glue or tape) to the packaging (pallet shipment). The packing slip must be in a pouch/sleeve that protects it but also allows it to be removed by receiving plant.

#### **2.7.6.2 | Bill of Lading Requirements**

A separate bill of lading must be created for each ship-to location, even when shipping on the same carrier.

### **2.7.6.3 | Routing Instructions**

Where YFAI is responsible for paying freight charges, a routing instruction will be provided to the supplier. The routing instruction will include at least one primary carrier and an expedited carrier, and is issued by each YFAI receiving location.

### **2.7.6.4 | Premium Freight / Expedites**

Any premium freight which results from a supplier event will be managed and paid for by the supplier. YFAI will not take responsibility for the set-up, management, tracking or payment of a supplier-caused premium freight event. The supplier will communicate to the plant all expedite information and provide milestone updates to keep the plant informed on the arrival of the expedited components. YFAI reserves the right to take-over the management of the premium freight event if the supplier fails to communicate and effectively manage the event themselves. In these cases, the supplier may be charged for YFAI's time.

### **2.7.7 | Cumulative Maintenance**

The generation, verification, tracking and reconciliation of cumulative receipts is the standard requirement for Automotive Tier 1 suppliers, including YFAI. Cumulative receipts are a way to identify the amount of product that is required to ship to your customer. YFAI expects the supplier to reconcile cumulative figures upon receipt of each EDI release. Identifying and initiating the resolution process for any discrepancies is the responsibility of the supplier.

### **2.7.8 | Balance out and Claims Process**

YFAI believes that obsolete material claims can be avoided by minimizing lead times, strictly adhering to production schedules, and properly managing inventory received by our suppliers. Most obsolete material claims occur at the balance out of a product. Balance out is defined as end of model year as well as current model engineering changes. Our goal at balance out is to have zero obsolescence.

After receiving balance out notification, any supplier planning to produce a contractual minimum run order which exceeds raw/fab authorization must first receive written approval from the YFAI supplier scheduler. YFAI will only cover raw/fab authorizations unless written agreement from YFAI stating otherwise.

### **2.7.9 | Security**

YFAI is committed to ensuring the security of its supply chain. Security measures are set in place with the primary goal of preserving the safety of our employees, protecting the physical property from loss or damage, safeguarding the integrity of our intellectual property and preventing interruptions in the manufacturing process. We expect the same approach to be taken by the supplier with whom we conduct business: to make a commitment toward the common goal of creating a more secure and efficient supply chain.

Suppliers should develop and implement a comprehensive security plan throughout their operations and supply chain, following the recommendations outlined by U.S. Customs & Border Protection as part of the Customs-Trade Partnership Against Terrorism (C-TPAT). All suppliers that ship across an international border to an YFAI plant in North America will receive an annual Security Assessment sent from our third-party provider, Pinkerton. This assessment must be completed for YFAI to



complete a security risk assessment for our supply base and maintain compliance with its C-TPAT certification.

### Information Technology Security

Suppliers should have appropriate measures and controls related to Information Technology Security. Suppliers shall periodically review and update such measures and maintain the same in accordance with no less than industry-standard methods of protection such as ISO/IEC 27001 (Information Security Management System) and ISO/IEC 27002 (Code of Practice for Information Security Domains and Controls). Suppliers shall implement adequate and appropriate technical and organizational security measures designed and necessary to secure mutual information assets against accidental or unlawful destruction or accidental loss, alteration, unauthorized disclosure or access.

To do so, suppliers must adhere to the following guidelines:

- Ensure modern information security controls to protect against threats on supplier computer network and of business information, within communication platforms -- such as email and business information exchange portals -- and to prevent damage to their company and customers and third-party information
- Utilize technical anti-spoofing email controls to help reduce the risk of look-alike Company email domains being used to send email, for malicious purposes. Anti-spoofing email technical controls include Sender Policy Framework (SPF), Domain Keys Identified Email (DKIM) and Domain Message Authentication (DMARC):
  - Sender Policy Framework (SPF) is an email authentication method designed to help detect forging sender addresses during the delivery of the email.
  - DomainKeys Identified Email (DKIM) involves asymmetric public key cryptography, i.e., a generated public and private key. Keys are compared to verify the sender instead of relying on the IP address alone.
  - Domain-based Message Authentication, Reporting and Conformance (DMARC) builds on SPF and DKIM. DMARC contains instructions on what actions receiving gateways should take if a message fails the spoofing check.
- Ensure there are appropriate controls to protect personal and confidential information of employees, customers and third parties
- Automated systems must use individually assigned accounts that require a periodic change of password.
- Information technology (IT) security policies, procedures and standards must be in place and provided to employees in the form of training. Information technology (IT) security Training and Awareness to employees regarding cyber security awareness and employee safe practices to protect against modern cyber threats and risks.
- A system must be in place to identify the abuse of Information Technology (IT) including improper access, tampering or altering of business data. All system violators must be subject to appropriate actions for abuse.

### Management and Protection of Confidential and Personal Information

Suppliers should have appropriate measures and controls related to Management and Protection of Confidential and Personal Information.

- Manage and protect company's confidential information such as trade secrets and use such information in an appropriate manner.



- Verify the permissible scope of use and other conditions concerning confidential information and use it only within the scope allowed, while maintaining its confidentiality and not infringing upon the rights of the other companies.
- Obtain personal information concerning employees, customers and business partners only by legitimate means. Manage and protect such information in a secure manner and use the information only within the scope allowed.

### 2.7.10 | NAFTA and Trade Agreements

All suppliers of YFAI have responsibilities relative to NAFTA and other trade agreements. This is true whether a supplier ships product cross border or not. Our goal is to ensure that suppliers are aligned with the procedures of YFAI as we as a supply chain strive to adhere to Customs regulations. As put forth in our global terms and conditions, each supplier to YFAI is responsible for complying with all customs laws and regulations as they relate to their activity with YFAI.

### 2.7.11 | Packaging

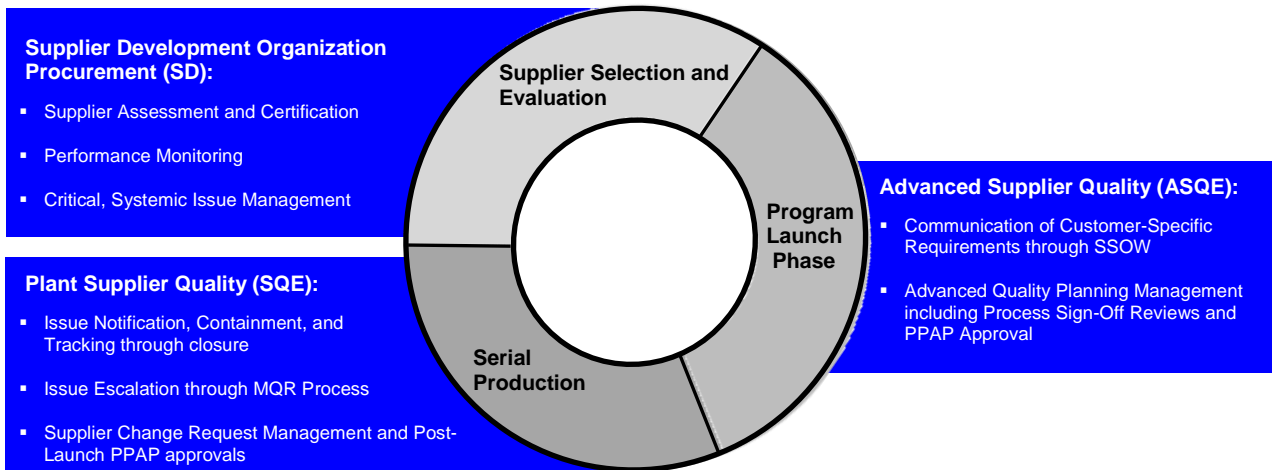
Packaging is specified jointly (supplier and YFAI). The supplier shall develop and draft a packaging proposal for the components within his scope of supply. The proposal shall combine optimal packaging density, specific quality requirements as well as the racking / layout restrictions of the YF facility. It must be submitted in writing to YFAI project team by using the Packaging Data Form / Packaging Agreement Form / Packaging Approval Form. Project team authorizes the supplier to procure packaging for tests/trials (if applicable) based on finalized form and approved quotation. Supplier must to deliver the prototype packaging with initial part shipments. The supplier is not authorized to procure production packaging until the form is approved and a purchase order received. *See Section 3.3.4 | Supplier Advanced Quality Planning Report, Item 9.*

Cost of packaging material is to be included in the part piece price. This includes container cost, amortization, bags, foils, protection, dunnage, etc. and must be indicated separately in the corresponding part of the supplier logistic cost breakdown sheet. Any cost related to the packaging process (handling, administration etc.) is NOT part of the specific packaging cost.

**Specific questions related to materials and logistics requirements should be directed to the supply chain representative at the YFAI receiving plant.**

## 3.0 | QUALITY EXPECTATIONS

Supplier organizations can expect to interact with a broad range of corporate, program-specific, and plant operational functions throughout our partnership. From a quality-specific perspective, suppliers will interface primarily with Supplier Development, Advanced Supplier Quality, and Supplier Quality resources. These functions work closely together to ensure capable suppliers are selected, programs are executed flawlessly, and production performance is maintained.



### 3.1.0 | Quality Management System Requirements

The suppliers to YFAI shall ensure conformance of all products, process, and services to the applicable statutory and regulatory requirements in the country of receipt, the country of shipment, and the customer identified country of destination if one is provided.

All Direct Material suppliers and service suppliers that affect customer requirements are required to demonstrate their commitment to quality through certification to the current edition of IATF 16949. Suppliers that have not achieved certification to IATF 16949 must, at a minimum, demonstrate conformity to ISO9001 by third party certification/registration through a certification body bearing the accreditation mark of a recognized IAF MLA member and where the accreditation body's main scope includes management system certification to ISO/IEC 17021, unless otherwise specified by the customer. Suppliers must also submit a formal plan to attain compliance to IATF 16949.

Indirect suppliers categorized as "Sorting and Containment" and "Logistics Freight" providers are required to be certified according to latest ISO9001 standard. Indirect suppliers categorized as "Testing Services" are required to be certified according to latest ISO/IEC17025 standard. Indirect suppliers categorized as "Software Services" are required to be certified according to the latest ISO/IEC 15504 standard.

Suppliers are required to submit updated copies of all certifications. Suppliers shipping to YFAI locations that have implemented the IQS application will be notified by email with specific upload instructions. All renewal certificates must be submitted prior to the certificate's expiration date. Failure to submit certificates or valid compliance plans will have a negative impact on the supplier's scorecard and may jeopardize future business. YFAI reserves the right to audit compliance to these standards at any time.

#### Asia & Pacific region specific requirements:

*Certificates for the AP region are tracked by Supplier Development. Suppliers are contacted 3 months prior to the expiry date, and certificates must be submitted as soon as it is available.*

### 3.2.0 | Supplier Assessment Survey (SAS)

YFAI's Supplier Assessment Survey (SAS) is used to determine the level of core competencies that are understood and applied at Direct Material suppliers and to qualify those suppliers for future business awards.

Supplier Development with input from key stakeholders determines the approach and scope for assessments:

- An on-site assessment using the Supplier Assessment Survey Form is required for all new YFAI Controlled Suppliers and for new locations of an YFAI-Controlled Supplier. YFAI Controlled Suppliers are defined as organizations supplying product that is awarded solely at YFAI's discretion.
- Customer directed suppliers will be considered for review, assessment, or audit based on the agreements with the customer and outlined in the SSOW. OEM Customer Directed Suppliers are still required to meet all documentation requirements of the supplier standards manual unless there is a signed agreement (SSOW) that states otherwise.
- A VDA 6.3 Potential Analysis may be conducted in place of the SAS when required or recommended by YFAI customers.
- Existing suppliers will be considered for an on-site assessment based on commodity strategies, annual spend, customer specific requirements, process/product complexity and quality systems risk (i.e. ISO9001 only).
- An on-site audit is more likely for suppliers experiencing ongoing quality issues, high risk launches, or new process technology.
- A VDA 6.3 Process Audit may be conducted based on supplier performance issues.

A self-assessment is typically requested prior to the audit to gather pertinent data for supplier qualification and to identify evidence requirements for the on-site event. On-site assessments include a review of quality system documents and records and plant floor verification. Supplier Assessments will be done on a periodic timeframe using a risk-based approach that includes performance and age of the most recent audit.

Suppliers will be required to develop a Supplier Individual Development Plan (SIDP) if core competencies do not meet rating expectations incorporated into the assessment document. Supplier Development will monitor progress to improvement plan and conduct a verification audit to evaluate evidence of implemented actions.

The SAS form is in the supplier section of the YFAI website. The form should be referenced for complete details on assessment method and scoring criteria.

*Asia & Pacific region specific requirements:*

*In addition to the SAS, AP conducts other audits per chart below.*

SUPPLIER ASSESSMENTS Asia & Pacific		
Assessment type	Frequency	Performed by:
Unannounced Inspection	Not periodic	Supplier Quality Engineer (SQE)
Annual Process Quality Audit	Annual	Supplier Quality Engineer (SQE)
Location Transferred Review	Not periodic	Supplier Quality Engineer (SQE)
Supplier New Factory Accreditation Review	Not periodic	Supplier Development Engineer (SDE)
Airbags Box Review	Annual	Supplier Development Engineer (SDE)
Special Process Audit	Not periodic	Supplier Quality Engineer (SQE)
Potential Supplier Technical Assessment	Not Periodic	Product Engineering

### 3.3.0 | Advanced Product Quality Planning (APQP)

#### 3.3.1 | Program Management Requirements

The YFAI Program Management requirements are as follows:

- Suppliers must comply with all program specific requirements as outlined in the associated Supplier Statement of Work (SSOW)
- At a minimum, Suppliers must maintain a detailed project timeline and an open issues list that are both current and accurate.
- Suppliers are required to engage with our Simultaneous Development Teams (SDT) at YFAI, in support of launch activities that include but are not limited to the following:
  - Supplier Kick-off Meetings
  - Design Reviews
  - Advance Quality Planning (AQP) Status Reviews
  - Build Events in technical centers and at production plants (i.e. Emphasis Build, Cubing Event)
  - Color & Grain Harmony Event (at OEM and / or YFAI)
- Suppliers are required to support SDT launch activities such as the following at their own facilities:
  - Supplier Build Events
  - Supplier Readiness Reviews
  - Supplier Process Sign-Off Reviews
- Suppliers are also required to support Customer Specific Events and/or Audits (ex. VDA 6.3 Process Audit) as defined in the SSOW.

#### Asia & Pacific region specific requirements:

*When a supplier is not design responsible, a Technical Agreement is released instead of a SSOW.*

### 3.3.2 | Engineering Requirements

Engineering support for product feasibility, product design and tooling design / approval may be required for a particular program. Suppliers will be expected to support design reviews and other collaborative efforts to support low cost solutions for tools and products.

Data exchange to be agreed between YFAI Engineering and Supplier.

### 3.3.3 | Supplier Advanced Quality Planning / Supplier APQP

All parts require APQP tracking unless otherwise notified in writing by the assigned YFAI Advanced Supplier Quality Engineer (ASQE). Program kick-off meetings are often held to further communicate launch requirements. The Supplier Advanced Quality Engineer and/or Operations Program Buyer are the main APQP contacts throughout the launch.

YFAI has developed a common global Product Realization Process (PRP), which provides a consistent APQP process. Suppliers may also be required to provide unique customer specific requirements and/or documents. If this is the case, the supplier shall be notified accordingly.

All pre-production parts must be marked / labeled with the YFAI part number and revision level as indicated on the CAD model and / or drawing and Quality Level/Part History (where applicable) based on the agreement with the YFAI Quality Contact. Pre-production parts that are shipped without proper identification as stated above may be returned at the supplier's expense.

It is expected that suppliers are conducting the APQP or similar process with their sub-tier supply base. YFAI may request verification at any time.

All documents must be in English, unless otherwise specified by YFAI Quality Contact.

YFAI has developed a tool (Supplier Advanced Quality Planning Report) to provide a record of the current status for each element of the APQP process, and to ensure that all outstanding issues have been identified and allocated an owner for corrective action with a completion date.

The Supplier must report the status in accordance to the program milestones and/or as required by the ASQE (Advanced Supplier Quality Engineer) at minimum on monthly basis.

### 3.3.4 | Supplier Advanced Quality Planning Report

Suppliers shall use the latest edition of AIAG APQP manual to ensure quality planning is implemented in accordance with automotive industry standards. As stated in section 3.3.3, YFAI has developed a standard APQP report for use with our supply base. The main elements, definitions, and associated criteria can be found on following pages. The name of the APQP elements or activities may differ based on regional and/or Customer Specific Requirements.

#	APQP Element	Description / Expectations / Targets
1	<b>SSOW (DSKO), LON, TA</b> SSOW: Supplier Statement of Work DSKO: Directed Supplier Kick Off LON: Letter of Nomination TA: Technical Agreement	Ensure that the supplier has the correct information to develop the product to achieve cost and quality objectives over the product life. SSOW / Technical Agreement and Award Letter (LON) must be signed by both parties (YFAI and Supplier)

#	APQP Element	Description / Expectations / Targets
2	<b>Tooling Kick-off &amp; Purchase Order Cover</b>	<p>Ensure that the supplier has the necessary:</p> <ul style="list-style-type: none"> <li>- Purchase Order(s) to start to build tools, gauges, testing, PPAP start and changes</li> <li>- Cost Agreement for Proto, Pre-Serial, Serial Parts</li> <li>- Ramp-up curve, part demands, delivery schedule</li> <li>- Tooling Feasibility and Mold Flow Analysis to be submitted to YFAI upon request</li> <li>- Supplier is responsible for mold design according to the data released by YFAI Product Engineer.</li> <li>- Supplier must confirm gate locations with YFAI Product Engineer</li> </ul> <p>Supplier is responsible to gain OEM CUSTOMER approval for gate locations, parting lines</p>
3	<b>Drawing &amp; Specification Review &amp; Quality Objectives</b>	<ul style="list-style-type: none"> <li>- Supplier understands design completely and potential control characteristics are identified.</li> <li>- Potential improvements and cost reduction opportunities are identified</li> <li>- Agreement of all special characteristics: <ul style="list-style-type: none"> <li>• Critical Characteristic (CC/ ▽): any design characteristic for which reasonably anticipated variation could impact, contribute or cause non-compliance to any regulatory requirement or potential degradation of occupant safety</li> <li>• Significant Characteristic (SC/ ●): any design characteristic for which reasonably anticipated variation is likely to significantly impact customer satisfaction with a product such as its fit, function, mounting or appearance, or the ability to process or build the product</li> <li>• Initial Characteristic (IC/ □): design characteristic for which there is little variation and requires only process performance studies at initial/subsequent customer/ supplier part submission.</li> </ul> </li> <li>- Customer / Supplier drawings are distributed to supplier as controlled document from YFAI Engineering System</li> <li>- Supplier is responsible to maintain drawing revisions in their facility</li> </ul>
4	<b>Team Feasibility Commitment</b>	<ul style="list-style-type: none"> <li>- Supplier agrees requirements can be manufactured to required quality in serial conditions to the planned volume</li> <li>- All-important characteristics to be measured and monitored appropriately</li> <li>- Signed feasibility confirmation is required after each engineering change</li> </ul>
5	<b>DVP &amp; R (Design Verification Plan &amp; Report) and PV Plan</b>	<ul style="list-style-type: none"> <li>- The Supplier is responsible for all lab testing as determined by the Supplier, YFAI and / or the Customer.</li> <li>- In case YFAI does not provide DV/PV plan, supplier shall create a proposal in line with customer requirements, which includes all required testing with time schedule. The DV / PV Test Plan must be provided upfront to YFAI Engineering &amp; Quality for approval.</li> <li>- All testing results must be submitted according to OEM customer/YFAI requirements, incl. test reports and lab accreditation documentation (Note: the laboratory shall be accredited to ISO/IEC 17025 or national equivalent).</li> </ul> <p>If the parts are too small to perform required test the supplier is responsible to organize and perform the test on plaques from raw material supplier (if allowed by the specific standard) or request confirmation from raw material supplier</p>
6	<b>Design &amp; Process FMEA</b>	Suppliers shall use AIAG FMEA manual, unless otherwise specified by Customer Specific Requirements



#	APQP Element	Description / Expectations / Targets
	<b>(Failure Mode &amp; Effects Analysis)</b>	<ul style="list-style-type: none"> <li>- If the supplier is design responsible, they shall provide D-FMEA, which is an input for P-FMEA</li> <li>- D-FMEA and / or P-FMEA signed coversheet and change log to be submitted to YFAI in PPAP package and on request</li> <li>- D-FMEA and / or P-FMEA content to be presented on-site at supplier</li> <li>- IC/SC/CCs shall be identified in D-FMEA and P-FMEA</li> <li>- P-FMEA must be linked with Control Plan and Process Flow Chart</li> </ul>
7	<b>Gauge Design &amp; Feasibility</b>	<ul style="list-style-type: none"> <li>- Gauge concept to be agreed with YFAI Engineering and/or Quality</li> <li>- Receipt of YFAI Purchase Order authorizes construction to begin</li> <li>- All customer and YFAI owned gauges must be identified, must be linked to engineering level on the drawing</li> <li>- Gauges and fixtures used to determine quality should be available for 1<sup>st</sup> off tool parts.</li> <li>- All MP (Measurement Points) must be accessible by CMM</li> <li>- SC and CC should be measurable from the gauges and used in the capability studies</li> <li>- Master Datum System from the drawing must be ensured</li> <li>- Gap &amp; Flush to be considered during the gauge concept (contour blocks)</li> </ul>
8	<b>Process Flow Chart &amp; Manufacturing Floor Plan</b>	<p>Supplier shall use AIAG APQP manual, unless otherwise specified by Customer Specific Requirements</p> <ul style="list-style-type: none"> <li>- Pictorial representation showing all of the steps of a process</li> <li>- Must include detail of all points where IC, SC and CC are influenced</li> <li>- Process Flow Chart must be linked with P-FMEA, Control Plan</li> </ul>
9	<b>Packaging Specifications and Shipping Plan</b>	<p>Packaging must ensure that the product performance, appearance and characteristics are not affected by handling and/or shipping.</p> <p>Packaging method / material must be agreed with YFAI Procurement and approved by YFAI receiving plant (logistics and quality).</p> <p>Approval via regional forms (Packaging Data Form, Packaging Agreement Form, Packaging Approval Form etc.) and packaging trial.</p>
10	<b>Prototype Control Plan, Containment Plan</b>	<p>Supplier shall use AIAG APQP manual, unless otherwise specified by Customer Specific Requirements</p> <ul style="list-style-type: none"> <li>- Pre-production containment applies to any parts produced for prototype, pilot or saleable vehicle builds at YFAI prior to full production.</li> <li>- Pre-production containment activities are a requirement of the supplier's APQP process and must be documented on a prototype Control Plan.</li> <li>- IC/SC/CCs shall be identified in Prototype Control Plan.</li> <li>- Containment results must be submitted to YFAI upon request.</li> </ul>
11	<b>Prototype Tool Build &amp; 1<sup>st</sup> Off Tool Parts for DV</b>	<ul style="list-style-type: none"> <li>- Tool concept to be agreed with YFAI Engineering / Program Management</li> <li>- Receipt of YFAI Purchase Order authorizes construction to begin</li> <li>- Measurement plan according to agreed Prototype Control Plan</li> </ul>
12	<b>Pre-Launch Control Plan / Containment Plan</b>	<p>Supplier shall use AIAG APQP manual, unless otherwise specified by Customer Specific Requirements</p> <p>Pre-Launch Control Plan should be designed to prevent any potential non-conformities from shipping during Launch Phase.</p> <ul style="list-style-type: none"> <li>- During pre-production, the sample size and/or frequency of product inspection is typically 100% and does not replace the final part audit.</li> <li>- IC/SC/CCs shall be identified in Pre-launch Control Plan</li> </ul>



#	APQP Element	Description / Expectations / Targets
		<ul style="list-style-type: none"> <li>- Containment results must be submitted to YFAI upon request.</li> <li>- Criteria for exiting early production containment shall be based on reaching a pre-determined quality level agreed with YFAI Quality contact. Removal of containment must be supported by data and approved by YFAI Quality contact.</li> </ul>
13	<b>Production Tool Build &amp; 1st Off Tool Parts for PV</b>	<ul style="list-style-type: none"> <li>- Supplier must provide timing for the 1st Off Tool parts</li> <li>- Tool concept to be agreed with YFAI Engineering / Program Management</li> <li>- Measurement plan according to agreed Pre-launch Control Plan</li> </ul>
14	<b>IMDS Acceptance</b>	<p>IMDS submissions must include all materials present in the finished product. All basic substances must be reported.</p> <p><b>The basic substances used in materials, which are listed as D or D/P in the GADSL or in OEM specifications must be reported as soon as the concentration exceeds the defined threshold. Material datasheet must be created in line with IMDS and OEM rules and guideline.</b> YFAI's IMDS ID will be communicated by YFAI Quality/ Engineering/ Procurement contact</p> <p><i>Asia &amp; Pacific region specific requirements may include CAMDS submission</i></p>
15	<b>Production Control Plan (Control Plan Special Characteristics)</b>	<p>Supplier shall use AIAG APQP manual, unless otherwise specified by Customer Specific Requirements</p> <ul style="list-style-type: none"> <li>- IC/SC/CCs shall be identified in Production Control Plan</li> <li>- Special characteristics must have suitable detection ranking to ensure appropriate level of process control.</li> <li>- If SC's are not identified on customer drawing, supplier shall identify internal characteristic(s) to demonstrate process capability</li> <li>- Control Plan must be linked with and Process Flow Chart and P-FMEA</li> <li>- Control Plan shall contain minimum annual requalification, unless higher frequency is required</li> </ul> <p><u>Requalification shall contain minimum:</u></p> <ul style="list-style-type: none"> <li>- Flammability test results</li> <li>- Material restrictions in accordance to EU-Directive 2000/53/EC "End-of-Life Vehicle Test"</li> <li>- Complete 2D/3D dimensional measurement according to the latest drawing and CAD data</li> <li>- SPC for all SC/CCs</li> <li>- Material certificates</li> <li>- Lab reports with detailed values</li> </ul> <p>Requalification data must be less than one year old. In case of deviation supplier shall inform customer immediately and improvement plan to be submitted.</p>
#	APQP Element	Description / Expectations / Targets
16	<b>Implementation of Customer / Legal Requirements (i.e.: voluntary product certification / Warranty/...)</b>	<ul style="list-style-type: none"> <li>- All customer specific requirements (e.g. GS 91001, PV 09041, PR 309, AA 0061, VDA 2, etc.) shall be downloaded from the customer portals.</li> <li>- The supplier is responsible to use latest edition of all documents / requirements (CSR, Legal requirements, Standard &amp; Specifications, etc.).</li> </ul>

#	APQP Element	Description / Expectations / Targets
		<ul style="list-style-type: none"> <li>- In addition to YFAI and/or AIAG requirements, suppliers must also meet all applicable OEM Customer Specific Requirements and must be able to show records of compliance</li> <li>- In case of voluntary product certification requirements, supplier is responsible to check the latest voluntary product certification requirements and to support voluntary product certification</li> <li>- Warranty claims are dispositioned according to the terms of the award letter/long term contract and associated with the respective warranty regulations agreed in SSOW</li> <li>- see also section 3.5.8 of the Supplier Standard Manual</li> </ul>
17	<b>Subcontractor APQP / PPAP Status</b>	<p>Supplier must track APQP status of their sub-suppliers (in similar way to YFAIs SAQP workbook)</p> <ul style="list-style-type: none"> <li>- Supplier must track PPAP documentation for each purchased component.</li> <li>- Sub-supplier PPAP must not be older than 1 year (annual requalification according to YFAI requirements or OEM Specific Requirements)</li> <li>- Part submission level and type of documentation requested by customer, to be applied in the whole supply chain unless otherwise agreed to with YFAI contact</li> <li>- Sub-supplier PPAP submission must be followed in program timing and must be aligned with PPAP submission to Customer</li> </ul>
18	<b>Dimensional Report</b>	<p>Supplier shall provide evidence that dimensional verifications required by the design record and the Control Plan have been completed and results indicate compliance with specified requirements.</p> <ul style="list-style-type: none"> <li>- Minimum 5 parts / cavity / color shall be measured for PPAP</li> <li>- Dimensional report can be requested in specific customer form</li> <li>- Dimensional results for all 5 parts must be recorded separately</li> <li>- Dimensional report must contain: <ul style="list-style-type: none"> <li>- Date of measurement</li> <li>- Part number</li> <li>- Part level</li> <li>- Drawing level</li> <li>- Nominal</li> <li>- Tolerances</li> <li>- Deviation</li> <li>- Measurement results (data)</li> <li>- Judgment (ex. OK/NOK, G/NG)</li> </ul> </li> </ul> <p>Best-Fit evaluation is not allowed, in case the part is having Gauge / Fixture for CMM measurement</p>
19	<b>Material Certification / Testing</b>	<p>In addition to drawings and performance specifications, material specifications should be reviewed for special characteristics relating to physical properties, performance, environmental, handling, and storage requirements. These characteristics shall also be included in the control plan.</p> <p>The supplier shall also submit a completed Design Verification Plan and Report that summarizes appropriate performance and functional test results.</p> <ul style="list-style-type: none"> <li>- All certificates for raw materials (Material Data Sheet)</li> </ul>

#	APQP Element	Description / Expectations / Targets
		<ul style="list-style-type: none"> <li>- Certificate of Analysis for the raw material which used during the Significant Production Run</li> </ul>
20	<b>Process Capability Study &amp; Status</b>	<p>Supplier shall use AIAG PPAP and SPC manuals, unless otherwise specified by Customer Specific Requirements</p> <ul style="list-style-type: none"> <li>- Validation that each IC, SC and CC's applied to dimensions can achieve its intended tolerance for product life</li> <li>- Initial process study is focused on variables and not attribute data.</li> <li>- Normality test to be performed prior to capability evaluation, methodology to be selected based on its result (normal, Weibull etc.)</li> <li>- Sample size and target value can differ based on Customer Specific Requirements</li> <li>- Sampling plan (i.e. frequency, quantity, etc.) must be approved by YFAI Quality contact and be reflected accordingly on the Control Plan</li> <li>- Critical Characteristics shall have Poka Yoke or verification method (such as SPC) and traceability (minimum requirement: date, shift, operator, machinery etc.) that demonstrates process capability is sustainable</li> <li>- When valid Cpk or Ppk capability does not meet the index target or a study has not been completed, 100% non-visual inspection of compliance must be implemented as containment. The containment inspection method specified on the control plan must meet a PFMEA detection score of 4 or better.</li> <li>- CCs like Flammability and End of Life Vehicle Test do not require Process Capability Study and / or SPC</li> </ul>
21	<b>Gauge Functionality, Certification, &amp; R&amp;R (reliability and repeatability)</b>	<p>Supplier shall use AIAG MSA manual, unless otherwise specified by Customer Specific Requirements</p> <ul style="list-style-type: none"> <li>- Where special gauges, fixtures, or test equipment is required per the control plan, verify gauge repeatability and reproducibility (GR&amp;R) and proper usage</li> <li>- All gauges or measuring instruments used for controlling YFAI product must be calibrated annually unless frequency is higher based on manufacturer's recommendation.</li> <li>- Suppliers should evaluate acceptability of both product and process measurement devices used to manage part quality through an FMEA approach and prioritize improvements based on critical risk</li> </ul> <p>Alternative calibration periods must be approved by YFAI and will be based on detailed metrological evidence.</p> <ul style="list-style-type: none"> <li>- All specific gauges or checking fixtures used for YFAI product quality shall be dimensionally certified as part of initial PPAP, and evidence of compliance to drawing included within the PPAP package, gauges / checking fixtures shall have initial MSA / gauge R&amp;R completed</li> <li>- MSA / Gauge R&amp;R for ALL gauges (variable and attribute) should be requalified in case of changes compared to the initial conditions</li> <li>- Acceptance criteria: Defined in AIAG</li> </ul> <p>In case the acceptance criteria is not met, improvement plan must be defined and agreed to with YFAI Quality Contact.</p> <p>In cases where discrimination is inadequate, supplier must obtain YFAI Quality contact approval prior to inducing process variation or altering product for gauge studies.</p>

#	APQP Element	Description / Expectations / Targets
		The identification number of the assigned gauge must be clearly listed in the Control Plan.
22	<b>Product Validation Testing</b>	<p>Inspection and testing for PPAP shall be performed by a qualified laboratory as defined by customer requirements (e.g., an accredited laboratory).</p> <p>The qualified laboratory (internal or external to the organization) shall have a laboratory scope and documentation showing that the laboratory is qualified for the type of measurements or tests conducted.</p> <ul style="list-style-type: none"> <li>- Assures compliance to all YFAI and/or Customer requirements and is required for all new or modified parts</li> <li>- PV test samples must be taken from a production simulated run incorporating production tools and processes. Quantity to be agreed with YFAI contact.</li> </ul> <p><i>Asia &amp; Pacific region specific requirements may require a supplier laboratory approval performed by Supplier Development Engineer and Laboratory Engineer (on-site assessment)</i></p>
23	<b>Color &amp; Appearance Master Plaques, AAR (Appearance Approval Report)</b>	<ul style="list-style-type: none"> <li>- Appearance Approval Report (AAR) shall be completed for each part or series of parts if the product/part has appearance requirements</li> <li>- Each part and colour should be measured and the values on AAR must be within specifications or Master plaque based on agreement</li> <li>- Evaluation process and the report can differ based on Customer Specific Requirements</li> <li>- Supplier is responsible to have all master plaques available to check the appearance (grain, gloss, colour)</li> <li>- Supplier is responsible to gain OEM CUSTOMER / YFAI approval for pre-grain approval, grain approval, colour, gloss, knit lines and general part appearance</li> <li>- Supplier shall maintain approvals, master samples, boundary samples and master plaques</li> <li>- Supplier personnel evaluating color must be certified annually using Farnsworth-Munsell hue test (or similar) with records available</li> </ul>
24	<b>SPSO (Supplier Process Sign-Off) – Capacity Verification, PSMC</b>	<p>SPSO is a cross-functional verification that supplier's advanced quality planning processes have been successfully executed (documentation review) and that the manufacturing processes can produce parts that consistently meet all requirements during actual production at the quoted rate (process sign-off)</p> <ul style="list-style-type: none"> <li>- All documents, forms and supporting records must be evaluated for completeness, content and overall quality prior to supplier part submission to YFAI</li> <li>- Pre-checks (audit) may be done during the project prior to final SPSO (e.g., VDA 6.3 P2-P4, GP12 etc.</li> <li>- Internal documentation review shall be conducted prior to any customer monitored event(s)</li> <li>- During Run at Rate (capacity verification), all production tooling must be in place and running at full capacity using regular personnel and support systems.</li> </ul>

#	APQP Element	Description / Expectations / Targets
		<ul style="list-style-type: none"> <li>- The minimum duration of the Run at Rate demonstration shall be 300 parts or 4 hours, whichever is greater, based on YFAI Run at Rate Standard. Any deviation from minimum requirement must be documented and approved by YFAI Quality contact.</li> <li>- Internal process sign-offs shall be conducted prior to the customer monitored event. All customer monitored Run at Rate events must be conducted no later than 90 days prior to YFAI's regular production (SOP) date.</li> <li>- SPSO includes capacity documentation on OEE form, unless otherwise specified by YFAI Quality Contact. Form can differ based on Customer Specific Requirements (e.g., VDA 6.3, 2 Days Production; Run @ Rate etc.)</li> <li>- Parameters used during the Run at Rate (capacity verification) must be submitted on form</li> </ul>
25	<b>Interim PPAP Submission Approval</b>	Interim PPAP or Conditionally OK PPAP based on VDA 2 if applicable. The necessity of interim PPAP is defined in the SSOW of the project. Details to be agreed with YFAI Quality Contact.
26	<b>Final PPAP Submission Approval &amp; Master Samples</b>	<p>Supplier shall use AIAG PPAP manual, unless otherwise specified by Customer Specific Requirements (e.g.: VDA 2, Daimler specific SQMS)</p> <ul style="list-style-type: none"> <li>- Forms may differ based on Customer Specific Requirements (defined in SSOW)</li> <li>- If submission level is not specified, then Level 3 shall be submitted</li> <li>- Supplier shall initiate a Deviation Authorization (DA) if it is necessary to utilize the parts prior to full part submission approval. In such cases, the supplier is required to develop a corrective action plan to address any non-conformances and resubmit the package for approval prior to the DA expiration date.</li> <li>- DA number, expiry date shall be recorded on the coversheet (PSW)</li> <li>- Way of submission to be agreed with YFAI Quality Contact (e.g., electronic or hard-copy)</li> <li>- An organization supplying standard catalogue production or service parts shall comply with PPAP unless formally waived by the authorized customer representative. PSW and PPAP documentation must reference YFAI released part number and drawing number</li> <li>- Supplier shall submit PPAP Level 3 for carry-over parts with revised capacity confirmation, material and performance tests not older than 1 year, unless otherwise specified by YFAI Quality Contact</li> <li>- Supplier shall submit Master samples and duplicate boundary sample proposals to YFAI's manufacturing plant. One of the samples will remain at YFAI, the other is sent back to the supplier with evaluation and signature</li> </ul>

### 3.3.5 | Run at Rate

All suppliers are required to perform an internal Run at Rate (capacity verification) to demonstrate the ability of manufacturing process(es) to produce product that consistently meets all requirements during the actual production run at the quoted production rate. Minimum duration for the Run at Rate

is defined in section 3.3.4 | *Supplier Advanced Quality Planning Report, Item 24 Supplier Process Sign-off.*

A staggered Run at Rate may be permissible if approved by the YFAI Quality contact but should be able to produce the planned consumption level at a minimum of three months prior to the actual need.

YFAI may require that the supplier complete OEM specific documentation and this will be communicated by YFAI Quality representative. When requested YFAI and/or the OEM may participate in the run at rate at the supplier's site.

A status of Pass indicates that the supplier has met all of the prescribed requirements and has supporting PPAP documentation. In the event that issues are identified during the Run at rate the supplier will create an open issues list which will be tracked by YFAI until closure.

Suppliers are required to ensure that a Run at Rate is conducted for all sub-suppliers and provide supporting documentation to YFAI upon request. All components utilized in the Run at Rate must have PPAP approval or approved Deviation Authorization.

### **3.3.6 | Supplier Part Submission**

YFAI suppliers are to prepare and submit production part approval packages (PPAP) for new parts, corrections to previous submissions, engineering changes and/or other planned changes to design, process, layout or facility. PPAP documentation including the part submission warrant (PSW) must reference YFAI part number and design record. This requirement applies to all supplied components including standard catalog parts and customer-directed components. Submission and subsequent customer approval is required prior to first saleable production shipment.

Initial PPAP, resubmission for carry-over parts, and annual requalification shall be provided at no cost to YFAI.

Details are described in 3.3.4 | *Supplier Advanced Quality Planning Report / Item 27 Part Submission Approval.*

### **3.3.7 | Customer Specific Requirements**

In addition to YFAI and/or AIAG requirements, suppliers and their sub-suppliers must also meet all applicable OEM Customer Specific Requirements and must be able to show records of compliance. Further details are available in the following areas:

- SSOW / Technical Agreement
- YFAI website / Supplier section
- Applicable OEM website/portal

### **3.3.8 | Sub-Supplier Management**

Sub-suppliers have a significant impact on the quality of the final product. Whether they provide raw materials, services, or sub-components their influence is so profound that it is critical that each of YFAI's suppliers have a supplier management system in place. Management system must include a process for selection, qualification and approval to ensure that only capable sub-suppliers are awarded business. Sub-supplier audit planning must be formalized and followed; audit reports to be submitted to YFAI upon request. Sub-suppliers' quality and delivery performance shall be tracked, evaluated and communicated regularly to sub-suppliers with development plans requested where



expectations are not met. Suppliers must be able to demonstrate effective management of sub-suppliers through documented corrective action and verification activities.

APQP, PPAP and Customer Specific requirements shall be cascaded down into the whole supply chain. Suppliers shall ensure that sub-suppliers have the ability to meet all quality requirements at production rate. Process Sign Off or equivalent must be performed prior to sub-supplier PPAP submission. Audit type must be agreed with the YFAI Quality Contact. All sub-suppliers' control plans shall be audited to ensure compliance. Out-sourced processes like Heat-Treatment, Surface-Treatment shall be audited regularly, based on customer specific requirements (ex. AIAG Special Process CQI Assessments).

### 3.3.9 | Annual Validation and Safety Audit Requirements

Customer specific requirements regarding annual validation (requalification) are provided to suppliers in the SSOW / Technical Agreement. Unless otherwise agreed in the SSOW, YFAI suppliers shall complete annual validation to demonstrate continued adherence to proper engineering levels and performance to design intent. Revalidation may or may not coincide with model year changes.

This annual requirement shall be documented on the supplier's Production Control Plan (*Section 3.3.4 | Supplier Advanced Quality Planning Report, Item 15*). At a minimum, annual revalidation shall include a flammability test results, full set of dimensional reports, capability studies, material certificates and lab reports with detailed values (unless otherwise specified in the control plan) and should be provided at no cost to YFAI. Only data less than one year old are acceptable for annual revalidation purposes.

In addition to the annual validation suppliers that are controlling Critical Characteristics (CC) other than flammability is required to conduct an annual Supplier CC Process Audit Checklist within their process and their sub-tier suppliers (if applicable) to ensure ongoing effectiveness of their controls. If any findings / deviations are identified during the audit the supplier shall immediately implement the required corrective actions and notify their YFAI Plant quality representative of the finding. The Supplier CC Process Audit Checklist can be downloaded from [www.yfai.com/suppliers](http://www.yfai.com/suppliers). YFAI reserves the right to verify compliance with the requirements of the Supplier CC Process Audit Checklist with an onsite review.

Suppliers are required to submit annual validation packages and the Supplier CC Process Audit Checklist when requested by YFAI and annual documentation should be readily available according to the retention policy described in Section 3.3.10. If requested by YFAI the annual validation packages and Supplier CC Process Audit Checklist need to be submitted within 10 working days of the request to prevent escalation and potential impact to the supplier scorecard.

### 3.3.10 | Quality Document Retention

YFAI suppliers shall maintain quality records such that they remain retrievable and legible upon request by YFAI and subsidiaries. YFAI requires record retention duration for minimum "life of program" plus additional period of time in line with statutory, regulatory and customer requirements. Records related to nonconforming product for trend analysis and problem identification shall also be maintained. This requirement also applies to any supplier's sub-supplier. Additional record retention requirements can be referenced per AIAG or ISO 9001 and/or IATF 16949 (latest editions).



### 3.3.11 | Traceability

The supplier shall be responsible for controlling / tracking the actual configuration of material or parts to the approved engineering documents in addition to any changes to ensure that the end product meets specified functional and physical requirements as contracted. Additionally, the supplier shall have a robust system in place to provide (upon request) lot or part traceability back to the raw material stock for all material shipped to YFAI. This requirement shall also apply to any supplier's sub-supplier.

## 3.4.0 | Quality Performance Monitoring

### 3.4.1 | Launch Deliverables

Our customers expect superior launch execution from YFAI and the extended supply chain. YFAI monitors effectiveness of our launches using PPM, safety incidents, on-time delivery, and performance to the financial target. Suppliers, as an extension of YFAI, have a significant impact on our collective ability to achieve this metric.

Supplier submission of on-time and complete PPAP packages is critical to demonstrating that components meet customer requirements prior to start of production. YFAI monitors timeliness of submissions as part of the supplier's performance and scorecard rating. Suppliers are expected to anticipate risk caused by late tasks and changes by developing mitigation strategies.

### 3.4.2 | Production Quality Deliverables (PPM)

YFAI utilizes Defective Parts per Million as one measurement of supplier quality performance. The expectation for supplier performance is 0 PPM (i.e. zero defects).

Product received into YFAI facilities that does not confirm to the drawing, specification(s) and/or agreed upon standards shall be counted against a supplier's PPM record. Quantities shall be reported in the units of measure in which they are procured (ex. fabric = yards, resin = pounds).

The YFAI Quality representative at the receiving facility is responsible for the accurate application of PPM according to the following guidelines.

The following are PPM assignable:

- Production Parts which do not meet drawing specifications or dimensional, functional, or appearance standards as called-out in the specifications or from an approved boundary sample. Boundary Sample must be approved by authorized Engineering and Quality representatives from both organizations.
- Out-of-specification parts that require rework / repair for use in production.
- Production Parts damaged from inadequate packaging or transportation for which the supplier is responsible.
- Any defects outside of the boundaries defined by a Deviation Authorization (DA) in cases where the supplier may be shipping prior to PPAP with an approved Customer DA.
- Out-of-specification parts shipped prior to PPAP approval without an approved Customer DA.
- Shipments that are received with mixed parts or parts that are the wrong Revision Level after the clean point has been established; PPM is assigned for the quantity of incorrect parts only.

In any of the situations where PPM is assignable, any or all of the following may occur:

- Supplier Material Rejection Report (SMRR) issued with corrective action requested
- Supplier Chargeback (SCB) issued for cost recovery

- Level I or II Containment initiated
- Management Quality Review I or II scheduled

### 3.4.3 | Quality Improvement Plan

Suppliers are expected to monitor current quality performance and prepare action plans to improve performance where YFAI expectations are not met. In case of critical or chronic performance issues (identified during Supplier Performance monitoring, Supplier Scorecard reviews), YFAI may require Supplier to track corrective action effectiveness and define preventive actions in order avoid reoccurrence in the future. A Quality Improvement Plan must be developed and submitted as requested by YFAI contact.

## 3.5.0 | Supplier Problem Solving (SMRR / PRR process)

### 3.5.1 | Supplier Claim (SMRR / PRR)

Suppliers are notified of nonconforming material through a documented rejection notice, called a Supplier Material Rejection Report (SMRR) or Problem Reporting and Resolution (PRR). Nonconforming material is defined as suspect or rejected product that is deemed defective according to the drawing or established quality standards (i.e. customer specifications, inspection requirements, test results, etc.)

Issuing SMRR / PRR can be originated from:

- YFAI Incoming inspection
- YFAI or OEM manufacturing facilities
- Third party containment activity
- Serial production or warranty claims

The SMRR / PRR will be generated from the YFAI QMS or provided as an E-mail attachment or hard copy form wherever electronic systems are unavailable.

Suppliers are required to accept all costs and charges incurred by YFAI associated with the containment activity such as shipping, handling, processing, reworking, inspecting, and replacing defective material including the costs of value-added operations prior to the discovery of the nonconformance, as well as third-party inspection costs.

A supplier, who causes a line shutdown at YFAI and / or OEM, will be required to reimburse YFAI for the full cost of production downtime and any OEM imposed charges.

### 3.5.2 | Supplier Claim Communication

Nonconforming material may be identified during incoming inspection, assembly, processing, final product audit, reliability testing, or through OEM notification. Once identified, the responsible YFAI Quality contact shall communicate the nature of the issue to the supplier, request corrective action(s), and monitor until all actions have fully addressed the concern and the issue can be closed.

A Return Material Authorization (RMA) shall be requested from the supplier prior to disposition of nonconforming material. Disposition of supplier's nonconforming product may include scrap, rework, sorting or return to vendor. The RMA provides authorization for YFAI to proceed with actions as agreed between the supplier and the YFAI facility. An RMA shall also be requested to authorize

recovery of YFAI costs related to rework or sorting activity performed on supplier's behalf. (Reference Section 3.5.5 | *Supplier Chargeback for additional details.*)

The SMRR / PRR Notification also serves the following functions:

- Accounting Debit Memo for Supplier's Material
- Packing Slip for Returning Material
- Quality Record for PPM Application and Scorecard
- Supplier Response Request (4D/8D)
- Issue Communication to YFAI Procurement / Supplier Development / Supplier Quality teams
- Materials Management Record for Adjustment of Supplier's Cumulative Shipment History

### 3.5.3 | Supplier Response Expectation

As requested by the YFAI Quality contact, suppliers must respond with a written interim containment plan within 24 hours of the SMRR / PRR origination. Unless otherwise directed by the YFAI Quality contact, the supplier is expected to respond in YFAI standard 8D Problem Analysis Report.

The supplier is expected to communicate written problem-solving results utilizing the 8D approach within seven working days. If unable to resolve the quality issue within the seven-day period, the supplier is expected to provide a weekly updated 8D to YFAI until problem resolution is achieved.

A supplier's failure to respond to 8D requests by the specified deadline(s) affects the Quality Rating on the Supplier Scorecard. Delays in 8D submissions may be subject to additional costs charged to the supplier (*Reference Section 3.5.1 | Supplier Claim SMRR / PRR*).

The 8D Problem Analysis Report is the YFAI preferred problem-solving format for use by all YFAI facilities and suppliers. The 8D Problem Analysis Report provides a means for the definition and resolution of issues through problem solving.

Each supplier is responsible for appropriate and timely application of the 8D and for ensuring their organization possesses the knowledge and skill level to solve problems. The 8D submission should include objective evidence for both root cause and corrective actions.

The completed 8D report should be returned to the YFAI Quality contact in the same format as it is received in response to the associated SMRR / PRR.

Please note that there are some YFAI Facilities that must supplement the problem-solving documentation with Customer Specific problem-solving documents / procedures.

### 3.5.4 | Containment

Containment is accomplished through deployment of additional controls in the supplier's manufacturing process to identify a known or potential nonconformance and to prevent it from shipping to YFAI.

Additional controls can include but are not limited to: inspection audits, dimensional measurements, SPC checks, appearance checks, part functionality checks, label verification systems, check fixtures, gages and poka-yokes.

The goal of containment is to protect YFAI from defective material escapes during the initial product and process startup (pre-production), throughout production, and in reaction to a quality issue identified at any location in the supply chain.

Supplier must submit a documented containment plan to YFAI Quality contact within 24 hours of issue notification. Root cause, permanent corrective action plan, and target closure date are required to follow within 7 business days.

#### **3.5.4.1 | Level I Containment Expectations (CS 1: Controlled Shipping 1)**

Level I Containment is defined as additional controls implemented at the Supplier's Location YFAI's request following the identification of a supplier quality issue. The goal of this containment is to cleanse the entire system of any nonconforming material and to shield YFAI from receiving any additional defective product. The supplier is required to quarantine and sort all suspect product(s) within their facility, at their subcontractors, in-transit, at YFAI facilities, and at any customer location which may have parts or finished goods in inventory. The supplier is responsible for any costs associated with this activity incurred by YFAI.

Upon identification of an issue, the YFAI Quality contact initiates containment activities by sending a Level I Containment Notification to the supplier's Quality Manager. The letter details the specific nonconformance and required supplier actions, including inspection and exit criteria.

The supplier is responsible for acknowledging the Level I Notification by returning a copy of the letter with an authorizing signature to the YFAI Quality contact.

The supplier is responsible to reply with their implemented containment plan via an initial 4D within 24 hours of Level I notification. The containment plan must be reviewed and agreed upon by the YFAI Quality contact. The supplier is responsible for keeping the customer location advised daily of ongoing containment results until released from Level I.

Supplier containment guidelines include the following:

- Containment area must be highly visible and properly lit, equipped, etc.
- Containment area must have well-defined material flow including clearly identified areas for incoming and outgoing parts
- No rework must be done in the containment area
- Product acceptance standards and measurement / testing process to be agreed upon by YFAI Quality contact
- Number of nonconformance's, corrective actions and results of activity must be reported daily
- Charts must be updated and reviewed daily
- Problem solving must be formal, data driven and documented
- Containment personnel must be properly trained and have work instructions, quality standards, boundary samples, etc.
- Data from the supplier's containment activities must be kept on file and available upon request

Criteria for exiting Level I Containment shall be determined by the YFAI Quality contact. Exit Criteria shall be based on reaching a predetermined quality level and not a number of parts or days sorted. To exit containment, the supplier must achieve a predetermined quality level after a minimum of thirty days or another timeframe as specified by YFAI.

### 3.5.4.2 | Level II Containment Expectations (CS 2: Controlled Shipping 2)

Level II Containment is defined as the implementation of additional controls by an impartial third party selected by YFAI at the expense of the supplier. Level II Containment is implemented when a supplier's Level I Containment activity fails to shield YFAI or its customer(s) from receipt of nonconforming material.

The YFAI Quality contact analyzes the nonconforming issue(s) and determines if Level II Containment is required. YFAI Purchasing Buyer and/or Supplier Development Manager may be involved in the decision to implement Level II Containment. A Level II Containment Notification is sent to the supplier's Plant Manager and Quality Manager to notify them of the Level II Containment. The Level II letter details the specific nonconformance and required supplier actions including inspection and exit criteria.

The supplier is responsible for confirming receipt of the Level II Notification with an authorized signature by returning a copy of the letter to the YFAI Quality contact.

The YFAI Quality contact assigns a sorting company to perform the Level II Containment. The third-party containment provider must be on YFAI's approved supplier list for sort companies.

The third party must provide daily documentation to both the supplier and YFAI Quality contact on the progress of containment activity.

The supplier is responsible for issuing the purchase order to the third-party source and is responsible for all costs for the sort company performing the containment activities. Initiation of Level II Containment does not relieve the supplier of any relevant Level I activities following the aforementioned containment guidelines and responsibilities.

Level II shall not be removed until the containment results meet the exit criteria previously established. Approval to remove Level II Containment comes from the YFAI Quality contact.

### 3.5.5 | Supplier Chargeback

YFAI will recover standard administrative fees for all DMR/SMRR/PRR/MQR(CS) incidents. The RMA provided by the Supplier for the associated SMRR / PRR serves as authorization to process supplier related charges.

Supplier Chargebacks are also used to recover additional costs that are incurred as a result of nonconforming material or other plant interruptions. Applicable charges may include but are not limited to third party sorting, operator downtime, additional labor or overtime, onsite support at supplier location, engineering analysis, corporate crisis management support, YFAI customer support, premium freight, material handling labor, rework, warranty returns, and/or assembly scrap. Suppliers can expect Supplier Chargebacks to include supporting documentation such as third-party invoices, downtime records, freight invoices, etc.

Similar to the SMRR / PRR notification, SCB notices may be automatically generated from YFAI Electronic System(s) or provided as an E-mail attachment or hard copy form where electronic systems are unavailable.

Suppliers are expected to respond to a DMR/SMRR/PRR/SCB incidents with an RMA number within two working days. Failure to respond (accept or reject) within 10 working days will result in further escalation and may result in a Management Quality Review (MQR) and a downgrade to the supplier scorecard.

In cases where a supplier disagrees with the Supplier Chargeback, a written response to the originator of the SCB is still required by the specified due date. Disputed Chargebacks shall be escalated to the responsible Procurement representatives for assistance with final disposition.

All Chargebacks should be targeted for closure within 30 days.

### 3.5.6 | Escalation Process - Supplier Management Quality Review (MQR / Controlled Shipping)

A Management Quality Review (MQR) is an escalation process used to ensure that the supplier is placing the proper focus on an issue and corrective actions.

*In Asia & Pacific region, Controlled Shipping is utilized to signify escalation.*

#### 3.5.6.1 | Supplier Management Quality Review & New Business Hold Criteria

An MQR is triggered in most situations that meet the criteria below. However, an MQR may not be required if a supplier is fully cooperating to resolve issues and improve their performance, and effective dialogue with supplier and YFAI Contact is occurring.

Supplier Management Quality Review & New Business Hold Criteria	MQR 1 / PRR	MQR 2 / CS 1	MQR 3 / CS 2	NBH
Chronic documented problems in the area of quality, delivery or logistics, including prototype, pre-production or production issues.	X			
Production suspended at YFAI plant due to a supplier's product quality, part shortage or logistical issue.	X			
Supplier has an unresolved SMMR / PRR (Supplier Material Rejection Report / Problem Reporting and Resolution), DMR (Discrepant Material Report), containment issue or unacceptable response regarding an issue.	X			
Chronic documented unresolved MQR1 problems or unacceptable response from the supplier indicating that no progress has been made to resolve similar MQR1 issues at other locations.		X		
Discovery that a supplier has not notified YFAI personnel and/or PPAP for a product / process change (i.e. tool move to different location / sub-supplier, material / part change, process controls changed from last approved PPAP, etc...).		X		
Supplier is issued a PPSC (Potential Product Safety Concern) that is verified to be the responsibility of the supplier. MQR 2 is called only when the PPSC has been confirmed to be their responsibility and with agreement from the Supplier Quality Director.		X		
YFAI RPPM (Rejected Parts Per Million) or OEM customer disruption due to a supplier's product quality, parts shortage or logistical issue.		X		



Supplier Management Quality Review & New Business Hold Criteria	MQR 1 / PRR	MQR 2 / CS 1	MQR 3 / CS 2	NBH
Chronic documented unresolved MQR 2 problems or unacceptable response from the supplier indicating that no progress has been made to resolve similar MQR 2 issues at other locations.			X	X
Continued customer dissatisfaction on a supplier's product quality, delivery or logistical issue including a customer mandate to change suppliers to a known capable supplier.			X	X
Supplier inability or unwillingness to work with YFAI to make fundamental quality, delivery or logistical improvements.			X	X

### 3.5.6.2 | MQR (CS) Notice / MQR (CS) Review

**MQR Notice:** The Initiator sends the MQR Meeting Notice to the supplier. The Initiator invites the key stakeholders, which must include the Buyer, and supplier representation, arranges the meeting place, and develops a formal agenda. The supplier is responsible for confirming receipt of the MQR Notice Letter with an authorized signature by returning a copy of the letter to the YFAI contact.

The formal agenda must include:

- Issues to be discussed (key topics include chronic issues, quality issues, delivery issues, service and documentation issues)
- A review of the existing containment activities, data and progress toward exit criteria (if applicable)
- Supplier preparation to present Corrective Action (8D / equivalent), including evidence of all actions implemented to contain / close the issue under review

**MQR Review:** The MQR Review is conducted by the Initiator, to review and discuss the issue of concern to YFAI. Focus must be placed on plans and actions for both Interiors team and the supplier to determine and agree upon in order to resolve the issue.

- All quality / logistics problems and environmental concerns must be supported with the appropriate data as outlined on the formal agenda provided to the supplier. The supplier is expected to bring a permanent corrective action for all of the items listed on the agenda
- Detailed meeting minutes, including the agreed upon actions items, must be taken and subsequently distributed to all attending parties.

### 3.5.6.3 | Corrective Action Review

The Supplier corrective action and evidence of documented activities and the effectiveness to prevent future issues are reviewed by the Initiator and Stakeholders. If the corrective action is satisfactory the MQR / CS is closed. If the corrective action is not satisfactory or insufficient evidence is presented to close the issue, a determination is made whether to escalate the MQR to the next level. On-site verification of an improved process may be required.

### 3.5.6.4 | Executive Level Supplier Management Quality Review - MQR3 / CS2

An MQR3 / CS2 requires supplier and customer senior management review at YFAI Headquarters (unless otherwise specified) for issues that meet the defined MQR3 / CS2 / New Business Hold criteria. The MQR3 / CS2 meeting is an executive level discussion and the format and agenda is prepared as appropriate.



### 3.5.7 | Potential Product Safety Concern (PPSC)

Another measure of supplier quality performance is the designation of an issue as a Potential Product Safety Concern (PPSC). A PPSC is considered the highest-level issue within the YFAI organization because of the safety and liability implications that could occur as a result of the nonconformance(s). Any issue which may affect the safety of the product can be classified as a PPSC. YFAI expectation is zero supplier-responsible PPSC's. Any confirmed PPSC occurrence negatively impacts the supplier's scorecard.

Supplier containment and immediate involvement in the PPSC process is expected upon notification of the nonconformance with target closure timing of less than 30 days. If determined to be a supplier issue, all costs associated with containment and closure of the PPSC are the responsibility of the supplier. The designated YFAI PPSC Owner will be the main source for all related communication / interaction and will provide specific documentation as required. Supplier is expected to designate a Product Safety Champion from its management team. This function is required to act as an interface between YFAI and Supplier regarding all aspects of product safety. PPSC issues shall remain open and containment shall remain in place until the countermeasures meet the requirements of the YFAI Safety contact.

### 3.5.8 | Supplier Warranty

Suppliers are required to support the analysis on all part returns from YFAI customers as requested by the YFAI quality contact. The expectation is that all issues are addressed with the appropriate containment, root cause, and corrective action in the timeframe specified.

Any charges incurred from YFAI customers due to supplier issues will be communicated and passed on to the supplier in the form of a supplier chargeback (Reference *Section 3.5.5 Supplier Chargeback*).

### 3.6.0 Supplier Request for Change

YFAI requires advance notification and written approval prior to all supplier product or process changes or transfers. Advance notification and approval ensure that any changes meet YFAI and the OEM's Customer Specific Requirements.

Examples of product and process changes that require YFAI approval include (but are not limited to):

- Any change that could affect form, fit or function
- Any product changes
- Supplier manufacturing process change (temporary or permanent)
- Change in manufacturing or shipping location
- Change in sub-supplier including transfers from internal to outside sources
- Modified equipment or revisions to line layout or work station
- New or refurbished equipment / tools including replacement or capacity tooling
- Changes in test / inspection method

Clarification regarding customer notification and submission requirements can be referenced in latest edition of AIAG's Production Part Approval Process manual.

All suppliers are expected to follow YFAI's Supplier Change Request process. Failure to do so may result in the supplier being placed on New Business Hold status, a formal notification to the IATF

16949 or ISO9001 supplier registrar, and/or potential financial consequences. Detailed instructions for obtaining approval can be found in Supplier Change Request form, which is located in the supplier section of the YFAI website. The completed Supplier Change Request form must be submitted to the Quality Manager (NA&EU) / Supplier Quality Manager (AP) at each affected YFAI plant as the first step for obtaining written approval.

The initial shipment(s) of products affected by a Supplier Change Request are subject to incoming inspection at YFAI's discretion.

## 4.0 | GLOBAL SUPPLIER SCORECARD AND AWARDS

### 4.1 | Supplier Scorecard

YFAI measures supplier performance throughout the year and considers these results during strategy development and sourcing approval. The Scorecard provides both YFAI and the supplier an overall rating based on standardized performance indicators including quality, capabilities, delivery, and commercial.

Specific details regarding key performance indicators and scoring criteria can be found within the supplier individual scorecard:

- NA/EU&SA: The Supplier Performance Scorecard (all suppliers) and the Supplier Commercial Scorecard (only for controlled suppliers) are used for all suppliers that ship to YFAI plants that have implemented the IQS application. The scorecard result allows the identification of possible improvement actions and is the basis for a continuous improvement of the supplier's performance. The scorecard results are one criterion for YFAI's consideration of future development of the business relation with the supplier. Supplier performance for YFAI plants that have not yet implemented the IQS application is maintained by the individual plant and is available on request.
- AP: The SA Comprehensive Assessment is used for all controlled suppliers. The scorecard result allows the identification of possible improvement actions and is the basis for a continuous improvement of the supplier's performance. The scorecard results are one criterion for YFAI's consideration of future development of the business relation with the supplier.

### 4.2 | Supplier Annual Award

At the end of each fiscal year YFAI is proud to honor and recognize outstanding and high performing suppliers in all commercial categories: direct materials, indirect materials and services, tooling and capital equipment. Supplier performance throughout the year, along with the suppliers' overall engagement and support in our vision, mission, and values will promote the opportunity to be nominated for an annual supplier award.

The supplier award nomination benefits the supplier by:

- Encouraging YFAI and supplier partnerships for future initiatives
- Increasing opportunities for supplier's up front involvement in future projects
- Establishing long-term relationships that are recognized throughout the YFAI organization
- Creating potential for future business awards and increased revenue

The supplier award nomination benefits YFAI by:

- Providing our organization with a sustainable, capable, and trusted supplier
- Creating preferential access to the organization's new initiatives and technologies
- Engaging organizations who understand and share our vision, strategies, and goals
- Recognizing the best value and total cost through leveraged business and longer term relationships

YFAI AWARDS		
Award Name		Award Criteria
Supplier of the Year	Annual Sales	Annual sales should result in a significant contribution to YFAI
	Scorecard	Supplier is ranked in the top 10
	Business Relationship	More than 1 year in production with YFAI or subsidiaries
	Overall	The supplier has outstanding achievement of this year
Distinguished Supplier	Annual Sales	Annual sales should result in a significant contribution to YFAI
	Scorecard	Supplier is ranked in the top 20
	Business Relationship	More than 1 year in production with YFAI or subsidiaries
	Overall	To obtain consistent high praise in the process of cooperation with YFAI subsidiaries or operating companies
Supplier Excellence Quality	Annual Sales	Annual sales should result in a significant contribution to YFAI
	Overall	SPPM = 0 on-time delivery rate = 100% customer complaint = 0 PPSC = 0 MQR = 0
Supplier Excellence Service	Annual Sales	Annual sales should result in a significant contribution to YFAI
	Overall	Excellent service and actively cooperate with YFAI in the process of project development and daily supplies.
Supplier Excellence Technology Innovation Award	Annual Sales	Annual sales should result in a significant contribution to YFAI
	Overall	Performed very well in the new project development process, actively communicate with YFAI project team, through technical innovation to support YFAI, effectively solve the related problems
Supplier Excellence Customer Satisfaction	Annual Sales	Annual sales should result in a significant contribution to YFAI
	Overall	Outstanding performance in such aspects as cost reduction, technology or service provider
Supplier Excellence Diversity (NA Only)	Annual Sales	Annual sales should result in a significant contribution to YFAI
	Overall	Outstanding performance in diversity spend with YFAI business as measured by the Diversity Business Involvement (DBI) Score

## ABBREVIATIONS

<b>AAR</b>	Appearance Approval Report
<b>AIAG</b>	Automotive Industry Action Group
<b>AP</b>	Asia & Pacific region
<b>APQP</b>	Advanced Product Quality Planning
<b>ASQE</b>	Advanced Supplier Quality Engineer
<b>CAMDS</b>	China Automotive Material Data System
<b>CC</b>	Critical Characteristic
<b>CS</b>	Controlled Shipping
<b>CMM</b>	Coordinate Measurement Machine
<b>DA</b>	Deviation Authorization
<b>DMR</b>	Discrepant Material Report
<b>DV</b>	Design Verification
<b>DVP&amp;R</b>	Design Verification Plan and Report
<b>EMPB</b>	Erstmusterprüfbericht
<b>FMEA</b>	Failure Mode and Effects Analysis
<b>GADSL</b>	Global Automotive Decalrable Substance List
<b>IMDS</b>	International Material Data System
<b>IQS</b>	YFAI's Quality Management System
<b>MBBP</b>	Material Best Business Practice
<b>MQR</b>	Management Quality Review
<b>MSA</b>	Measurement System Analysis
<b>NBH</b>	New Business Hold
<b>OEE</b>	Overall Equipment Efficiency
<b>OEM</b>	Original Equipment Manufacturer
<b>PACT</b>	Partners Achieving Cost Targets
<b>PO</b>	Purchase Order
<b>PPAP</b>	Production Part Approval Process
<b>PPM</b>	Part per Million
<b>PPSC</b>	Potential Product Safety Concern
<b>PRR</b>	Problem Resolution Report
<b>PSMC</b>	Product Safety Manufacturing Certification
<b>PV</b>	Product Validation
<b>R&amp;R</b>	Repeatability and Reproducibility
<b>RMA</b>	Returned Material Authorization
<b>SAS</b>	Supplier Assessment Survey
<b>SC</b>	Significant Characteristic
<b>SCB</b>	Supplier Charge Back
<b>SCR</b>	Supplier Change Request
<b>SDT</b>	Simultaneous Development Teams
<b>SIDP</b>	Supplier Individual Development Plan
<b>SPC</b>	Statistical Process Control
<b>SPSO</b>	Supplier Process Sign Off
<b>SMRR</b>	Supplier Material Rejection Report
<b>SSOW</b>	Supplier Statement of Work
<b>TFC</b>	Team Feasibility Commitment
<b>VDA</b>	Verband der Automobilindustrie (German Association of the Automotive Industry)
<b>YFAI</b>	Yanfeng Global Automotive Interiors

Revision	Release Date	Description of Changes
07	22-November-2019	<ul style="list-style-type: none"> <li>Removed erroneous wording (2.7.6)</li> <li>Added requirements for Information Technology Security and Management and Protection of Confidential and Personal Information (2.7.9)</li> <li>Added additional recoverable costs (3.5.5)</li> </ul>
08	28-August-2020	<ul style="list-style-type: none"> <li>Updated Approvers</li> <li>Added requirements for Information Technology Security related to anti-spoofing and email controls (2.7.9)</li> <li>Added requirement for annual supplier safety audit (3.3.9)</li> <li>China Compulsory Certification (CCC) is changed into voluntary product certification (2.2.1, 3.3.4)</li> </ul>
09	30-October-2020	<ul style="list-style-type: none"> <li>Corrected table of contents page numbers</li> <li>Clarified wording 3.3.4, #14 IMDS</li> <li>Added GADSL to ABBREVIATIONS</li> </ul>

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