# *SUPPLIER*

# *QUALITY & LOGISTICS*

# *MANUAL*

***YAZAKI Europe Ltd.***

YAZAKI

# Table of contents

# 1 Glossary of terms

| | |
|---|---|
| **APQP** | Advanced Product Quality Planning |
| **BOS** | Business Operating System |
| **BU** | Business Unit |
| **CLP** | Classification, Labeling and Packaging |
| **EDI** | Electronic Data Interchange |
| **EH&S** | Environmental Health and Safety |
| **ELV** | End of Life Vehicle Legislation |
| **GADSL** | Global Automotive Declarable Substance List |
| **GQRS-C** | Global Quality Reporting System-Components |
| **IMDS** | International Material Data System |
| **IS** | Initial Sample |
| **KPI** | Key Performance Indicator |
| **MAM** | Manufacturing Auxiliary Materials |
| **MDS** | Material Data Sheet |
| **NDA** | Non-Disclosure Agreement |
| **OEM** | Original Equipment Manufacturer |
| **OHSAS** | Occupational Health and Safety Assessment Series |
| **PO** | Purchase Order |
| **PTC** | Porto Technical Centre |
| **PPAP** | Production Part Approval Process |
| **PPM** | Parts Per Million |
| **PSW** | Part Submission Warrant |
| **REACH** | Registration, Evaluation and Authorization of Chemicals |
| **SD** | Supplier Development |
| **Shall** | Mandatory requirement |
| **Should** | Recommendation |
| **SICR** | Supplier Initiated Change Request |
| **SoC** | Substance of Concern |
| **SPDM** | Supplier Performance Deviation Management |
| **SQA** | Supplier Quality Assurance Engineer |
| **SQE** | Supplier Quality Engineer |
| **SQIP** | Supplier Quality Improvement Plan |
| **SVHC** | Substances of Very High Concern |
| **PTC-SDDC** | Porto Technical Center - Supplier Development Documentation Center |
| **YEL** | YAZAKI Europe Limited |

# 2 Scope

The requirements defined in this Supplier Quality & Logistics Manual apply to all suppliers of safe and marketable goods and services, in particular production parts and materials to Plants and BU customer locations within the YAZAKI European Group.

# 3 Purpose

The purpose of the YAZAKI Europe Supplier Quality Manual is to clearly define the quality system procedures and disciplines to ensure and maintain a successful and professional relationship between YAZAKI Europe purchasing and suppliers.

These expectations are YAZAKI specific and are based upon and in addition to the latest editions of the following International and Global Management Standards: ISO9001, ISO/TS16949, IATF16949, ISO14001, OHSAS18001, Core Quality Tools (APQP, PPAP, FMEA, SPC and MSA), OEM/Customer Specific Requirements as well as applicable European Union environment legislation, and any applicable local legal requirements.

# 4 Management Systems requirements

## 4.1 Quality / Environmental / Health & Safety Management System

YAZAKI Europe purchase policy is wherever possible to only purchase goods & services from suppliers that hold third party accreditation for their Quality, Environmental and Occupational Health & Safety Management Systems. Ultimately, all suppliers will be required to hold third-party certification to latest editions of **ISO/TS 16949 or IATF 16949**, **ISO14001** and **OHSAS18001.**

Not being certified has a negative impact on the YEL scorecard performance.
In the case of a certificate suspension decision from the supplier's third party accreditation body, YEL shall be informed by the supplier within 30 days of the decision. **All suppliers** of YEL **shall be third party registered to ISO9001** (latest edition) by an accredited third-party certification body. YEL reserves the right, whenever deemed necessary, to carry out its own assessments on suppliers and / or their subcontractors (by agreement with the supplier).

**Remark to ISO/TS and IATF 16949 certificates:**
ISO/TS and IATF 16949 certificates are considered as valid only if provided by an **IATF recognized certification body**. Non-compliant suppliers shall provide a timing/transition plan to move as soon as possible to an approved IATF Certification Body - official list at the IATF site.
ISO/TS 16949 certificates will no longer valid after **September 14, 2018**.

**Certificate Management - YAZAKI Supplier Portal:**
Suppliers are required to manage their certificates of all active sites (Manufacturing locations, Sales offices & Logistic/ Warehouses/ Distribution Centres) in the YAZAKI Supplier Collaboration Portal.
Latest versions of Management System certificates shall be uploaded in this portal, as a minimum ISO9001, ISO/TS or IATF 16949, ISO14001 and OHSAS 18001 certificates, other certificates are optional.
Automatic system messaging to Supplier users is activated once certificate expiry dates are entered.
For further details refer to the ´YEL Certificate Manual´ posted at the Supplier Portal.

## 4.2 Environmental Product Compliance

The supplier shall take responsibility to ensure compliance to all relevant environmental legislation, both applicable to the regions where goods are produced and/or sold or services are performed, as well as any additional specific requirements from customers. When necessary, investigations within the supply chain shall be done to assure all requirements are communicated effectively and complied with.

For below-mentioned specific requirements, YAZAKI is using following methods and tools to verify the compliance of our Supply base:

- ELV, Directive 2000/53/EC
- REACH, Regulation (EC) No. 1907/2006
- RoHS (Restriction of Hazardous Substances), Directive 2011/65/EU
- CLP, Regulation (EC) No. 1272/2008
- Biocidal Products, Regulation (EU) No. 528/2012
- Packaging and Packaging Waste, Directive 94/62/EC
- Ozone Depletion Substances, Regulation (EC) No. 1005/2009

plus all applicable revisions and amendments to the legislation that affect products in the supply chain.

**IMDS** - International Material Data System, see http://www.mdsystem.com
In order to collect the necessary environmental product information acceptable to our customers, YEL requires that suppliers report **all** product environmental information through the International Material Data System directly.
**YEL´s IMDS Company ID# is 2335**.
YEL primary acceptance criteria are based on IMDS Recommendation 001.

Supplier must be aware of updates to the GADSL and ensure that information submitted is correct, and comply with the recommendations of the IMDS system.

YAZAKI Europe can request clarifications and corrections to previously submitted and accepted IMDS data.

**EU REACH Regulation** (EC) No. 1907/2006
The supplier has to declare in accordance with the requirements of the REACH regulation and to notify YAZAKI Europe purchasing in due time of possible consequences on the basis of the REACH regulation.
Suppliers located outside the European Union have to name an exclusive representative if they deliver “Materials, mixtures and products” into the area of validity of the REACH regulation. The exclusive representative ensures that the REACH obligations are met. The representative name has to be informed.

**REACH SVHCs on the Candidate List**
All substances added to the Candidate List and present in products above 0.1wt% must be reported within the supply chain immediately. When the Candidate List is updated and new SVHCs are added then the obligation for suppliers to inform their customers becomes immediately effective.

**Material Safety Data Sheet**
For chemical products and raw materials suppliers are required to send a MSDS to YAZAKI Europe.

In order to confirm your compliance to these Environmental Product requirements, a signed copy has to be returned of following documents:

1. **EU/ ELV Agreement**
2. **REACH Declaration of Intent**
3. **SoC Checklist**
4. **Packaging Agreement**

These documents will be posted on the YAZAKI Europe homepage under the section `Suppliers - Purchasing Documents`.

### 4.3 Corporate Social Responsibility and Supplier´s Code of Conduct

YAZAKI Europe follows Corporate Social Responsibility activities based on the global YAZAKI Group Corporate Social Responsibility Policy and Strategy. YAZAKI Europe specifies detailed requirements towards its suppliers in the document `Supplier´s Code of Conduct´. The whole set of documents are available on the YAZAKI Europe homepage, section `Suppliers - Purchasing Documents`.

## 5 New Parts/Products

5.1. For each new part / product or first time buy for YEL, the supplier must submit initial samples (IS) with a complete report and supporting documents in accordance with requirements of ISO/TS16949 and IATF 16949, related AIAG manuals APQP & PPAP (latest edition) and any other OEM/Customer specific requirements specified during contract release free of charge. The report must contain YAZAKI part number, technical engineering level and clear and complete supplier identification data. PPAP packages must be complete, accurate and up to date for the products / parts in question at all times.
The suppliers of proprietary or other products / parts must provide documented evidence of formal OEM / customer approval of initial samples, which clearly demonstrates conformance to YEL requirements, including a signed PSW. Where PSW's must be updated on a regular basis, according OEM requirements e.g. annual lay-outs , suppliers will be notified by YAZAKI SDDC to submit updated PPAP documentation free of charge. Initial Samples must be sent as scheduled and always before the start of volume production. Samples must be identified with "Initial Sample" labels and accompanied by appropriate documentation. YEL Core Purchasing, SQE or SDDC may define samples delivery to the relevant YEL `Pilot Plant`.

5.2. For all YAZAKI designed products / parts and upon request of YEL, APQP must be applied.
APQP / Project Management must be tracked via the **SupplyOn platform** http://www.supplyon.com. Supplier shall register to SupplyOn platform if required. Projects will be kicked off by the SQE who specifies APQP and PPAP requirements.
Additionally, a process, full system audit or PSO (Process Sign Off including Run-and-Rate) must be carried out by the SQE before initial sample submission, in order to validate the process and product (in accordance with ISO/TS 16949 and IATF 16949 and any other OEM / Customer specific requirement. See also Section 22.

5.3. Initial- and SoC samples, see 5.5 below, must be in compliance with the requirements with first submission to YEL. Supplier will be requested for corrective actions including resubmission if any deviation is recognized by SQE or SDDC.

5.4. Material packaging is part of the PPAP and as such to be agreed and validated during project phase, prior to PSW approval.
A `**Packaging Specification**` template is available at the YEL Supplier Portal.

5.5. In case of report incompleteness, the PPAP submission will be rejected.

5.6. For each new part a MDS according to IMDS recommendations must be submitted to YEL via IMDS system and the information of MDS ID number must be stated in the PPAP documentation. The supplier shall submit samples free of charge to PTC Laboratory for **SoC compliance testing**. This activity will be coordinated by the respective SQE. For all products / parts supplied, the supplier must automatically provide any changes to MDS. See also 4.2.

5.7. YEL will respect supplier's confidentiality / expertise concerning data covering proprietary products / parts. Data exchange and review must be covered by the NDA concluded between YAZAKI and the supplier.

5.8. SQE will notify supplier with a documented approval or rejection of the IS and PPAP submission. In the event of rejection, YAZAKI Core Purchasing will be notified for consideration in tool payments.

5.9. **Records Retention Table**

| **Document Type** | **Examples** | **Must be retained for** |
|---|---|---|
| APQP and PPAP documentation | Production part approvals, APQP records, Technical specifications, drawings, process flow charts, FMEA, control plans, manufacturing instructions, … | at least **15 years** after product / part or herewith processed final product has been placed on the market or the length of the time that the part (or family of parts) is **active** for production and service requirements **plus one calendar year** unless otherwise specified by YAZAKI or any OEM specific requirements |
| Quality Performance records | Control charts, inspection and test results, product audits, lay-out inspection, functional testing, … | |
| Product Safety related records | Safety relevance and conformity, Critical Characteristic | A minimum of **20 years** from the date of manufacture |

The above time periods are to be considered as minimum. These requirements do not supersede any regulatory requirements.

## 6 Modified Parts

6.1. For YEL nominated (design) parts, no modifications will be accepted without YEL written approval. This applies to all modifications suggested or requested by supplier, YEL and OEM. For non-YEL nominated parts, supplier shall inform YEL in writing according the **SICR process** (see 6.5) with appropriate documentation about any modification, 90 days prior to first shipment of parts.
In all cases a new PSW shall be submitted.

6.2. A modification may be due to any of the following which could affect fit, form or function:

A. Part modifications:
- Dimensions
- Raw material (see 6.1 above)
- Technical specification (performance / test method)

B. Change of supplier or site (Material or service)

C. Process change:
- New tool
- Tool modification
- Process modification
- New process / technology

D. Plant change:
- Production / Tool transfer to a different plant
- Pick-up location change

For any above **modification affecting the material of supplied components,** a new MDS shall be submitted to YEL via IMDS system and samples shall be sent by the supplier to PTC for SoC testing free of charge. See also 5.6.

6.3. The supplier is responsible for any modification (independent from originator of the change) affecting the product they supply.

6.4. YEL must also be informed in advance with **submission of a SICR form sheet** when products / parts manufactured by suppliers subcontractors and also when a modification (refer 6.3.) is proposed in response to a subcontractor request or any OEM request via sub-tiers. The SICR form is available at the YEL Supplier Portal.

6.5. Process steps :

A. Submission of SICR form, duly filled out, **at least 90 days** prior to implementation date to following address: **SICR@yazaki-europe.com**
including detailed information explaining the change / modification.
See also specific info at the YEL Supplier Portal.

B. SICR info will be analyzed upon receipt.
Depending on the modification type, additional samples might be required at YAZAKI Pilot plant for functional testing (see 5.1) and at PTC Lab for SoC tests (see 5.6).
Please contact the YEL SQE.

C. Provision of a change implementation schedule to affected YAZAKI Europe sites.

D. Provision of evidence about security stock level to ensure parts delivery during any change related production down time. In the event of irreversible modifications, the security stock must be validated together with YAZAKI Europe plant prior to implementation of the modification, and records kept and made available to YEL (if required).

E. Identification of new / changed part level.
Whenever a change occurred packaging of the next three consecutive deliveries into YAZAKI Europe plants must be identified with an orange or otherwise agreed label.

## 7 Deviations / Concessions

7.1 Deviations / Concessions will only be considered for a specific quantity of parts/products or a specific time frame and must be documented and signed by a YAZAKI Design Engineer and YAZAKI SQE.

7.2 Deviation: Is the written request from a supplier to knowingly manufacture parts/products which in some way, do not conform exactly to specification i.e. supplier cannot produce parts according to specification and requests YEL for deviation approval.

7.3 Concession: Is the written request from a supplier to ask YEL to accept and use parts already made / in transit, which do not conform to specification, and which the supplier has only become aware of after manufacture.

7.4 Deviations / Concession shall be communicated by using the **CDAR** form (Component Deviation Approval Request). The CDAR form is available at the YEL Supplier Portal.

7.5 The YEL decision on a Deviation / Concession will be given in writing at all times.

7.6 Representative samples should be submitted with the CDAR form to the responsible SQE who will further co-ordinate with related Engineering Dept. and SQA of the YAZAKI user plant.

7.7 If YEL accepts the Deviations / Concessions, each delivery must be identified with a label "Deviation / Concession 'X'.

## 8 Counterfeit electronic components

Distributors/Suppliers of electronic components shall provide evidence of genuine components prior to supplying YAZAKI. Based on the receiving YAZAKI manufacturing plant requirements, supplier must submit minimum evidence, but not limited to, pictures of component packaging, packaging label and component marking. The affected YAZAKI plant can verify the evidence provided with the original component manufacturer (OCM) and all related costs (warranty field cost, revalidation, etc.) will be charged in case any deficiency is detected.
Distributors/Suppliers are obliged to demonstrate capable component management to avoid any infiltration of counterfeit components at any time.

## 9 Logistic requirements - Packaging

Logistic requirements (section 8-14) are specified by YEL Supply Chain Management and are also available at YEL Supplier Portal / Supplier Quality and Development documents:
http://www.yazaki-europe.com/supplier/purchasing_documents.html

### 9.1 Primary product packaging

Primary product packaging or Standard Pack Size (SPS) is the packaging in which the individual products (e.g. bags of connectors, reels of terminals, grommets, etc.) are packed per item number. This definition holds the obligation for the supplier to pack each defined SPS solely into the defined primary product packaging unit.

9.1.1 It is only allowed to pack 1 item number into the defined primary packaging unit (no mixed boxes).

9.1.2 In case of SPS changes, the supplier needs to inform the new SPS quantity & box dimensions (CM) & weight (KGM) to YEL Supply Management.

9.1.3 All goods, except spools of wire should have carton of good quality as primary product packaging (SPS) unless returnable packaging is mutual agreed.

9.1.4 The primary product packaging must enable stacking compatibility.

9.1.5 The primary product packaging must provide adequate protection to ensure that goods reach YAZAKI in perfect condition, depending on the shipping conditions and components material e.g. for sea-freight conditions, environmental effects could require additional packaging material as VCI (Volatile Corrosion Inhibitor) plastic bags etc. The goods must arrive in good condition: no handwriting on boxes, no holes in boxes, no squeezed boxes because cartons are too big for the packed goods or cartons are not fitting to have stackable pallets.

9.1.6 The boxes must be modular in order to guarantee a maximum fill rate of the pallet and the pallet footprint must be covered at every layer. The top of the pallet must also be flat and cartons properly closed.

## 9.2 Transport packaging

Transport packaging is the packaging in which the primary product packaging (SPS) are transported to YAZAKI.

9.2.1 All modular carton loads must be secured to the pallet with plastic banding and/or clear plastic stretch wrap. Under no circumstances is steel banding, nailing, stapling or gluing acceptable.

9.2.2 Cartons of the same part number must be grouped on one pallet. A homogeneous pallet should be the standard. If the order volume per shipment and item nr. does not enable full homogeneous pallets, then mixed part numbers on one pallet are allowed.

9.2.3 Pallet dimensions (L x W) shall be 1200 x 800 mm (EURO pallet format). For US supplied shipments US Block pallets 48 x 40 inch (1219 x 1016 mm) or 48 x 45 inch (1219 x 1143 mm) are accepted. Above applies unless different agreed in the PPAP product packaging standard.

9.2.4 All shipments to all YAZAKI affiliates have to be made on solid wooden pallets which are heat treated (fumigated) and marked in accordance with ISPM 15 standard. Pallets other than solid wood construction are to be reviewed and approved in the PPAP product packaging standard.

9.2.5 The static load must have the strength to stack three pallets units high of the same footprint and weight (when full) in storage or to a height of 3 m, whichever is greater.

9.2.6 The use of DO NOT STACK label is prohibited.
Exceptional use of DO NOT STACK label have to be agreed and will not exempt the supplier from damaged product claims and will be grounds for a Problem Report.

9.2.7 Boxes must be designed to withstand a dynamic (in transit) load of 3 times the static load of the stacked pallet units.
The stackability in the trailer is according to the weight of the pallet unit and the trailer height of 3000mm as follows:

a) pallet unit < 350kg and height of pallet unit < 1000mm: 3 times

Example: Pallet unit of 200kg, 900mm height => Dynamic load: 1800 kg

b) pallet unit between 350 kg and 700 kg or height of pallet unit $\geq$1000 mm: 2 times

Example: Pallet unit of 400kg => Dynamic load: 2400 kg

## 10 Logistic requirements - Labeling

### 10.1 Primary product packaging

10.1.1 Each primary product packaging (SPS) must be labeled with an adhesive 1-dimensional bar-coded label according to the known standard in the European automotive industry e.g. Odette, VDA.

10.1.2 It must be always possible to scan the boxes from the outside of the pallet.

10.1.3 The YAZAKI part number must be mentioned in the P-prefix field; Quantity must be mentioned in the Q-prefix field and should be the same for every delivery. For the quantity field (Q-prefix field) only the following units of measurement can be used: PCS (Pieces), MTR (Meter), KGM (Kilogram), LTR (Liter).

### 10.2 Transport packaging

10.2.1 If a Pallet load consists of a single part number (homogeneous pallet), a bar-coded pallet label of one of the above mentioned standards must be attached to adjacent sides of the Pallet. This will be a “low adhesion” label showing part number and total quantity of parts.

10.2.2 If multiple part numbers are being shipped within one Pallet, a mixed load bar-coded label must be attached to adjacent sides. This must be a “low adhesion” label.

10.2.3 The gross weight for the complete pallet must be easily visible.

## 11 Logistic requirements - EDI

It is required that the supplier is able to communicate according EDIFACT D99A respectively the communicated YAZAKI standard.

## 12 Logistic requirements - Terms of Delivery

12.1 Delivery must be executed according to the official and mutual agreed Incoterms (Incoterms 20XX of the International Chamber of Commerce).

12.2 The supplier is responsible for providing all necessary documents (Delivery Note, CMR, Invoice) in line with local, national and international legislation.

12.3 The preparation of export documents for non EU-Countries is mandatory according to the agreed Incoterms.

12.4 The supplier is required to provide proof of origin for all its products as long as customs preferential treatment can be applied in the importing country and/or in the European Union. This proof must be in line with EU legislation (eg. EUR1, Invoice declaration, EURMED, long term supplier declaration).

## 13 Logistic requirements - Cost of non-compliance

Documentation costs:

- Export declaration / EX1 document: 50€ / shipment
- EUR.1 / ATR: 50€ / shipment
- Web-Portal Booking: 10€ / shipment

YAZAKI will pass through all incurred expenses in terms of Repacking, Labeling or any further activities based on the local labor costs, but with a minimum of 100€, plus applicable documentation costs.

## 14 General Comments - Delivery and Packaging

14.1 The suppliers shall only deliver according to schedule, any costs related to early or late shipment i.e. special freight costs, over and under shipment will be charged to the supplier.

14.2 In any case of delivery concerns the supplier shall inform the YAZAKI Purchasing Buyer and take appropriate actions to avoid material shortages at YAZAKI plants.
The supplier should also review & update the Contingency Plan if required. Being responsible for line stoppages at YAZAKI plants has a negative impact on the YEL ScoreCard performance.

14.3 Whenever an engineering change occurs the next three consecutive deliveries into YAZAKI locations have to be identified with an orange / otherwise agreed label. See also 6.5.E

## 15 Treatment of Complaints / Rejections

15.1 The supplier is responsible for the quality of parts/products delivered at all times. He is also responsible for delivery of the correct parts/products, to the correct YAZAKI location. The supplier's responsibility is not only for his individual part, but also for any concerns/ rejections / recalls etc. with YAZAKI products/parts which have been produced using suppliers defect / suspect product/parts and are related to those defect / suspect product/parts.

15.2 Whenever a quality concern has occurred, the cartons of the next three separate O.K. deliveries must be identified with an **extra green label**.

15.3 Treatment of quality & logistic complaints / rejections

The supplier shall apply the eight disciplines (8D) root cause analysis problem solving methodology and have evidence of official training on problem solving techniques.
The supplier must provide to YAZAKI facilities an 8D report which must be in the English language, and which upon closure, clearly defines and verifies corrective actions implemented to eliminate the root cause.
This process must be carried by the supplier using the web-based **GQRS-C** portal https://gpdb.yazaki-europe.com/sm_apps/. User Manuals are posted in the portal, if necessary, further guidance / advice on the correct use of this system can be obtained from the SQA and/or SQE.

15.4 Responsiveness / Pro-Activeness

Suppliers are selected because of their competence, qualification and particular commodity experience in an automotive environment. This includes that suppliers must be responsive and proactive for the entire life of the product.

Design and Development phase:
Suppliers must assist YAZAKI project teams to find the best technical solutions at competitive prices, without compromising the required level of quality.

Production phase:
Suppliers must be committed to provide the necessary resources to resolve any concerns as top priority.

Post production phase:
Suppliers must be committed to support and take responsibility for any concerns occurring after production phase i.e. field claims, warranty concerns.

15.5 Immediate Corrective Action

The supplier shall name a ´Champion´ for each supplier manufacturing location. When YAZAKI and associated companies receive products from more than one supplier manufacturing location, the supplier shall name a European coordinator to assist communication.

Production flow interruption: In the event of non-conformities, the supplier must provide corrective actions necessary to ensure YAZAKI production without interruption. These actions may include sorting, rework, containment, immediate replacement of defectives, and identification of `OK` parts / materials, and the presence of the supplier / suppliers personnel in the YAZAKI facilities affected, at supplier´s cost. Suppliers must respond within 24 hours (maximum) when notified of a concern.

Agreed containment action may include visits of specific supplier personnel to YAZAKI facilities to review / analyze the concerns. This is in addition to supplier personnel who may be carrying out sort / rework activities, as referred to above.

Suppliers shall provide YEL with an initial 8D root cause analysis report using the YAZAKI GQRS-C web based system, identifying containment actions (3D) within 24 hours. The appropriate YEL SQA personnel responsible for handling the concern must review and approve the proposed supplier actions.

15.6 Permanent Corrective Action

Suppliers must provide YEL with 8D root cause analysis report within 10 working days with an 8D report detailing complete corrective action.
A corrective action-timing plan (in conjunction with 15.5 above), must be submitted to the appropriate SQA personnel, who must approve the proposed plan / actions.

## 16 Customer Line Returns and Warranty Returns to YEL

If supplier responsibility is identified, customer line returns and warranty returns will be managed as quality incidents and reported in the GQRS-C portal. The same process applies as explained in section 15.

## 17 Repetitive Problems

17.1 A repetitive problem indicates that the corrective actions according to 8D report were not effective or not implemented. Moreover the effectiveness of the corrective action was not verified, as required by the 8D process.

17.2 In the case of repetitive problems YEL may request suppliers senior management to visit the YAZAKI plant to propose and commit to a complete business action plan.

17.3 Supplier shall provide 100% inspection and identification of purchased parts/products until the problem is eliminated (Controlled Shipping), and if requested by YEL, must agree to a process audit at the relevant supplier facility.

## 18 Cost of Non-Quality

In the case of quality and supply concerns caused by suppliers and accepted as justified by the Supplier, all direct and indirect costs incurred at YAZAKI in particular for exceeding delivery dates, labor, materials, additional freight, lack of output, plus any other associated costs will be fully charged back to the delinquent supplier. This will be based upon the data collected via the GQRS-C system (Cost Agreement) related to the length/magnitude of the concern/rejection.

## 19 Product Traceability

Products supplied to Yazaki shall be traceable up to a defined grade of detail. The traceability definitions shall be agreed with the individual SQE.
Products defined as safety relevant shall be traceable on manufacturing lot level at a minimum.

## 20 Supplier Performance Evaluation / Supplier ScoreCard

Supplier Quality & Logistic Performance is measured against following KPI´s:

1. PPM Performance
2. Rejection Performance - Rejections per million (RPM)
3. 3D Reactivity Performance
4. 8D Reactivity Performance
5. Documentation Performance
6. Delivery Performance
7. Number of Rejections
8. Line-stop Performance
9. 3D Reactivity Performance of Customer Concern

Downgrading criteria: Certification Performance and subcategory fail (D level).
The overall status (A, B, C, D level) is the sum of all KPI scores and considering the downgrading:

| SCORE | LEVEL | STATUS |
|---|---|---|
| 85 ≤ Score ≤ 100 | A | Preferred |
| 67 ≤ Score < 85 | B | Acceptable |
| 50 ≤ Score < 67 | C | Probationary |
| 0 ≤ Score < 50 | D | Unacceptable |

For detailed information, refer to the `YEL Supplier ScoreCard Manual´ stored at the YEL Supplier Portal.

## 21 Quality Objectives - Quality Improvement Plan

21.1 All suppliers are expected to drive **Zero Defects Philosophy** throughout their supply chain, aiming to deliver defect free material at the required time. The ultimate quality target can only be zero PPM.

21.2 Individual PPM Targets per project will be defined and specified, considering the product and technology as well as given customer requirements, in project specific documentation.
The **quality objective** on parts/products used on new projects i.e. projects in ramp-up prior to volume production, will be negotiated between SQE / Supplier at the relevant time, but the ultimate target / objective will still be defect free deliveries (zero PPM).

21.3 Supplier Development / Quality Improvement Plan (QIP)
The supplier quality performance is monitored and is the base for deploying development activities to improve Quality, Cost, Delivery and Environmental objectives.

For suppliers defined as high impact and/ or with a decreasing quality performance trend are expected to deliver a comprehensive **Quality Improvement Plan (QIP)** for continuous improvement of their system, organization, etc., showing how Quality, Cost, Delivery and Environmental objectives are to be achieved.

Individual **Quality Commitments** with quality objectives are set-up by the SQE and agreed with the Supplier on a yearly basis, at a minimum.

## 22 Supplier Audits

Audits at supplier premises may be performed for following reasons:

- New Supplier
- New Supplier location
- New / additional business
- New process
- During APQP, before and or after PPAP/Product approval
- Poor performance
- After a major incident
- Other…

The supplier will be notified in advance in due time in comparison to the audit reason by the YAZAKI Auditor / SQE about any planned audit activity. The supplier is responsible to be well prepared for the audit including submission of the self-assessment in advance in order to assure the audit can be conducted in a proper way. The Audit format applied is the VDA 6.3 standard, but can also be any other Customer specific assessment questionnaire.
YAZAKI reserves the right to charge the supplier for the expenses incurred if an unacceptable audit score level or preparation is detected during the on-site audit.
The related costs will be clearly communicated through YAZAKI Purchasing.

## 23 Continuous Improvement

Suppliers to YAZAKI are expected to drive continuous improvement activities throughout the whole organization.
Besides the basic standards of high level housekeeping / 5S, Visual Management, Mistake Proofing tools (Poke-Yoke) and good Problem Solving methods, it is also recommended to implement and maintain a Lean Management philosophy and principles using tools such as Value Stream Mapping, SMED (Single Minute Exchange of Die), OEE (Overall Equipment Effectiveness), Kanban, Standardized Work, TPME (Total Productive Maintenance) etc. The respective SQE will verify the level of implementation during on-site visits / audits.

## 24 Supplier Performance Deviation Management - Escalation process

The Supplier Performance Deviation Management procedure is a proactive 3-stage escalation process. It defines the process and actions for issuing and conducting reviews to suppliers delivering material or service with deviating performance (quality, commercial, logistic) to YAZAKI Plants and Business Units.

For each of these levels, related letters are submitted describing the deviation and the required next steps. Each letter has to be acknowledged, confirmed and appropriate actions have to be submitted.
Level 1 review: YAZAKI and Supplier representatives
Level 2 review: Management level
Level 3 review: Executive Management level

If the Supplier's corrective action is unsuccessful and the performance level continues, passing the deadline determined in the Level 3 review, the Supplier's long-term relationship with YAZAKI will be assessed and may ultimately result into a New Business Hold status.

## 25 YEL Supplier Portal

A copy of this document and all future updates can be found on the YEL homepage under the section `Suppliers - Purchasing Documents´.

## 26 Revision History

| Revision Level | Comments | Date |
|---|---|---|
| New | Supersedes previous version YEL-SM-M-28.<br>New doc numbering applied according internal procedure.<br>Updates of Quality, Logistic and Environmental Product Compliance requirements.<br>Main updates in sections:<br>2. Scope updated<br>3. IATF 16949 standard added<br>4.1 Note added to ISO/TS 16949 certificates<br>4.2 Environmental Product Compliance requirements updated<br>4.3 Reference added to Supplier´s Code of Conduct<br>5.9 Records Retention update by Legal Dept. (ref. IATF 7.5.3.2.1)<br>12.4 New requirement added<br>18 Exceeding delivery dates added<br>19 Product Traceability added (ref. IATF 4.4.1.2 criteria k and l) | 25-May-2017 |
| | For Reference only - YEL-SM-M-28, Rev. N, 1-July-15.<br>Main updates in sections:<br>4.1 Certificate Management<br>4.2 Environmental Management<br>4.4 Conflict of Minerals (newly added)<br>5.1 New Parts/Products report submission<br>5.2 APQP and process/ product validation activities<br>5.6 Sample submission SoC testing and GADSL reference<br>5.9 Record Retention Table<br>6.1 IMDS reporting and sample submission for SoC testing<br>6.5 SICR notification<br>7.1 Approval of Deviation / Concession<br>9-14 Logistic requirements - Packaging update<br>19. Supplier Performance Evaluation KPIs / ScoreCard<br>20. Zero Defects Philosophy - Quality Objectives - Quality Improvement Plan<br>23. Supplier Performance Deviation Management (newly added) | 1-Jul-2015 |