



# North American Supply Chain Management Standard

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## **1.0 Purpose**

This standard communicates the minimum set of requirements for suppliers who ship to Yanfeng Global Automotive Interiors (YFAI) North American facilities. It is the expectation of YFAI that all suppliers – Direct and Indirect, Supply Chain and Tooling, Machinery & Equipment – comply with all of the requirements and expectations documented in the North American (NA) Supply Chain Management Standard.

## **2.0 Scope**

This policy applies to all YFAI suppliers who ship to NA facilities.

## **3.0 Responsibility**

The Buyer is responsible for providing the expectations from YFAI to the supplier via the NA Supply Chain Management Standard.

## **4.0 Material and Logistics (Supply Chain) Expectations**

### **4.1 Supply Chain Management Expectations and Introduction**

#### **4.1.1 Introduction**

The supply chain organization at YFAI contributes to manufacturing excellence in quality, cost and delivery to the customer. In particular, the supply chain function assures the on-time delivery of component material and shipment of finished goods at the lowest cost.

Continuous improvement in YFAI's 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 YFAI's extended enterprise must be flexible and capable of meeting YFAI replenishment requirements.

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 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 (DMR, SCB, 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 using the MMOG (External Supplier) or BOS (Internal YFAI Supplier).

- Identify and measure key metrics on a monthly basis, with an emphasis on corrective action planning to address metrics that don't meet goals

## 4.2 Electronic Commerce

### 4.2.1 Introduction

Electronic Commerce Requirements – YFAI's automotive customers require EDI (Electronic Data Interchange) to be utilized by all suppliers throughout the supply chain. This includes the ability to receive releases (830- weekly, 862- daily), and send Advanced Shipping Notices (ASN's) (856).

YFAI initiatives, policies, and transaction sets comply with the guidelines set forth by the Automotive Industry Action Group (AIAG). Our suppliers must have the capability to interface with us in one or more of the following options:

- Traditional EDI package
- Visibility tool (i.e. i-Supply)
- 3rd party provider (i.e. Covisint)
- Supplier Portal

Any updates, new releases, system changes, etc. will be communicated to partner suppliers by the YFAI Supply Chain Management and Purchasing organizations.

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. To inquire about the specific details of using EDI with YFAI, please contact an EDI Analyst via email at [edi-support-na@YFAI.com](mailto:edi-support-na@YFAI.com).

### 4.2.2 Advanced Shipping Notice (ASN)

An ASN is the electronic transfer of shipment data from a supplier to a customer. The customer plant utilizes the information contained within the ASN in three ways:

- Determine and confirm goods in transit
- Verification against the shipment as product is received
- If the supplier is Evaluated Receipt Settlement (ERS) approved, the ASN serves as an electronic invoice that will generate payment to the supplier

Accuracy is imperative in order to maintain the integrity of information related to inventory records, Material Requirements Planning (MRP)/supplier schedules, and invoice payments. ASN timeliness is critical to information accuracy and functionality. Failure to send ASN's will result in the issuance of a Discrepant Material Report (DMR), the potential for a charge-back, and will impact the supplier's scorecard.

The ASN must be created upon finalization of the shipment and be received by YFAI within one hour from the time the shipment leaves the supplier's shipping location, or prior to its arrival at the YFAI plant, whichever is earliest.

All shifts in a facility must be capable of sending the ASN to meet these requirements. Confirmation of ASN receipt is available to suppliers (contact the YFAI plant for availability). In order for the ASN to be successfully transmitted to the YFAI plant, the ASN must contain all of the specified information listed below. ASN's received without a Bill of Lading (BOL) number will fail YFAI rules and not be received, and a DMR will be issued for failure to send an ASN.

1. BOL Number
2. Shipment date/time
3. Gross weight of shipment
4. Net weight of shipment
5. Total BOL quantity (e.g. # of cartons)
6. Standard Carrier Alpha Code (SCAC)
7. Mode code (ex. "E" for expedite, "A" for air, etc.)
8. Pool point location (if applicable)
9. Trailer number (or air bill if it's an air shipment)
10. Packing slip number(s)
11. Ship from location (YFAI supplier code or supplier Data Universal Numbering System (DUNS) Code)
12. Ship to location(s) (YFAI plant code(s) including dock code(s)) or DUNS Code
13. Part number
14. Engineering change level (Part)
15. Quantity shipped
16. Unit of measure
17. Purchase order (PO) number
18. Number of cartons shipped of each part
19. Quantity per carton EDI specifications

Note: Additional requirements may be communicated to the supply base, dependent on the Original Equipment Manufacturer (OEM) customer's specific requirements.

### **4.3 International Shipping**

#### **4.3.1 Introduction**

The purpose of this section is to provide YFAI suppliers with a better understanding of their responsibilities as exporters and suppliers. The goal is to ensure that suppliers are aligned with the procedures of YFAI's supply chain to strive to adhere to Customs Regulations.

This section contains information regarding:

- Shipment requirements for exports to YFAI
- Warehouse & inventory requirements for international shipments
- Documentation requirements

Each supplier to YFAI is responsible for complying with all customs laws and regulations as it relates to their activity with YFAI. This includes, but is not limited to, the items outlined in this manual.

### 4.3.2 Incoterms

It is very important that YFAI and the supplier understand the responsibilities assigned when an Incoterms is selected. Incoterms define the parties responsible for transportation, export, import and several other activities. The term should be stated followed by the named place (e.g. DAP (name and address)). YFAI typically uses one of three Incoterms for international shipments (as defined in Incoterms 2010).

When the decision is YFAI will arrange transportation from an international supplier the term should be FCA. The named place is the transportation pick up location.

#### 1. *FCA- Free Carrier (named place of delivery)*

The seller delivers the goods, cleared for export, at a named place (normally the seller's own premises or port). Key seller responsibilities include:

- Provide the goods and commercial invoice in conformance with the contract
- Obtain export licenses when needed and complete all export filings and authorizations
- Package and mark the goods
- Load material onto the transport vehicle

Key buyer responsibilities include:

- Arranging freight
- Buyer is importer of record
- When the decision is that the supplier will arrange transportation and be exporter and YFAI will be importer then the term should be Delivered at Place (DAP).

#### 2. *DAP- Delivered at Place (named place of destination)*

The seller is responsible for delivering the goods to the named place in the country of the buyer, and pays all costs in bringing the goods to the destination. The difference from Delivery Duty Paid (DDP) is that the seller is not importer and is not responsible for import duties and taxes.

- The buyer is importer in the destination country
- YFAI should be contacted to find out the designated Customs Broker. The seller or its logistics/transportation agent will need to provide documentation to the YFAI designated Customs broker to file the Customs declaration. YFAI will not sign a Power of Attorney to allow clearance by a shipper selected broker.

When the decision is that the supplier will make all arrangements including transportation, export and import from an international supplier the term should be DDP.

NOTE: The supplier will need to arrange the broker for import into the destination country.

For shipments to most countries other than to the USA this will require the payment of Value Added Taxes. It is suggested that the supplier and YFAI buyer consider this cost and challenges for the supplier to arrange a broker before selecting DDP.

### 3. *DDP- Delivery Duty Paid (named place of destination)*

The seller is responsible for delivering the goods to the named place in the country of the buyer, and pays all costs in bringing the goods to the destination including import duties and taxes.

- Seller costs includes transportation
- The seller is importer in the destination country. This means that the Seller must make arrangements with a Customs Broker for import into the destination country. This may require the seller to sign a Power of Attorney with a Customs Broker. YFAI should not be asked to sign a Power of Attorney with a Seller selected broker (as this legally makes the YFAI the importer of record).

#### **4.3.3 Custom Brokers**

YFAI has designated Customs Brokers to clear shipments on behalf of YFAI. Suppliers must use the designated broker as per the routing instructions set forth by YFAI's corporate offices. YFAI Supply Chain/Customs should be contacted with any broker related questions.

YFAI works with the brokers to set up policies and procedures to facilitate regulatory compliance and seamless border crossings. YFAI will not give a supplier or it logistics provider (carrier/freight forwarder) Power of Attorney to choose a Customs Broker.

#### **4.3.4 International Shipping Documentation**

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

The commercial or Pro Forma invoice is the supplier's declaration of items in the shipment for export and import. It must be completed by the supplier or designated third party and signed.

#### **4.3.5 Valuation of Merchandise**

Suppliers are responsible for declaring the proper export value of the product being shipped in accordance with applicable law and regulations; and terms and conditions of the supplier's contract with YFAI. Failure to do so may result in a DMR and subsequent DMR debit charge.

Value must not be adjusted to minimize duty. Values of \$1.00 or other amounts should not be defaults and should be verified prior to shipping.

#### 4.3.6 Commercial Invoice

A commercial invoice shall accompany each export to the YFAI facility. Data required on the Commercial Invoice is as follows:

1. Port of entry to which the merchandise is destined.
2. Complete name and address of consignee, along with the plant ID #
3. Complete name and address of shipper, including tax ID #. Include contact name & phone number.
4. Complete name and address of the Customs Broker.
5. Ship date.
6. A detailed description of the merchandise.
7. The YFAI part number. It is very important that the YFAI part number is listed so that YFAI, as the importer, can apply proper Harmonized Systems (HS) Classification and FTA eligibility. Do not modify the YFAI (e.g. add a suffix or prefix). If shipment involves equipment, the invoice must also include the serial # and make & model #.
8. Quantities, weights and unit of measures of the merchandise shipped. (E.g. liters, gallons, kilograms, lbs.)
9. The purchase price in the currency of purchase.
10. Value of each item in the currency in which the transactions are usually made.
11. Type of currency.
12. All charges upon the merchandise itemized by name/category and amount.
13. All rebates, drawbacks, bounties, separately itemized, allowed upon the exportation of the merchandise.
14. Country of origin.
15. Assists, dies, molds, tools, engineering work and cost associated.
16. Tariff classification number.
17. Incoterms (see Section 4.3.2 of this section).
18. Invoice #.
19. Declaration of truth.

The commercial invoice and all attachments must be in the language appropriate for the country of importation. When the above contents are excluded from the invoice, the customs clearance of the shipment may be delayed. Often times a shipment is flagged for examination by customs due to the absence of values, description, or country of origin.

Special Notes:

- Equipment has to be invoiced separately from Raw Material.
- Equipment has to be separated on different skids from Raw Material inside the cargo.
- Invoices must be sent at the time of dispatch of the shipment from origin with an Estimated Time of Arrival (ETA) report, specifying the following:
  - Trailer Number
  - Quantity of bundles or skids
  - Time of estimated arrival

#### 4.3.7 Harmonized Tariff Schedules Usage (HTSUS)

All suppliers are required to show the proper export country and import country

tariff classification on the commercial or Pro Forma invoice in accordance with law and regulation.

#### **4.3.8 Country of Origin**

Every article of foreign origin (and/or its container as required) shall be marked in accordance with the regulations of the importing country. The country of origin must also be shown on the commercial invoice.

#### **4.3.9 International Shipment Checklist**

1. Completed BOL with the name and address of the shipper, the consignee, and the broker. This must be the same BOL # as on the ASN.
2. Completed Packing List.
3. Completed Commercial Invoice per guidelines listed above.
4. Completed Certificate of Origin or FTA certificate as needed.

### **4.4 Shipping and Replenishment Performance**

#### **4.4.1 Introduction**

YFAI requires 100% on time arrival of all parts. 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 YFAI operations are communicated as soon as they are identified. Differences shall be resolved with appropriate customer contact prior to shipment time.

It is YFAI's expectation that the supplier procures/produces to the high point of the forecast for Raw or Fabricated Material Authorization (RAW/FAB), respectively. Notify the YFAI Materials Analyst if 2 or more subsequent releases are received that show a decreasing authorization.

Suppliers are expected to receive forecasts and releases electronically, and to process them without manual entry.

In the event a supplier does not receive a weekly release from YFAI, they must verify with the plant Materials Scheduler or Manager that no release was sent, escalating the call if necessary for verification. If after multiple attempts (must include BOTH e-mail AND phone call) the supplier is not able to contact YFAI to verify release status, the supplier is authorized to use the most recent release to ship to YFAI, following established guidelines for shipping to cumulative required by given dates.

#### **4.4.2 Forecast Expectations**

The forecast will grant RAW and FAB per the commercial terms between YFAI Purchasing and the supplier. YFAI will grant the supplier a RAW and FAB in accordance to the authorization being provided by the customer. For example, YFAI may grant 4 weeks RAW and 2 weeks FAB, for a total of 4 weeks (i.e. A 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 different standards per their release. When EDI is not available alternate forms of communication will be utilized as determined by the YFAI plant. Deviations from the standard must be authorized by YFAI and will be communicated in the purchase order as well as the release.

Authorization for a cumulative amount and the lead-time required to for a shipment are not synonymous. Lead-time is defined as the amount of time between recognition of an order and receipt of the order (can include manufacturing time as well as transportation time). This doesn't translate directly into the amount of weeks YFAI will provide financial commitment in a cumulative authorization.

#### **4.4.3 Shipping and Delivery**

Authorization to ship specific product will be communicated to the supplier through YFAI plant designated replenishment method (EDI, 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 EDI or spot-buys.

Note: Replenishment method may vary from plant to plant. Please reference Section 4.10, Replenishment Methodology Requirements, for further details on YFAI standard replenishment tools.

A "Delivery signal" will show either a ship date or a delivery date. A delivery date defines when the goods are to be ultimately received by YFAI. A ship date indicates the date which the supplier should ship the goods. In this context, the delivery date does not mean delivery to carrier.

The supplier is expected to understand transit time and have product ready for shipment in order to meet the delivery date on the schedule, inclusive of transit time. Contact the YFAI plant if there are any questions as to which date is being transmitted.

The supplier is required to:

1. Take ownership for all parts manufactured for YFAI.
2. Control its processes to assure that the physical shipments correspond with the YFAI demand.
3. Ensure movement of containers is managed per YFAI's container management direction.
4. Supplier must maintain inventory to meet either a 15% week-to-week net schedule increase or a 15% cumulative increase over the period authorized under the RAW and FAB. This does not apply once the supplier has been notified of a Balance Out (B/O). YFAI calculates this value based on the analysis of week over week changes across several weeks.
5. Contact YFAI Plant Materials Representative(s) if supplier is unable to meet the replenishment schedule, and supply the following information:
  - a. Date the parts will be available.
  - b. Suppliers plan to get back on schedule. Assign the necessary resources to resolve any delivery issues.
  - c. If an established window time is missed or release schedule cannot be met, contact the YFAI Plant Representative for agreement on

necessity of expedites.

- d. Obtain approval from YFAI for the mode and carrier chosen. Every effort must be expended to reach agreement on the expedited freight responsibility at the time of shipment. If the supplier is responsible, the freight must be shipped "Prepaid" and the supplier may choose their logistics company; however in North America it is strongly recommended that Active PTM (888-786-4321) is contacted. The supplier is also responsible for tracking the in-bound freight to YFAI and advising the YFAI Plant Material Representative(s) as to shipment status.

A supplier will be held responsible for downtime and other associated costs (i.e. premium freight or charter costs) due to their inability to meet delivery requirements, in accordance with the purchasing terms and conditions. If a supplier is behind in their ability to meet the required cumulative, the plant expects the supplier to have the cumulative caught up by the Monday following the lead time authorized. For example, if the authorization is for 6 weeks, the supplier should have the cumulative required produced and delivered no later than the following Monday by 8am EST.

## **4.5 Labeling Requirements**

### **4.5.1 Introduction**

The adherence to these labeling requirements, as well as the packaging requirements also stated within the YFAI Supplier Standards manual, is mandatory and will be continuously monitored. Non-compliance to these instructions will be brought to the supplier's 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. When labeling, verify that there are two labels per container on adjacent corners. The label must be placed in the upper left-hand corner of the main side. Whenever possible the label printing should be a bold black type with at least 25mm high letters. No more than one part number is to be packaged in a container or shipped on a pallet (unless noted as a mixed pallet). Supplier owned packaging with "Return to" labels must be located in a clearly visible area that does not interfere with the production identification labels.

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 & non-contact devices.

It is the supplier's responsibility to remove labels on returnable containers and affix a new label prior to shipment, unless prior arrangements have been made with the YFAI receiving plant.

### **4.5.2 Part Shipping Labeling**

All labels affixed to a container must contain the following information:

1. YFAI Part Number
2. Quantity
3. YFAI Supplier ID Number
4. Label Serial Number

5. Part Description
6. Manufacturing (MFG) Date
7. Part Revision Level
8. Lot Number/Batch Number/Heat Code/Etc.
9. International Build Statement (i.e. Made in Mexico) (Mandatory for Parts Crossing Borders)
10. Manufacturing Address (Actual address of suppliers final assembly plant name should mirror YFAI scorecard plant location description to the fullest extent possible)

All containers must have the final YFAI destination information affixed either as a master label on the skid or within their standard label format affixed to each container. Data required includes YFAI site name, YFAI site number (when known), address, city, state and postal code. An example of an acceptable label is at the end of Section 4.5.9)

#### Other General Label Specifications

Label Size: 4.0 inches (102mm) high by 6.0 inches (152mm) wide.

Label Color: White label with black printing (there may be some plant specific color requirements).

Adhesives: Adhesive types can be pressure sensitive or dry gummed as long as adherence to the package substrate is assured and application is wrinkle-free. Note: If labels are applied to returnable packaging, the adhesive must not leave a residue after the label is removed, and the label must be easily removed without tearing. Paper is not preferred on returnable packaging.

Data Identifiers: All barcodes must have a data identifier. For example, the part number should have a leading "P" or "Q" for quantity.

The above definition is the minimum requirement. There may be other regional or plant requirements that can be requested. Some examples include:

- 2D Barcode (See Section 4.5.8)
- Colored label stock
- Delivery Note/Packing Slip Number
- Storage location in the plant
- Ship-to Address of the YFAI plant

#### **4.5.3 Master Pallet/Mixed Pallet Labeling**

When multiple containers of the same part number are placed on a single pallet, each container is required to be labeled as well as a master label for the pallet. The master label should contain the words "Master Label" and be placed on the outside of the shrink wrap. The individual container labels should be scanned to create the Master Label. The quantity on the master label should reflect the sum of the quantities of all of the individual container labels.

When release quantities require cartons of mixed material on one pallet, a special "Mixed Load" label and a "Master Label" for each part number and affixed on the outside of the shrink wrap must be used in addition to being labeled per YFAI Labeling Specifications.

All containers must be loaded to cubic capacity in order to maintain load density, package integrity, and obtain optimum transport utilization. The following criteria must be observed when shipping mixed loads to a YFAI plant:

1. Cartons must be uniform in size to maintain load stability.
2. Each pallet must have material/product for only one YFAI plant.
3. Avoid shipping less than a full layer whenever possible.

YFAI Supplier Scheduling should be contacted to establish load quantities into their releases.

For unit load packaging that is shrink wrapped, the master label and mixed load labels must be applied to the outside. When individual containers are palletized and made into a unit load for mechanical handling, the master label shall be attached to two adjacent sides of the unit load.

#### **4.5.4 International Shipment Labeling**

Shipments to or from countries (e.g., Mexico, US, Canada, EU) may require special labeling, other than the Odette standard. YFAI should be contacted to assist in obtaining the proper labels required if needed.

#### **4.5.5 Sample Shipment Labeling**

When shipping sample parts for YFAI part submission or new revision level, the "Sample Part" label must be utilized and must contain the name of the site Packaging Engineer and/or the person expecting to receive the container.

Packaging Test shipments must have a "Sample Parts" identification label placed in a highly visible area and must contain the name of the site Packaging Engineer and/or the person expecting to receive the container.

YFAI requirements for shipping labels are based on the Odette/AIAG bar-coded format. Reference the AIAG Parts Identification and Tracking Application document and the AIAG Trading Partner Labels Manual for labeling specifications.

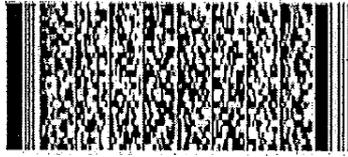
#### **4.5.6 Odette, Euro-Supplier Labeling Option**

YFAI recognizes the European automotive industry approved Odette transport label for the identification of packaging and container contents for suppliers located in Europe. The label is 'A5' size, and has standard printing with the addition of bar coding. It may be self-adhesive for expendable packaging or can be printed on paper and placed in a pouch or affixed to the container.

#### **4.5.7 2D Barcode Requirements**

YFAI requires a 2D barcode to be utilized on the label. Below are some of the requirements for the 2D barcode:

1. PDF417 is the required 2D barcode



2. Minimum 2D barcode data content requirement:
  - a. Part Number (P)
  - b. Quantity (Q)
  - c. Serial Number (S)
  - d. Vendor Number (V)
3. Optional or as required 2D barcode data content:
  - a. Delivery Number (packing slip)
  - b. Manufacturing Date (12D)
  - c. Batch or Lot (1T)
  - d. Container Type (B)
  - e. Eng. Change Level (2P)

#### 4.5.8 Label Example

The attached is a specification that can be used as a guideline in building the label format.

Table 1. Suggested Lines Per Block (LPB) Character Parameters

Lines Per Block	Maximum Characters Per Line	Approximate Point Height	Approximate Height in Inches	Approximate Height in Millimeters
1 LPB	8	64	0.90	22.0
2 LPB	18	32	0.40	11.0
3 LPB	28	20	0.25	7.0
4 LPB	34	16	0.20	5.0
5 LPB	42	12	0.15	4.0
6 LPB	48	10	0.12	3.0
7 LPB	59	8	0.10	2.0
8 LPB	68	6	0.08	1.5

Below is an example of an acceptable label:

PART NO (P) <b>2491857</b>		48047501 - 11001A AR122820 YFAI - GRAND RAPIDS MM104	
QUANTITY (Q) <b>5000</b>		DESCRIPTION <b>ONE SIDED RIBLOK</b>	
SUPPLIER (V) <b>9057391A</b>		COUNTRY OF ORIGIN <b>USA</b>	DATE <b>01/17/2019</b>
SERIAL / LOT (S) <b>12683761</b>		SHIP TO YFAI - GRR PLT# 1079 GRAND RAPIDS KENTWOOD, MI 49512	
		CHANGE LETTER <b>1</b>	SHIP FROM ITW DELTAR FASTENERS 1700 FIRST AVENUE CHIPPEWA FALLS, WI 54729

#### 4.5.9 Labeling Non-Conformance Process

For suppliers that do not meet the minimum standards, the DMR process will be followed. Repeat issues will be issued an MQR.

#### 4.6 Discrepant Material Reports

##### 4.6.1 Introduction

A supply chain nonconformance is defined as a material, process or document(s) that does not comply with YFAI/Customer standards. For example, missing paperwork, late shipments, wrong labels, wrong packaging, and so on. A nonconformance can be identified at receiving, incoming inspection, assembly, processing, final product audit, reliability testing, or through OEM notification.

The DMR process helps to identify supplier performance where suppliers create undue inefficiencies in YFAI processes or where they put the overall supply chain health at risk.

Suppliers are notified of nonconforming material through a documented rejection notice, called a DMR.

##### 4.6.2 DMR Requirements

A DMR is issued when a shipment is received with one or more issues in the following categories; issues could occur at the header level, line item level or both:

- Header Level Error Codes: Impacts the complete shipment.
- Selection of the Header Level error code determines the requirement for proof of document and the on time delivery percentage. If there is no header level error code, it is mandatory to enter the Line Level error code for submitting the

DMR. In some cases, there is mandatory evidence required for some of the Header and Line Level Error Codes.

- On time Delivery % (Pieces Received on time / Total Pieces Received \* 100)

Header Level Error Codes	When to use	Required Proof Yes or No	Proof Upload Example	On-Time Delivery % Impact Yes or No
No Header Level Error Code	No Header Level conditions Exist	No	Not applicable	No
Incomplete/Inaccurate or Missing Shipping Paperwork	Missing or Incorrect ASN, Shipping or Customs Paperwork	Yes	Copy of ASN comparison to shipping paperwork  Copy of actual shipping / customs paperwork with information outlined on inaccuracy or missing information	Yes
Non-Compliant Shipment to Standard Freight Routing Instruction	Supplier uses alternate shipping method without prior approval by YFAI	Yes	Copy of signed supplier standard routing Instruction  Copy of BOL showing actual Carrier used	Yes
Late Shipment Against Defined Customer Delivery Window	Shipment arrives later than expected date / window time	Yes	Copy of signed supplier standard routing instruction  Tracking detail from Carrier on actual receipt date / time  Copy of YFAI receiving log that shows plant entry of actual receipt	Yes
Late Shipment Against Defined Supplier Ship Window	Shipment departs later than expected date / window time	Yes	Copy of signed supplier standard routing instruction  Tracking detail from Carrier on actual pick-up date / time	Yes

Line Level Error Codes	When to use	Required Proof	Proof Upload Example	On-Time Delivery %
------------------------	-------------	----------------	----------------------	--------------------

		Yes or No		Impact Yes or No
1- Packing slip quantity does not match physical receipt	Packing slip contents do not meet actual product received	Yes	Copy of packing slip or ASN  Pictures of parts variation  Copy of blind receiving audit sheet	Yes
2- Quantity in container different from container label	Quantity of parts in container do not match container label	Yes	Copy of container label and picture of actual part quantity	Yes
3- Incorrect part number on container label	Contents in container do not match container label	Yes	Copy of container label and picture of actual part (include embedded part number or part label)	Yes
4- Over shipment to blanket purchase order release	Supplier over ships to release without YFAI authorization	Yes	Copy of release prior to receipt and a copy of release after system receipt of material	Yes
5- Non-compliant container label	Container labels do not meet YFAI standards	Yes	Copy of actual label and the label detail from YFAI Supplier Standards Manual	Yes
6- Non-compliant packaging or damaged packaging	Packaging is damaged or does not meet authorized packaging (normal or back-up expendable)	Yes	Pictures of damaged or incorrect packaging  Signed off Packaging Data Form	Yes
7- Under shipment to blanket purchase order release	Supplier over ships to release without YFAI authorization	Yes	Copy of release prior to receipt and a copy of release after system receipt of material	Yes
8 – ASN quantity different from	Packing slip and ASN do not match	Yes	Copy of packing slip and ASN	Yes

shipping documentation				
9 – Inadequate or incomplete supplier communication regarding delivery concerns or potential supply interruptions	Supplier failure to answer concerns or escalate supply chain risk	No	Email correspondence  Pictures of text messages or call log	No
10 – Purchase order discrepancy	Supplier ships against incorrect purchase order	Yes	Actual shipping document and / or ASN  Copy of	Yes

#### 4.6.3 DMR Communication

- Supplier Scheduler will create a DMR and request the initiation of an Eight Disciplines Model (8D).
- Customer Scheduler (Internal Supplier) and External Supplier will respond to the DMR.
- Materials and/or Quality Manger will review/approve containment, 8D plan, and 8D closure and decide if sustainability or read across is required.
- YFAI requires a supplier response within 48 hours of receiving a DMR, or the DMR will be automatically closed.
- Repeat Issue checkbox at Header level will be selected if there is at least one existing DMR in the system within past 12 months for the same - Plant, Supplier, and Header level error code.
- Repeat Issue checkbox at Line level will be selected if there is at least one existing closed DMR in the system within past 12 months for the same - Plant, Supplier, Part and Line Level Error code.
- Materials and/or Quality Manager only can reopen a closed DMR.

#### Email notifications:

Action	From	To
DMR	Supplier Scheduler	Supplier (Internal, External) ; Additional Contacts
8D Initiated	Supplier Scheduler	Supplier (Internal, External) ; Additional Contacts
Containment Submitted	Customer Scheduler or External Contact	Supplier Scheduler

DMR Dispute	Customer Scheduler or External Contact	Supplier Scheduler
Respond to Supplier	Supplier Scheduler	Supplier (Internal, External); Additional Contacts
Closed DMR	Supplier Scheduler	Supplier (Internal, External)

#### 4.6.4 DMR Ratings and Scorecard Review

IQS Performance Scorecard:



### SUPPLIER PERFORMANCE SCORECARD

Supplier: \_\_\_\_\_

Supplier ID: \_\_\_\_\_

Parent Commodity: Foam

Score: 80 B [Click Here For Parent & Child Level Scorecards](#)

Quality				
Metric	Criteria	Score	Points	Out of
PPM	Below target = 15 Above Target 0 - 20% = 8 Above 20% = 0	Below Target	15	15
SMR incidents (Monthly Avg.)	0 and less than 1 = 15 1 and less than 2 = 10 2 and less than 3 = 5 3 or greater = 0	0.00	15	15
Quality Issues Responsiveness %	100% = 15 80 to 99% = 10 below 80 = 0	100%	15	15
OEM Customer Concern	each incident = (-10)	0	0	Deductions
Management Quality Review MQR	MQR1 = (-10) MQR2 = (-15) MQR3 = (-30)	NO MQR	0	Deductions
<b>Total:</b>			<b>45</b>	Out of (45)

Capabilities			
Metric	Score	Points	Out of
ISO 9001	No	0	5
IATF 16949	No	0	5
Environmental (ISO 14001)	No	0	5
Sustainability Survey	No	0	5
<b>Total:</b>			<b>0</b> Out of (20)

Delivery				
Metric	Criteria	Score	Points	Out of
On Time Delivery %	100% = 15 80 to 99% = 10 below 80 = 0	100%	15	15
Delivery Issues Responsiveness %	100% = 10 80 to 99% = 7 below 80 = 0	100%	10	10
DMR incidents (Monthly Avg)	0 and less than 1 = 10 1 and less than 2 = 7 2 and less than 3 = 4 3 and less than 4 = 1 4 and greater = 0	0.00	10	10
<b>Total:</b>			<b>35</b>	Out of (35)

90 - 100	A
80 - 89	B
< 80	C

Negative totals are defaulted to zero

Performance Scorecard Criteria:

<b>Delivery</b>				
Metric	Criteria	Score	Points	Out of
On Time Delivery %	100% = 15 80 to 99% = 10 below 80 = 0	No Receipts	15	<b>15</b>
Delivery Issues Responsiveness %	100% = 10 80 to 99% = 7 below 80 = 0	100%	10	<b>10</b>
DMR Incidents (Monthly Avg)	0 and less than 1 = 10 1 and less than 2 = 7 2 and less than 3 = 4 3 and less than 4 = 1 4 and greater = 0	0.00	10	<b>10</b>
<b>Total:</b>			<b>35</b>	Out of (35)

Included in on-time delivery:

- Incorrect or missing paperwork
- Non-compliant to standard freight routing instruction
- Late shipment against delivery window (customer or supplier defined)
- Responses requested in less than 48 hours or automatic acceptance
- Any disputes requiring detailed documentation before being considered

#### 4.7 Logistics Requirements

##### 4.7.1 Introduction

Logistics Requirements YFAI- Purchasing, Logistics, or the Transport Desk will determine carrier selection and specific supplier routing instruction guidance to YFAI plants in order to effectively manage inbound freight through the careful consideration of these factors:

- Supplier location
- Product volume
- Packaging
- Transportation costs

- Lead time

YFAI expects 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 price, to the right location. Below are the supplier responsibilities necessary in order to fulfill YFAI transportation requirements.

#### **4.7.2 Logistics Requirements Communication**

All shipments must be accompanied by appropriate documentation. Documentation may include, but is not limited to, packing slip, BOL, North American Free Trade Agreement (NAFTA) certificates, commercial invoices, and hazardous materials information.

Carrier information must be included in the ASN transmission to allow for traceability and to ensure supplier compliance to YFAI supplier specific routing instructions. When electronic generation of the ASN does not exist, the supplier is required to provide a faxed copy of the shipping documents.

The supplier is responsible for contacting the appropriate carrier, freight forwarder and YFAI materials personnel following the direction of the signed supplier specific routing instruction to ensure timely pick-up and delivery. It is the supplier's responsibility to set shipping window times in conjunction with YFAI plant materials personnel and the carrier to ensure delivery at the YFAI facility by the delivery date shown on the release.

Any failure to meet the agreed upon shipping windows that result in carrier detention charges may result in a charge back to the supplier to compensate for excess carrier detention charges.

Information to be provided should include, but is not limited to, product availability, expected delivery time, special instructions, container dimensions, weights and freight classification. If shipping less-than-truckload (LTL) quantities to one ship-to location, each skid must include a destination label indicating the YFAI plant name and delivery address.

#### **4.7.3 Packaging Slip Requirements**

YFAI requires all suppliers to prepare their packing slip(s) in a standard format. The standard format can be found below.

**Mandatory:** 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.

Failure to comply with this requirement will result in a DMR for the shipment per the DMR procedure. Items required in a specific location include:

- Packing Slip #
- Sold-to info
- Supplier Production Plant

- Ship-to
- BOL #
- Customer part #
- Description
- Supplier part #
- Quantity shipped
- PO #
- Footer which includes page number and repeats the Packaging slip #

#### 4.7.4 Bill of Lading Requirements

The following information instructs the YFAI Supplier on how to properly complete a BOL form for shipments that are sent collect into YFAI. Non-compliance to these requirements that result in excess freight charges will be recovered back from the supplier.

A separate BOL must be created for each ship-to location per the specific supplier routing instruction ship-to address provided which includes 3<sup>rd</sup> party ship to addresses, even when shipping on the same carrier. Each BOL must contain a unique BOL #.

##### Shipper/Vendor Information

Must include: Vendor Name, Supplier ID, Street address, City, State, and Zip.

##### Example 1

ACME  
Supplier ID 123456  
123 West Rd  
Novi, MI 48374

##### Example 2

ACME - 123456  
123 West Rd  
Novi, MI 48374

##### Consignee and Destination

The Ultimate Consignee should be shown as: YFAI, Plant name, and Plant #.

The Destination must include: Street address, City, State, Zip, and c/o where applicable per YFAI specific routing instructions.

<b><i>Direct Shipment</i></b>	<b><i>Consolidation</i></b>	<b><i>Shipping through a</i></b>
YFAI Southview #12345 1600 S Washington Ave- Holland, MI 49423	YFAI- Rockwood # 23456 c/o CMAC 19661 Brownstown Suite 600 Brownstown, MI 48183	YFAI Ramos #34567 c/o Dicex 12110 Sara Road Laredo, TX 78042

The three examples above are not intended to replace current shipping instructions.

In addition to the above information, the supplier BOL must include:

1. Number of Packages and/or Handling Units - If packages are consolidated on a skid, provide both package count and skid count on the BOL.
2. Description of shipment - Enter the description of each line item. Please note the type of package (carton, tote, barrel, etc.) and the quantity per package. Each line item must include the correct National Motor Freight Classification (NMFC), Item #, and Class. This information is critical to ensure correct rating to avoid excessive charges.
3. Weight - Enter the total gross weight, in pounds, for each line item. Include the weights of pallets, skids or any secondary container.
4. Freight Terms - Indicate 'Free on Board (FOB) Origin, Freight Collect' terms if YFAI is responsible to pay for the shipment. All freight shipped to YFAI facilities must be shipped freight collect unless Purchase Order Incoterms states otherwise or shipment is a supplier paid expedite or routing deviation.

#### **4.7.5 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.

It is the supplier's responsibility to ensure compliance and availability. Contact the appropriate plant materials personnel if a Supplier Specific Routing Instruction is not received. A copy of the routing instruction must be signed and returned to the YFAI plant materials contact.

Plant approval must be obtained from the receiving plant materials personnel for any routing instruction deviation. Any deviation from these routing instructions without plant approval may result in a supplier debit to compensate for excess freight charges and/or administrative fees.

#### **4.7.6 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.

When expediting freight at YFAI's expense, authorization must be obtained from the appropriate YFAI plant materials personnel. Unauthorized expedited freight may result in debit to the supplier to compensate for excess freight charges and/or administrative fees.

YFAI utilizes Active PTM (888-786-4321) to manage all premium freight shipments.

Upon authorization of an expedite shipment, the supplier should be prepared with the following information to share with the arranging party:

1. Protect time (the time by which the shipment must arrive)
2. Ready time (the time by which the shipment will be ready for pickup)
3. Shipment terms (collect if at YFAI's expense)
4. Origin
  - a. Address
  - b. Contact
  - c. Operating hours of shipping facility
5. Shipment details
  - a. Weight
  - b. Dimensions
  - c. Stack ability
6. Destination details
  - a. Address
  - b. Contact
  - c. Plant number

## **4.8 Cumulative Maintenance**

### **4.8.1 Introduction**

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

### **4.8.2 Cumulative Maintenance Communication**

YFAI will provide the supplier with the following:

1. A starting cumulative of 0 upon issuance of a new purchase order.
2. Last cumulative received quantity will be noted on each EDI release. Each shipment received will be accumulated to provide the last receipt cumulative received. This will include the last quantity received, date received into YFAI inventory, and the supplier packing slip number received by the YFAI manufacturing facility. The last receipt cumulative received could potentially change under the following conditions:
  - a. Subsequent receipt of shipment into YFAI's inventory.
  - b. Issuance of Supplier Material Return (SMR) or a DMR. Issuance of an SMR or DMR may result in either an increase or decrease of YFAI's cumulative received.
  - c. Cumulative reset. Supplier will be notified prior to this occurring.
3. An electronic or manual release indicating net quantity due and total cumulative required per due date.
4. Prior cumulative required quantity - this field will represent the previous quantity due.
5. Physical copy of SMR or DMR to support cumulative resolution.

YFAI expects the supplier to:

1. Track and accumulate all production part shipments. This will become the supplier's cumulative shipped quantity.
2. Update supplier's cumulative shipped quantity when the supplier is issued a SMR or DMR.
3. Identify past due quantities - using the most current release the formula is the last cumulative received quantity minus the prior cumulative required quantity.
4. Identify YFAI's cumulative required - using the most current release formula is the YFAI last cumulative received plus the net quantity due.  
Note: If an alternate replenishment method is designated by YFAI, the cumulative required will serve as forecast data rather than replenishment requirements.
5. Net quantity required is calculated using the most current release's cumulative required minus the supplier's cumulative shipped quantity.
6. Resolve any cumulative discrepancies with the appropriate YFAI materials personnel immediately.

Please direct any questions regarding cumulative maintenance to the supplier's YFAI plant materials contact.

## **4.9 Balance Out and Claims Process**

### **4.9.1 Introduction**

B/O 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 YFAI suppliers. Most obsolete material claims occur at the B/O of a product. B/O is defined as end of model year as well as current model engineering changes. Our goal at B/O is to have minimal obsolescence cost, zero production downtime, and no premium freight. Supplier collaboration with appropriate YFAI program management and materials personnel is required to support B/O goals.

### **4.9.2 Balance Out and Claims Process Communication**

One of the tasks in YFAI's B/O process requires the materials plant representative to notify, in writing, the source supplying the components to be balanced out. YFAI notification of B/O as well as defined B/O filing parameters will take place outside of the established authorization window. Claims received after the established deadline may not be honored. The goal will be to provide a build out notification, where possible, six months prior to build out.

After receiving B/O 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 or B/O coordinator.

In the event that obsolescence occurs due to the discontinuation of a part, the following procedure must be followed to file a claim:

1. Determine the highest RAW and FAB fabricated material authorizations issued by YFAI. To determine the highest RAW/FAB authorizations, a cumulative release history must be reviewed. The high point is the highest cumulative release for the period prior to B/O notification. The 15% rule is no longer a requirement once a B/O notification has been issued. In addition, suppliers should refer to the "High Release" and/or their Purchase Order for RAW/FAB authorizations.
1. Fill out the "Obsolescence Claim Form" and attach the supplier management or schedule/release documents, purchase order, and any minimum run authorizations to support the claim.
2. All obsolete material must be segregated and stored, pending audit and final disposition by YFAI and/or the OEM.
3. Suppliers are encouraged to submit to YFAI, regardless of value. Claims totaling less than \$500.00 aggregate will not be submitted to the OEM, nor paid to the supplier.
4. Supplier must obtain YFAI plant authorization in order to sell claimable material at a price lower than unit cost.

#### **4.10 Replenishment Methodology Requirements**

##### **4.10.1 Introduction**

In order to standardize supply chains, optimize inventory levels and minimize freight expense, YFAI has defined four replenishment methods to order material from supply chain partners.

YFAI's goal is three-fold:

1. Optimize turns, truck utilization, and prevent premium freight by using one of 4 standard methods per discrete supply chain; minimize use of other methods
2. Maximize internal & external visibility of component parts
3. Appropriate use of technology & electronic commerce to communicate replenishment signals

This means that a supplier could receive different replenishment signals from different YFAI receiving plants, and a single YFAI plant could use different signals with different suppliers. A supplier should not have multiple signals from the same plant, unless they are going through different stages in the product lifecycle.

Why not just ONE method?

The determination of which method is used is based on many components, but to simplify this explanation it depends on the following:

1. Lean manufacturing strategy - or where the YFAI plant is at in their journey to lean manufacturing.
2. Stability of customer demand.
3. Supply Chain footprint - or how close the shipping point is to the end destination.

To determine the optimal replenishment method to use for each component, YFAI plants will follow a standardized process annually or when operational or supply chain conditions shift (i.e. when a supplier moves production to another location

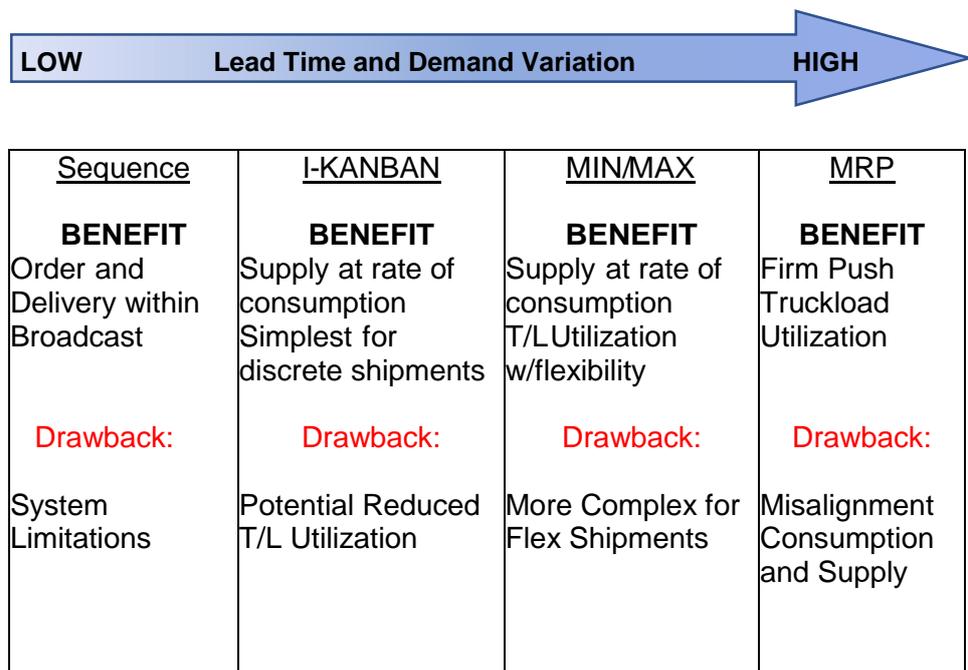
that is geographically different than the existing supplier location). YFAI will communicate these changes to the supplier as soon as possible.

Suppliers who ship either in truckload quantities or as part of a milk run may be requested to utilize future forecasted demand (within RAW and FAB) to fill allotted space on the designated carrier. The supplier should utilize future demand from material according to priority level, e.g. a part with additional demand 2 days out should be used before demand showing due 3 days out. When there is a choice, the supplier should always ship the higher runner first. Suppliers not filling their allocated space may be liable for freight costs associated with lost utilization opportunities. Pulling ahead in order to fill a truck will not result in an over-shipment DMR in these instances.

The four methods are:

1. **MRP** - Use of standard EDI signal (i.e. 830 and 862) to communicate required shipment quantities- Supplier Portal.
2. **KanBan** - KanBan may be communicated either via e-mail, internet, or through a visibility tool (i.e. Trade beam) - KanBan provides discrete quantities the supplier must monitor and use to calculate required shipment quantities.
3. **Min/Max** - Through the visibility tool, Min/Max provides a range of acceptable inventory levels the supplier must monitor and use to calculate their required shipment quantities.
4. **Sequence** - Replenishment data that is sent to suppliers to optimize truckload utilization and/or prioritize shipments. This method is commonly used when suppliers make multiple deliveries in the same day to a given YFAI site.

The following visual shows how the different methods fit together given an increase in lead-time and/or demand variation.



#### 4.10.2 Visibility Replenishment Tool used for Min/Max and I-KanBan

Two of the above methods (Min/Max and electronic KanBan) utilize the YFAI defined tool for visibility and lean replenishment. If the customer plant determines that Min/Max or I-KanBan is the appropriate methodology, they will contact each supplier to advise them of the decision that they will be using Min/Max or I-KanBan.

Each supplier must then gain access to, attend training for, and work with the customer plant to define and implement the operating procedure and parameters for using the visibility/lean replenishment tool (reference Supplier Portal for details). This requirement must be met in order to be considered for annual award. On a periodic basis the plant will revisit the matrix to ensure their replenishment method is still optimal. If the plant determines that one of the other 3 methodologies is optimal, the supplier will be contacted and work with them to implement the change.

##### Exceptional Conditions Only:

The Manual Replenishment Release form would be acceptable in conditions where it is not possible to use one of the four designated YFAI replenishment methods.

- System failure, power outage, Multimedia Messaging Service (MMS) failure, etc.
- Sequenced Loads: Situations where demand is communicated to the plant in the form of lots or sequenced and the plant utilizes this information to sequence material directly to the production line.
- Trailer mapping: A material map is provided to prioritize the location of material on a trailer due to limited plant floor space (warehouse on wheels), thus enabling accessibility to material that would be used first.
- Multiple Loads per day: Multiple daily shipments, i.e. 16 foam loads per day, may require to prioritize the flow of material.
- Critical Requirements: YFAI recognizes that there may be times where demand may have to be prioritized for a supplier in critical inventory situations.

In such cases, it is acceptable to define critical inventory requirements to a supplier through a spreadsheet that simply defines and prioritizes from the existing replenishment signal requirements.

#### 4.11 Materials Management Operations Guideline

##### 4.11.1 Introduction

The MMOG/LE is a global document jointly created by the AIAG, Odette representatives, OEM representatives, and automotive suppliers.

It is a document with recommended business practices for the supply chain management processes of automotive industry suppliers, and is intended to establish a common definition of materials practices to facilitate effective communication between supply chain partners.

The purpose of the MMOG/LE, as well as the reasoning behind the deployment of this by YFAI, is to produce one common material planning and logistics evaluation that can be used by the supplier and customer throughout the product lifecycle, including the early development phases.

The MMOG/LE is a self-assessment tool that all suppliers are encouraged to complete. YFAI reserves the right to audit MMOG/LE scores by conducting an onsite review of supplier facilities.

Suppliers can purchase a download of the latest version of the MMOG/LE publication or attend training on how to use the assessment by contacting AIAG on the internet at [www.aiag.org](http://www.aiag.org), or calling (248) 358-3003.

#### **4.11.2 MMOG/LE Score**

A MMOG/LE should be completed for each supplier shipping location (child location on the scorecard) to YFAI in order to serve as a guideline in developing their materials management business processes. It only has to be submitted once per location, but on an annual basis expects the supplier to review their status and notify the scorecard manager if the score has changed.

#### **4.12 Security**

##### **4.12.1 Introduction**

YFAI is committed to ensuring the security of its supply chain for several reasons. Security measures are set in place to preserve the safety of YFAI employees, protect physical property from loss or damage, safeguard the integrity of YFAI intellectual property, prevent interruptions in the manufacturing process, facilitate safe border crossings through Customs and meet customer requirements.

YFAI expects the same approach to be taken by the supplier with whom business is conducted: to make a commitment toward the common goal of creating a more secure and efficient supply chain.

##### **4.12.2 Security Procedure Requirements**

Suppliers should develop, implement and document 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), a program in which YFAI is a certified and validated member.

All suppliers that ship across an international border to a YFAI plant in North America are expected to implement a proactive approach to address risk in their supply chains. Suppliers will receive an annual self-assessment Security Questionnaire sent from the 3rd Party provider Pinkerton. The Security Questionnaire must be completed by the supplier for YFAI to complete a 5 step risk assessment for the supply base and maintain compliance with its C-TPAT certification.

Pinkerton will review supplier Security Questionnaire responses and recommend

corrective actions where security deficiencies are identified.

Supplier failure to complete the assessment, resolve deficiencies and/or high risk ratings may result in on-site visits by Pinkerton at the supplier's cost.

The C-TPAT program covers multiple business points and expects written records for the following:

- Business Partner Requirements
- Security Procedures
- Participation/Certification in Foreign Customs Administrations Supply Chain Security Programs
- Container Security & Inspection
- Container Seals
- Container Storage
- Physical Access
- Visitors Controls
- Pre-Employment Verification and Personnel Termination Procedures
- Shipping & Receiving Security Procedures
- Cargo Discrepancies
- Security Training and Threat Awareness
- Physical Security
- Information Technology Security

#### **4.13 Free Trade Agreements**

##### **4.13.1 Certification Requirements**

As stated in YFAI's global terms and conditions, each supplier is responsible for providing timely and accurate responses to solicitations relative to Free Trade Agreements. This is true whether or not a supplier ships product across an international border.

Trade agreement certifications may be solicited by YFAI or by a designated service provider. It is expected that suppliers will respond to the solicitations by the deadline provided.

Suppliers should note that signing the various documents carries the legal obligation to advise YFAI of any changes that would affect the accuracy or validity of the information. This notification must be in the form of an amended document.

Suppliers that fail to comply risk losing their ability to quote on new business.

#### **4.14 YFAI Packaging Guidelines**

- Suppliers have the responsibility to ensure part-quality and maintain packaging for life of contract.
- YFAI's packaging engineers, plant personnel, and suppliers have collectively established multiple best practice standards for packaging. In doing so, great

care was given in conducting trials, evaluating costs & quality, maximizing freight, tracking sustainability, etc. When considering the type of packaging to utilize for a part, suppliers should first attempt to utilize one of YFAI's best practice standards for packaging.

- When the best practice packaging is not feasible for use, consider the following options for new package development, in the sequence shown below:

Option 1: Utilize the smallest standard tote/carton without dunnage

Option 2: Utilize the smallest standard tote/carton with dunnage

Option 3: Utilize a standard bulk bin or pallet box without dunnage

Option 4: Utilize a standard bulk bin or pallet box with dunnage

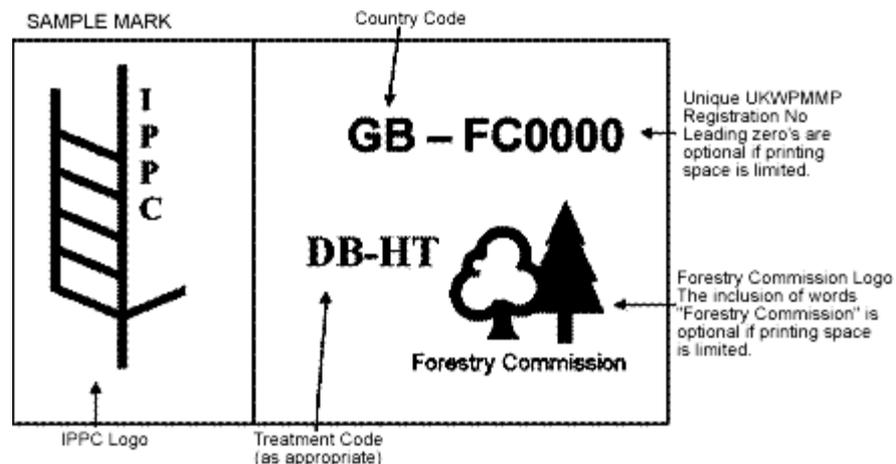
Option 5: Utilize a custom tote/carton without dunnage

Option 6: Utilize a custom tote/carton with dunnage

Option 7: Utilize a custom rack or bin

Line-side space for material presentation at YFAI's facilities is minimal. If parts can fit in small totes/cartons, the parts must ship in small totes/cartons.

- Prior to each shipment, suppliers should ensure that returnable containers are clear of debris, in good-working order, and old barcode labels are removed before new parts are loaded into the containers.
- Packaging Label Requirements: Refer to Section 4.5, Labeling Requirements.
- Solid Wood Packaging Materials Compliant to ISPM15
- All wooden pallets and wood packaging must conform to International Shipping Standards, government and local transportation rules and regulations.
- YFAI's standard is non-solid wood material to be used for international shipments
- Preference materials: plywood, fiber board, or plastic instead of solid wood
- Wood must be treated and marked using the International Plant Protection Convention's (IPPC).



“Guidelines for Regulating Wood Packaging Material in International Trade”  
(International Standards for Phytosanitary Measures ISPM 15).

- Failure to comply with government regulations may have adverse liabilities. Any associated costs and/or fines incurred as a result will be the supplier’s responsibility.
- Export Expendable Packaging Standards for Overseas Shipments:
  - International transportation modes utilize sea-container methods of transport.
  - YFAI’s most commonly used mode of export shipping utilizes a 40’ standard ocean container.
  - Packaging design specifications have been developed to standardize container dimensions and optimize cube efficiency in transportation.
  - YFAI’s standard is non-solid wood material to be used for international shipments
  - Preference materials: plywood, fiber board, or plastic instead of solid wood
- Standard Export Cartons:
  - Design and usage type of corrugated packaging material needs to be evaluated based on the method of transportation and handling through to the point of use
  - All expendable containers must be filled to maximize container density of 95% to maintain cubic fill and packaging intensity during handling, as well as optimized cubic freight.
- Export Pallets:
  - Utilize 48 x 45 (in) / 1219 x 1143 (mm) 4-way pallets when possible.
  - All wooden pallets shipped must have flush stringer design and be assembled using cross ties. Full perimeter pallets are acceptable. Single and double wing pallets are not allowed.
  - All wooden pallets must be able to support a minimum of 2000 lb; (907 kg) internal load capacity
  - YFAI’s standard is non-solid wood material to be used for international shipments
    - Preference materials: plywood, fiber board, or plastic instead of solid wood
- All wooden pallets and wood packaging must conform to International Shipping Standards, government and local transportation rules and regulations.

#### 4.14.1 Packaging Standards

Questions related to the below section Packaging Standards can be emailed to the following address: [NA-SCM-Packaging@YFAI.com](mailto:NA-SCM-Packaging@YFAI.com)

- YFAI directed suppliers should quote expendable and returnable packaging options per the Supplier Statement of Work (SSOW):
  1. Provide a detailed breakdown of packaging cost.
  2. Provide packaging engineering assumptions on a Packaging Data Form during quote (excel version) and submit with the YFAI quote package.

3. Review examples of the Responsible, Approves, Reports, Is Informed, Is Consulted (RASIC) for packaging engineering responsibility before final SSOW is approved with Purchasing Representative.
  - Post Launch requests for packaging piece price increases should be submitted to both the YFAI Purchasing representative and Packaging Engineer. Include original submitted Packaging Data Form detail with proposed packaging changes on an updated Packaging Data Form with reason/information/data for the packaging change.
  - All efforts to meet packaging deadlines, including those for proposal submission, trial packs, packaging procurement, etc., must be made. If a deadline cannot be met, it is the supplier's responsibility to notify the appropriate YFAI packaging engineer at least one week prior to the deadline date.
  - Packaging must be consistent with AIAG specifications.
  - Returnable containers are preferred at all NA YFAI Facilities. Expendable containers will be accepted only under the following circumstances or directed in the SSOW.
    - Fastener Shipments
    - Overseas Shipments
    - Low volume component scenarios
    - Total landed cost business evaluations
    - Supply Chain Disruptions (must have written approval from receiving plant and mirror returnable packaging: size/density)
  - In the case of loss or damage to returnable containers, suppliers are required to keep at least 2 shipments worth of expendable back-up packaging in house at all times so as not to disrupt production at the receiving plant. Expendable back-up packaging must be similar in-size to the approved returnable packaging and contain the same quantity of parts per container.
  - Supplier must receive prior written approval from receiving plant. Receiving Plant will issue a Purchase Order for back up expendable to supplier if warranted with detail/backup information. Supplier without prior written approval will receive DMR and/or Chargeback for YFAI expenses for managing the backup expendable packaging.
  - When a new program launches (or a program refreshes), all efforts to re-use existing returnable containers should be made before any new containers are procured.
  - Returnable packaging should be designed to withstand normal handling throughout the life of the program.
  - When required, internal dunnage should consist of the most inexpensive materials to adequately protect the part.
  - Containers should be filled to capacity without exceeding maximum weight limits or compromising part quality.
  - All containers shipped on pallets, returnable or expendable, must be secured to pallets with either plastic banding, seat belts or stretch wrap.
    - The overall pallet height must not exceed 52".
    - All pallets must have 4-way entry.
  - All unit loads (expendable & returnable) must have the capability to safely stack in a standard truck, up to 106".

#### 4.14.2 Packaging Approval Process

Prior to the launch of any new program or program refresh:

- Notification will be sent to the suppliers from the YFAI Packaging Data Form System
- Suppliers will be required to request access to the YFAI Packaging Data Form System
- Suppliers will submit packaging proposal through the YFAI Packaging Data Form System
- Rejected or Approved Packaging proposals will be available in YFAI Packaging Data Form System
- Any parts for pre-production build events should be shipped in production intent packaging representing the packaging proposal during the packaging approval process.
- The YFAI representative will review the packaging proposal to ensure that its contents adhere to YFAI's best practice standards for packaging.
- A YFAI representative or the YFAI Packaging Data Form System will notify the supplier whether the proposal is accepted, rejected, or if a packaging trial is being requested. If a trial is requested, the YFAI representative will further notify the supplier of the requirements, including quantity, dates, labeling info, etc.
- The approved packaging proposal will be located in the YFAI Packaging Data Form System when final approval is granted. (Normally 2-4 months prior to launch).

#### **4.14.3 Standard Returnable Containers**

- The gross weight limit for any hand-held package (ex: tote, carton, trim bundle, foam bag, etc.)
  - U.S and Canada: 30 lbs. max.
  - Mexico: 22 lbs. max
- If a YFAI Health and Safety/Ergonomics representative deems hand-held packages unsafe based on factors such as height and reach, suppliers may be asked to reduce the gross weight to less than the above standards
- All containers must be used in compliance to the container manufactures published container weight capacity and dynamic stacking limits.
- YFAI will provide the returnable container fleet or funds to purchase the approved container fleet unless otherwise specified by YFAI Purchasing Representative.
- Each returnable container will have 2 part label locations, a minimum of 2 identification labels, and 2 YFAI Radio-Frequency Identification (RFID) tags. For unique containers or containers with fixed returnable dunnage, the containers will be identified with supplier return-to labels.
- See below for examples of the standard containers:

Container Size (in)					Description
L	X	W	X	H	
<b>Totes</b>					
12	X	15	X	4	Straight-Wall, Cross-Stack Tote
12	X	15	X	5	Straight-Wall, Cross-Stack Tote
12	X	15	X	7.5	Straight-Wall, Cross-Stack Tote
12	X	15	X	9.5	Straight-Wall, Cross-Stack Tote
24	X	15	X	4	Straight-Wall, Cross-Stack Tote
24	X	15	X	5	Straight-Wall, Cross-Stack Tote
24	X	15	X	7.5	Straight-Wall, Cross-Stack Tote
24	X	15	X	9.5	Straight-Wall, Cross-Stack Tote
24	X	15	X	11	Straight-Wall, Cross-Stack Tote
24	X	15	X	14	Straight-Wall, Cross-Stack Tote
24	X	22	X	7.5	Straight-Wall, Cross-Stack Tote
24	X	22	X	9.5	Straight-Wall, Cross-Stack Tote
24	X	22	X	11	Straight-Wall, Cross-Stack Tote
24	X	22	X	14	Straight-Wall, Cross-Stack Tote
32	X	15	X	7.5	Straight-Wall, Cross-Stack Tote
<b>Pallets/Lids</b>					
L	X	W	X	H	
48	X	45	X	7	Structural Foam with Lip
<b>Bulk Bins</b>					
L	X	W	X	H	
32	X	30	X	25	2-Door Knock-Down
32	X	30	X	34	2-Door Knock-Down
48	X	45	X	25	2-Door Knock-Down
48	X	45	X	34	2-Door Knock-Down
48	X	45	X	50	2-Door Knock-Down
64	X	48	X	34	2-Door Knock-Down
64	X	48	X	50	2-Door Knock-Down

This is a basic list of the tote and bin sizes that we would want suppliers to use. Only the highlighted ones, though.

Non-Standard Returnable Containers: Shipping Bins/Racks

- Racks should only be used when all other packaging forms – totes, bulk bins, etc. – have been exhausted or are not feasible for the application.
- Rack fleets should only be purchased from reputable suppliers with International Automotive Task Force (IATF) certifications
- Bins/racks should be designed to not only best suit the part, but to also best utilize the inside dimensions of a standard NA 53' trailer (636"x96"x110").
- Bins/racks should be powder-coated the vendor's standard color (blue, black, grey, or beige), unless otherwise specified by the receiving YFAI Facility.
- Potential pinch point areas should be painted red.
- Racks must be stenciled in accordance with the YFAI container marking standard.

**4.14.4 Packaging Labeling Requirements**

Refer to Supply Manual Section 4.5, Labeling Requirements, for component label detail and locations.

Label Placards/holders should be placed as follows:

- Corrugated (cardboard) boxes – Two (2) AIAG labels 4" x 6" per container.
- Totes – Two (2) part label areas for use with standard 4" x 6" AIAG bar code labels. One placard on each short end of the tote.
- Pallet Boxes (large collapsible containers) – Two (2) part label areas placed on container walls for use with standard 4" x 6" AIAG bar code labels on the short sides of the bulk container.
- Racks – Two (2) placard locations for labels on adjacent corners to hold standard 4" x 6" AIAG bar code labels.

Container Marking: Permanent Ownership Markings

All returnable container markings are to be permanent. Container markings should read "Property of YFAI".

- All returnable containers also must have a CoO (Country of Origin) marking on them.
- Two (2) YFAI serialized RFID tags per container assets
- If a unique container, the asset will contain two (2) return-to labels:
  - “Return to Supplier XXX”
- Totes – Two (2) permanent ID’s, hot stamped or molded
- Pallet Boxes – Four (4) permanent ID tags, affixed to the base, one (1) on each side. Alternatives to be reviewed and approved as applicable.
- Pallets/Lids – Two (2) permanent ID tags securely affixed, hot stamped or molded
- Racks, trays or large bins – Should be stenciled, painted or marked in such a manner as to clearly convey ownership of container.

#### **4.14.5 Container Maintenance & Repair for Returnable Container Assets**

- It is expected that YFAI owned container assets and dunnage will be maintained and cleaned by the supplier to ensure part quality expectations
- It is the supplier’s responsibility to account for cleaning/maintenance costs in the packaging piece price unless otherwise specified in the Supplier Statement of Work (SSOW).
- For YFAI owned container assets that require repair or replacement, supplier will contact YFAI Plant Representative for disposition/direction.
- Suppliers must ensure that packaging materials in need of repair are set aside in a clearly marked area of their facility and receive repair/disposition in two weeks or less.

#### **4.14.6 Suppliers Use of Back-up Expendable Packaging**

- Suppliers must request authorization prior to use of back-up expendable packaging by the YFAI receiving plant to receive reimbursement for back-up expendable packaging IF all of the following can be proven:
  - Supplier will notify the YFAI Customer Materials contact of a returnable shortage 2 business days prior to expendable packaging being shipped (email)
  - YFAI Customer Facility did not return containers as agreed upon (if applicable)
  - Containers were lost/damaged not by any fault of the supplier (if applicable)

#### **4.14.7 Supplier Expectations using YFAI provided returnable container assets**

- Suppliers will return YFAI owned container assets within the expected timeframe
- Suppliers will utilize YFAI owned returnable container assets for the intended production use only
- YFAI will issue a supplier DMR to initiate a chargeback for not returning YFAI container assets utilizing the YFAI RFID Returnable container tracking system

#### **4.14.8 Internal Dunnage**

- Dunnage (anything designed to separate and protect parts inside the container) should be used for additional part protection when required.
- Dunnage should be designed from recycled and/or recyclable materials.
- Dunnage should be as simple and inexpensive as possible, and allow for easy access to the parts.
- Dunnage in totes/racks should be returnable and semi-permanently attached to the container to allow for easy repair or replacement

- Returnable dunnage in bulk-bins is preferred. However, it must be made to knock-down to maximize freight usage wherever possible. Expendable dunnage costs vs. freight costs should be analyzed if knock-down returnable dunnage is not feasible.

#### **4.14.9 General Pallet Guidelines – Returnable & Expendable**

- All pallets must adhere to footprint standards list according to AIAG specifications.
- Unit Load stack height may not exceed 52” unless approved in advance; unit loads must be able to stack up to 106” in a domestic trailer.
- All pallets must have 4-way entry.
- Returnable totes should ship on returnable pallets; expendable totes should ship on expendable pallets.
- Returnable Pallets must be able to support a minimum of 4,000 lbs.
- When a returnable pallet is used, a returnable top cap must be used to ensure part integrity and stacking stability.
- Expendable pallets should be made of durable materials so as not to cause a safety hazard while being handled.
- Expendable pallets used for international shipments must be heat-treated to International Standards for Phytosanitary Measures Number 15 (ISPM 15).
- All unitized pallet loads must be made to double, triple, or quadruple stack in a truck, up to 106”. It is not permissible, under any circumstance, for suppliers to ship unitized loads that cannot be stacked.
- Each unit load should contain only one part number; do not ship a unit load with boxes containing different part numbers unless otherwise directed/approved to do so by the receiving YFAI Facility.
- Containers must not hang over the edges of the pallet.
- Containers must be secured to the pallets when shipped. YFAI’s preference is for suppliers to use stretch wrap to secure loads. Seat belts and plastic banding are also acceptable. Metal banding is strictly prohibited.

#### **4.14.10 Domestic Expendable Packaging**

- Expendable container sizes must closely resemble the approved returnable container sizes.
- The gross weight limit for any hand-held package (ex: tote, carton, trim bundle, foam bag, etc.)
  - U.S and Canada: 30 lbs max.
  - Mexico: 22 lbs max
- If a YFAI Health and Safety/Ergonomics representative deems hand-held packages are unsafe based on factors such as height and reach, suppliers may be asked to reduce the gross weight to less than the above standards
- Primary carton direction is half-slotted cartons (HSC) with 1 lid per layer and regular-slotted cartons (RSC) with a perforated tear off lid.
- Boxes may be single, double, or triple wall, depending on size and weight requirements.
- Boxes must be sealed with tape. Metal staples are not acceptable.
- Boxes should be secured to expendable pallets using either stretch wrapping or plastic banding and fiber board corner post to secure cartons on the pallet.

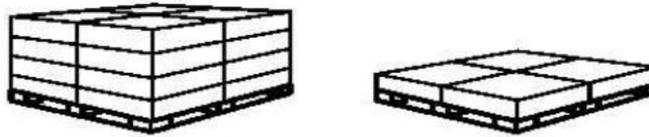
#### **4.14.11 Unit Load Stacking and Corner Supports**

- Unit load stack heights must be designed of sufficient strength to withstand a minimum stacking height at 106 (in) (2693 mm) under full load in transit or storage.
- Unit load top layer may be configured with support in all four corners to allow for stacking in loading and storage as needed. Void fillers or empty cartons

are an acceptable practice; load transfer needs consideration when using such methods.

- Standard unit load height of 25", 34" and 50" are to be maintained to assure maximum cubic transportation efficiency.
- Totes/Cartons must be packed out in full leveled layers. Pyramid stacking (uneveled layers) is not an acceptable practice.

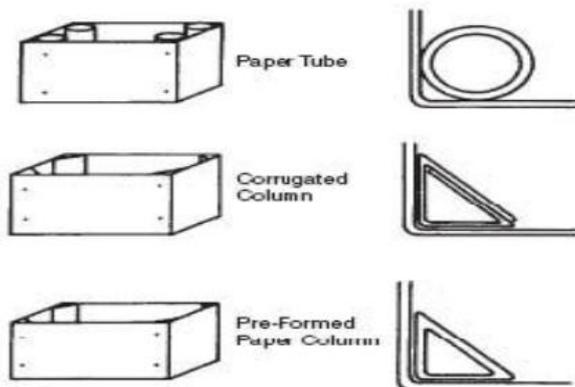
**Properly Palletized Unit Load (Leveled Layers)**



**Unacceptable Palletized Unit Load (Pyramid)**



- When corner supports are required for stacking strength, the preferred option is corrugated; Formed fiberboard angle boards, and roll ups. Wooden corner supports are an allowable alternative when heavy loads are applied. All wooden dunnage must follow the U.S Government Certification, USDA-APHIS (ISPM-15) specification.



- It is the supplier's responsibility to secure all unit loads with adequate banding.
- Polyester plastic strapping is the preferred method for securing a unit load of manually handled tote cartons to a pallet. Supplier must use four (4) way strapping practices on manually handled carton unit loads. Shrink-wrap film, (non-PVC) is also acceptable to ensure load integrity. Metal banding is restricted and allowed on an exceptional basis only.

## ABBREVIATIONS

<b>AIAG</b>	Automotive Industry Action Group
<b>ASN</b>	Advanced Shipping Notice
<b>B/O</b>	Balance Out
<b>BOL</b>	Bill of Lading
<b>BOS</b>	Business Operating System
<b>C/O</b>	Care Of
<b>CoO</b>	Country of Origin
<b>DAP</b>	Delivery at Place
<b>DDP</b>	Delivery Duty Paid
<b>DMR</b>	Discrepant Material Report
<b>DUNS</b>	Data Universal Numbering System
<b>ERS</b>	Evaluated Receipt Settlement
<b>ETA</b>	Estimated Time of Arrival
<b>FAB</b>	Fabricated Material Authorization
<b>FCA</b>	Free Carrier
<b>FOB</b>	Free on Board
<b>FTA</b>	Free Trade Agreement
<b>HS</b>	Harmonized Systems
<b>HSC</b>	Half Slotted Carton
<b>HTSUS</b>	Harmonized Tariff Scheduler Usage
<b>IATF</b>	International Automotive Task Force
<b>ID</b>	Identification
<b>IPPC</b>	International Plant Protection Convention
<b>LPB</b>	Lines Per Block
<b>LTL</b>	Less Than Truckload
<b>MFG</b>	Manufacturing
<b>MMOG/LE</b>	Material Management Operations Guidelines/Logistics Evaluation
<b>MMS</b>	Multimedia Messaging Service
<b>MQR</b>	Management Quality Review
<b>MRP</b>	Material Requirements Planning
<b>NA</b>	North America
<b>NAFTA</b>	North American Free Trade Agreement
<b>NMFC</b>	National Motor Freight Classification
<b>OEM</b>	Original Equipment Manufacturer
<b>PO</b>	Purchase Order
<b>RASIC</b>	Responsible, Approves, Reports, Is Informed, Is Consulted
<b>RAW</b>	Raw Material Authorization
<b>RFID</b>	Radio-Frequency Identification
<b>RSC</b>	Regular Slotted Carton
<b>SCAC</b>	Standard Carrier Alpha Code
<b>SCB</b>	Standard Chartered Bank
<b>SMR</b>	Supplier Material Return
<b>SOP</b>	Start of Production
<b>SSOW</b>	Supplier Statement of Work
<b>YFAI</b>	Yanfeng Automotive Interiors
<b>8D</b>	Eight Disciplines Problem-Solving Model