



SUPPLIER QUALITY AND DEVELOPMENT MANUAL



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This electronic edition of the Supplier Quality and Development Manual supersedes all other forms of the Manual.



Revision Log

The information in this Manual is subject to change without notice, revision levels and history is available for identification of latest version.

| Rev. Level | Rev. Date | Revised By | Approved By | Sections Revised |
|------------|------------|----------------|------------------|--|
| 1 | 12/16/2015 | | Murat Kocak | Initial release |
| 2 | 2/25/2018 | | Murat Kocak | YAPP Logo update |
| 3 | 3/29/2018 | | Murat Kocak | Addition of Romulus and Chattanooga facilities to introduction. Updated ISO TS 16949:2009 to IATF 16949:2016 and ISO 9001:2008 to ISO 9001:2015. Updated Customer specific requirements (section 7.6). |
| 4 | 9/30/2021 | | Hector Diaz | Added Supplier Corporate Social Responsibility and Sustainability (section 5.2). Replaced NAFTA (North American Free Trade Agreement) with USMCA (United States-Mexico-Canada Agreement) on section 11.8. Replaced Murat Kocak with Hector Diaz (YAPP USA Director of Quality) as document approver. Added requirement for suppliers to review the Customer (OEM) Specific requirements at initial PPAP submission (sections 7.6 & 8.5). |
| 5 | 3/6/2023 | Manuel Ramos | Rodolfo Gonzalez | (Note added on 7.0 Supply Change Management). Directed Suppliers by OEM's will be considered to be evaluated performing Supplier Assessment audits at beginning of the projects / programs. |
| 6 | 10/11/2023 | Jesus Palacios | Rodolfo Gonzalez | Annual review and validation of agreements with suppliers defined in this manual. Update of Quality director name. |
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1.0 - Introduction

YAPP USA Automotive Systems, Inc. is a world class, Tier 1 Automotive Supplier specializing in the design, engineering and manufacturing of fuel system solutions. YAPP USA Automotive Systems, Inc. uses injection molded and co-extrusion technologies together with industry leading product development to produce unique multi-layer blow-molded fuel management systems and components, including filler pipes, automotive and non-automotive fuel and SCR tanks. YAPP USA Automotive Systems, Inc. uses a proprietary blow molding processes that enable improved product construction, durability, resistance and quality.

YAPP USA Automotive Systems is dedicated to providing direct support and services to our Customers. YAPP USA Sales and Engineering Center is strategically located in Troy, MI., enabling direct interaction and improving communication with OEM Manufacturing facilities and Corporate Offices. YAPP USA Corporate Office and Tennessee manufacturing facility is located in Gallatin, TN., 30 miles NE of Nashville, TN. YAPP USA continues to expand its manufacturing footprint in the United States and has added a new manufacturing facility in Romulus, MI., and a satellite location in Chattanooga, TN., allowing us to stay close to our Customers and contribute to their success. YAPP USA expansion is intended to provide maximum flexibility, efficiency, on-time delivery and excellent Customer Service to meet and exceed our Customers' expectations.



YAPP USA Automotive Systems, Inc. believes in Quality, which is the reason why all of our processes are created and integrated to create value for the Customer. YAPP USA employees are committed to continued improvement efforts and initiatives to promote a Quality Culture that results in exceeded expectations and satisfaction for our customers.

For us to be successful in this endeavour, we need the full committed cooperation of our Suppliers and their team members. YAPP USA Automotive Systems, Inc. follows important aspects at our manufacturing sites, which include Safety and Environment, Quality, Delivery, Total Cost and Human Development. We encourage all Suppliers to also follow these principles to ensure a committed Supplier base to support our requirements.



SUPPLIER QUALITY AND DEVELOPMENT MANUAL

2.0 – Purpose

The Purpose of this manual is to define for our current and potential new Suppliers the YAPP USA Automotive Systems, Inc.'s expectations and requirements that are the backbone of a long term mutually beneficial and profitable relationship.

Suppliers to YAPP USA Automotive Systems, Inc. are expected to implement and maintain a robust Quality Management System which promotes defect free products through prevention, monitoring and continual improvement.

All expectations and requirements are intended to assure safe and reliable products from Suppliers, which meet our customers' expectations for Quality, delivery and price. We are committed to working with our Suppliers to assist in meeting this intent and to provide for continual improvement, emphasizing defect prevention and waste reduction in the supply chain.

YAPP USA Automotive Systems, Inc. will assess each Supplier's ability to comply with the requirements contained in this manual and based on the perceived risk assessment may include an on-site audit of the facility by the YAPP USA Automotive Systems, Inc.'s SQE or plant personnel.

YAPP USA Automotive Systems, Inc. expects all Suppliers to acknowledge and comply with the requirements contained in this manual. Suppliers are also encouraged to visit YAPP USA Automotive systems, Inc.'s website: www.yappusa.com and review a controlled copy of this manual for up-to-date guidelines. Further information is also available by contacting the YAPP USA Automotive Systems, Inc. Purchasing Department via e-mail at Purchasing@yappusa.com or the YAPP USA Supplier Quality Group at SupplierQuality@yappusa.com.

Our full Purchase Order Terms and Conditions can be found on the links below.

[YAPP USA Purchase Order Terms and Conditions](#)

[YAPP USA Blanket Purchase Order - Additional Terms and Conditions](#)

3.0 – Scope

This manual applies to Suppliers who provide production and service materials and component parts directly to YAPP USA Automotive Systems, Inc.



4.0 – Definitions and Abbreviations

- AIAG: Automotive Industrial Action Group
- APQP: Advanced Product Quality Planning
- ASN: Advanced Shipping Notification
- BOS: Business Operating System
- CAR: Corrective Action Request
- CC: Critical Characteristic
- COO: Certificate of Origin
- ECN: Engineering Change Notice
- FOB: Free On Board
- IMDS: International Material Data System
- IPP: Initial Production Parts
- KC: Key Characteristic
- MSA: Measurement System Analysis
- MSDS: Material Safety Data Sheet
- PO: Purchase Order
- PFMEA: Process Failure Mode and Effect Analysis
- PPAP: Production Part Approval Process
- QMS: Quality Management System
- QSB: Quality System Basics
- RFQ: Request For Quotation
- RPN: Risk Priority Number
- SC: Significant Characteristic
- SECA: Supplier Early Containment Activity
- SPC: Statistical Process Control
- SQE: Supplier Quality Engineer
- SQIN: Supplier Quality Issue Notice
- Sub-Contractor/Supplier: Tier 2 to YAPP USA Automotive Systems, Inc.
- Supplier: Tier 1 to YAPP USA Automotive Systems, Inc.
- YAPP USA: YAPP USA Automotive Systems, Inc.
- 8D: 8 Discipline problem resolution report



5.0 – YAPP USA Automotive Systems, Inc. Business Philosophy

YAPP USA Automotive Systems, Inc.’s business philosophy and operational principles are based on a win-win ideology and team approach in all levels of our activities.

YAPP USA Automotive Systems Inc. believes in following the “Principles of Lean Manufacturing” and utilization of “5S – Visual Factory” methods in its operations. YAPP USA Automotive Systems, Inc. strives for excellence in adhering to fundamental process basics in the areas of Safety, Environmental, Quality, Human Development, Delivery and Total Cost. YAPP USA Automotive Systems, Inc. values and welcomes every Supplier who is utilizing similar sound operational practices.

At YAPP USA Automotive Systems, Inc. we are committed to our ultimate goal of providing best-in-class products for the global market. To achieve this goal, we strive to reduce the number of incidents and defects to our customers to an absolute minimum. We recognize the significant role our Suppliers play in meeting this goal. YAPP USA Automotive Systems, Inc. appreciates Suppliers who can demonstrate their capabilities in meeting our expectations.

5.1 - Code of Conduct

In selecting Suppliers, YAPP USA Automotive Systems Inc. works hard to choose reputable business partners who are committed to ethical standards and business practices compatible with those of YAPP USA Automotive Systems, Inc.

Recognizing differences in cultures and legal requirements, we expect that wherever our products and the components that comprise them are produced, they are produced in a manner compatible with the high standards that contribute to the outstanding reputation of YAPP USA Automotive Systems, Inc. Suppliers are required to comply with legal and ethical rules and regulations.

YAPP USA Automotive Systems, Inc. strongly encourages Suppliers to promote best practices and continuous improvement throughout their operations. Suppliers to YAPP USA Automotive Systems, Inc. must operate in full compliance with all applicable laws and regulations of the countries in which they operate.

Suppliers to YAPP USA Automotive Systems, Inc. are expected to take necessary corrective actions to promptly remedy any identified non-compliance. YAPP USA Automotive Systems, Inc. reserves the right to terminate its business relationship with any YAPP USA Supplier who is unwilling or unable to comply with applicable laws.

5.2 – Supplier Corporate Social Responsibility and Sustainability

YAPP USA Automotive Systems expects its suppliers and business partners to develop and adhere to rules on human rights, health and safety at work, environmental protection and combatting corruption. The following sustainability requirements apply to all business relationships with our suppliers.

5.2.1 – Environmental Protection

Suppliers must comply with applicable environmental laws and regulations in all countries in which they operate. Those suppliers with more than 100 employees should have certification according to the international standard ISO 14001. Suppliers shall take on environmental challenges with care and foresight. The development and dissemination of environmentally friendly technologies shall be encouraged. Suppliers are expected to



improve the environmental performance of products and services by setting targets and monitoring environmental key performance indicators. Impacts on the environment and health of employees must be avoided or kept to a minimum in all activities throughout the entire life cycle of the products and services. Suppliers and business partners shall make efforts to minimize air emissions, that pose a risk to the environment and health, including greenhouse gas emissions. To improve the environmental key performance indicators for products and services, suppliers must provide for proactive management of the most important environmental indicators, including reduction of greenhouse gas emissions along entire supply chain.

The efficient use of energy, water and raw materials, the use of renewable resources and the minimization of damage to environment and health are all taken into consideration in development, raw material extraction, manufacture, product service life and recycling stages as well as in other activities.

5.2.2 – Human rights and labor rights of employees

No slavery and no human trafficking. Suppliers reject all conscious use of forced and compulsory labor as well as all forms of modern slavery and human trafficking. There is no bonded labor or involuntary prison labor. Employment relationships are entered into on a voluntary basis and may be terminated by employees at their discretion and with a reasonable notice period.

Child Labor is prohibited. The minimum age for admission to employment in accordance with state regulations must be observed. Follow the guidance of the International Labor Organization (ILO) if no such state regulations exist.

No discrimination and no harassment. Supply partners reject all forms of discrimination and harassment. They must not discriminate against any employees, on the grounds of ethnic origin, skin color, gender, religion, nationality, sexual orientation, social background, age, physical or mental limitations, marital status, pregnancy, membership in a trade union or political affiliation as this is based on democratic principles and tolerance towards those of a different opinion, in general, employees are selected, employed, and supported based on their qualifications and capabilities.

5.2.3 – Occupational Health and Safety

YAPP USA Automotive Systems supply partners must comply with the national occupational health, safety and fire safety regulations. A process enabling the continuous reduction of work-related health hazards and improvement of occupational health, safety and fire safety must be established.

Items that our supply partners should address are:

- Inform employees of identified hazards and the preventative and corrective measures put in place to minimize hazards. The information must be available in the languages relevant for employees.
- Conduct training on prevention of work-related health disorders, the prevention of accidents at work, first aid, chemical management and fire safety.
- Provide suitable protective equipment and protective clothing free of charge.
- Install appropriate fire protection equipment such as fire detectors and fire extinguishing systems.
- Monitor and control work-related health hazards and the resulting protective measures.



- Label the chemicals used as prescribed by the Globally Harmonized System of Classification, Labelling and Packing Regulations. Chemicals must be stored in line with national regulations.
- Provide appropriate emergency plans, fire protection equipment and first aid materials for medical assistance in the event of an accident and organize adequate transport for further treatment of casualties.
- Ensure an appropriate amount of emergency exits, escape routes, and emergency assembly points are marked with sufficient signage.

Suppliers shall provide employees with toilet facilities and drinking water while taking account of national laws and regulations of standards. All facilities for consumption and preparation of food as well as food storage must be hygienic. If the nature of work requires provision of dormitories for workers, these must be clean and safe, and provide sufficient space. Working and living conditions.

5.2.4 – Transparent business relations

YAPP USA Automotive Systems and our suppliers bear responsibility for their own actions and for selecting their business partners. Therefore, YAPP USA conducts risk-based integrity due diligence regarding our business suppliers. Our business partners act with integrity and protect the reputation of YAPP USA. They work towards ensuring that they only maintain business relations with appropriately checked business partners that act in compliance with rules and regulations. They take appropriate actions to remediate identified violations and prevent them in the future.

To avoid conflicts of interest, YAPP USA Automotive Systems business partners and suppliers make decisions solely based on objective criteria and are not influenced by financial or personnel interests of relationships.

YAPP USA Automotive Systems and its business partners do not tolerate corruption practices and take action against such practices. YAPP USA supports national and international efforts not to influence distorted competition through bribery. We require that our business partners and suppliers reject and prevent all forms of corruption, including what are known as facilitation payments (payments to speed up the performance of routine tasks by officials). Business partners and suppliers must ensure that their employees, sub-contractors and agents do not grant, offer or accept bribes, kickbacks, facilitation payments, improper donations of other improper payments of benefits to or from customers, officials or other third parties.

5.2.5 – Duty of care to promote responsible raw material supply chains.

Our suppliers are required to comply with their due diligence obligations with regard to relevant raw materials – particularly tin, tantalum, tungsten, gold, cobalt, and mica.

This includes the implementation of measures aimed at identifying risks in relation to direct or indirect financing of armed conflicts and serious violations of human rights, including child labor, forced labor and slavery and taking appropriate measures to minimize such risks.

This also includes continuous efforts by suppliers to enhance transparency along the upstream supply chain extending back to raw material extraction. Information regarding smelters or refineries used by suppliers or sub-suppliers must be disclosed to YAPP USA upon request.



We expect suppliers to avoid using raw materials from smelters or refineries that do not meet the requirements of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk areas. These due diligence requirements are an extension of the above sustainability requirements regarding environmental protection, human rights and employee labor rights, transparent business relations and fair market behavior, which are integral parts of the due diligence process.

5.2.6 – Integration of sustainability requirements in organization processes

YAPP USA Automotive Systems expects the values anchored in these sustainability requirements to be integrated in day-to-day business through structured and competent management of the supplier. Management must identify and assess legal and other requirements and train employees to ensure compliance with these requirements.

Policy Statement:

YAPP USA Automotive Systems recommends that business partners and suppliers create an internal policy statement (e. g. code of conduct) which sets forth their commitments to social, ethical, and ecological standards. This statement shall be written in languages understood at the business partner’s location.

Documentation:

To the extent required by law, Suppliers must keep records of relevant documents and notes to ensure compliance with regulations. This includes keeping records of necessary permits and licenses.

Training:

Business partners/suppliers shall develop training programs to improve the definitions of guidelines, the implementation of processes and communication of expectations towards their employees. Suppliers shall continually qualify their employees and encourage them to act according to rules and regulations.

Responsibility:

YAPP USA Automotive Systems recommends that Suppliers appoint a sustainability officer of a similar officer who reports to management of the respective business partner/supplier. This officer shall develop and implement sustainability targets and measures within the company and ensure compliance with the code of conduct.

Dealing with misconduct:

YAPP USA Automotive Systems expects that employees of business partners/suppliers can speak up in the event of non-compliance with requirements set out in this document.

5.2.7 - Verification of compliance with the requirements by YAPP USA Automotive Systems, Inc.

YAPP USA Automotive Systems reserves the right to verify compliance with these requirements using appropriate means. This verification may take the form of questionnaires or involve deployment of experts on-site. An on-site audit of this nature is only carried out following prior notification and in the presence of representatives of



the business partner/supplier during their regular working hours and in accordance with applicable laws regarding data protection.

The verification /on-site audits described above may also take place prior to commissioning of the business. Any identified non-compliance with the sustainability requirements in the supply chain of supplier will be assessed by the supplier within a reasonable period of time; the supplier is responsible to remedying such non-compliance at no additional cost to YAPP USA Automotive Systems Inc.

5.2.8 – Reporting misconduct

Misconduct must be identified, processed, and remedied immediately to protect YAPP USA Automotive Systems, its employees and business partners. That calls for vigilance on the part of everyone along with a willingness to draw attention to possible serious regulatory violations based on reasonable suspicion. We also value information of this nature from business partners, suppliers, customers, and other third parties.

YAPP USA Automotive Systems maintains an employee HOTLINE listed in the employee handbook. This line can be used to report serious regulatory and legal violations by company employees. These particular violations could harm the reputation or financial interests of YAPP USA Automotive Systems.

In context of a fair and transparent procedure, the Whistleblower System (part of the Employee Hot Line) protects the company, the persons implicated and the whistleblowers. The system is founded on standardized and swift processes along with confidential and professional processing of reports by internal experts.

If there is reasonable suspicion of potential misconduct on the part of YAPP USA employees or business partners when collaborating with YAPP USA, please report this to the Whistleblower system via the Hotline number.

YAPP USA Automotive Systems considers compliance with the requirements set out in the document to be essential to our business relations. YAPP USA reserves the right to take appropriate legal action if a supplier partner does not comply with these requirements.

The ultimate decision lies with YAPP USA Automotive Systems as to whether it is willing to forego such consequences and instead to take alternative action if the business partner can credibly assure and prove to YAPP USA that it has implemented immediate countermeasures to prevent comparable violations in the future.

6.0 – Quality Management System

6.1 - General Requirements

A robust Quality Management System is an initial base requirement to become a YAPP USA Automotive Systems, Inc. Supplier; it is our expectation that the Supplier adopts continuous improvement practices in their organization; this should be in the form of annual continuous improvement plans documented and approved by upper management. These plans should provide details such as specific goals, action plans, implementation dates and identify personnel responsible. The status of the plans should be reviewed with management at regular frequencies. As required, YAPP USA Automotive Systems, Inc. may ask to review these plans and actions.



In keeping with a continuous improvement philosophy, YAPP USA Automotive Systems, Inc. expects its Suppliers to adopt a visual Business Operating System (BOS), which involves all employees in driving continuous improvement activities throughout the organization. It is expected that this measurement based continuous improvement methodology be utilized to prioritize and focus company resources on the most important aspects of the business such as safety, environmental, Quality, cost, delivery and human development.

YAPP USA Automotive Systems, Inc. recognizes that adopting Lean Manufacturing Principles is an inherently more cost-effective method of managing a business. Preference will be given to Suppliers who adopt these principles at a plant level and companywide. These programs should include training of all employees to these principles, holding workshops (improvement events), establishing measurables, evaluating and acting on the results, communicating results to all employees and cascading the expectations to tier 3 Suppliers.

YAPP USA Automotive Systems, Inc. prefers Suppliers certified to IATF 16949:2016. Suppliers are expected to implement, maintain and improve their certification to this technical specification with the objective of achieving zero defects and continually striving to improve product Quality and delivery. YAPP USA Automotive Systems, Inc. is also certified to ISO:14001 Environmental standards. We expect all Suppliers to follow these guidelines as well.

YAPP USA Automotive Systems, Inc. will accept Suppliers registered to ISO 9001:2015 with the ability to meet AIAG (Automotive Industry Action Group) latest edition manuals of Core Tools (APQP, PPAP, PFMEA, MSA and SPC), YAPP USA Automotive Systems, Inc.'s specific requirements and our customers' "Customer Specific Requirements". Certificates are to be provided to the YAPP USA Automotive Systems, Inc. Supplier Quality Group and updated as required. Calibration and Testing Service Suppliers must be certified to ISO/IEC 17025 by an accredited third-party certification body or approved in writing by the OEM.

In the event of changes to the Quality management system certification status, the Supplier must notify the YAPP USA Supplier Quality Group within five business days.

Communication:

All communication with YAPP USA Automotive Systems Inc. has to be done in English.

6.2 - End Customer Expectations

In the Automotive Industry today, it is necessary for all Suppliers to be familiar with the end Customer's Quality requirements as it is a requirement of YAPP USA Automotive Systems, Inc. to cascade these requirements down to our supply base. An example of such a requirement is General Motor's QSB (Quality System Basics) audit where Suppliers and sub-Suppliers of product to GM are expected to conduct this self-audit.

YAPP USA Automotive Systems, Inc. expects its Suppliers to be familiar with and implement our end Customers' requirements as defined in their "Customer Specific Requirement" publications. This includes but is not limited to annual layout and/or functional testing, adherence to CQI-9 Special Process: Heat Treat System Assessment, CQI-11 Special Process: Plating System Assessment, CQI-12 Special Process: Coating System Assessment, CQI-14 Consumer-Centric Warranty Management and GM 9999-1:H13 Steel and Heat Treat Certification.



7.0 – Supply Chain Management

7.1 – Supplier Selection

Potential Suppliers go through a selection process and upon approval are listed in the Approved Supplier’s List. Sourcing is done from those listed in the Approved Supplier’s List and remaining in good standing. An evaluation process is conducted to ensure all Suppliers continue to meet YAPP USA Automotive Systems, Inc.’s expectations for Quality, delivery, responsiveness and ability to stay current with technology and cost.

It is YAPP USA Automotive Systems, Inc.’s expectation that Suppliers implement a visual business operating system (BOS) that involves all employees in driving continuous improvement activities through the organization. It is expected that this measurement based continuous improvement methodology be utilized to prioritize and focus company resources on the most important aspects of the business such as safety, environmental, Quality, cost, delivery and human development.

YAPP USA Automotive Systems, Inc. recognizes that adopting Lean Manufacturing Principles is an inherently more cost-effective method of managing a business. Preference will be given to Suppliers who adopt these principles at a plant level and companywide. These programs should include training of all employees to these principles, holding workshops (improvement events), establishing measurable, communicating results to all employees and cascading the expectations to tier 3 Suppliers.

All present and potential Suppliers to YAPP USA Automotive Systems, Inc. shall be able to demonstrate, with evidence that they have implemented and maintain a Quality Management System that conforms to the requirements detailed in IATF 16949:2016 or ISO 9001:2015. Third party registration to IATF 16949:2016 or ISO 9001:2015 is required by YAPP USA Automotive Systems, Inc. for automotive Suppliers.

The environment is a priority to YAPP USA Automotive Systems, Inc. and therefore Suppliers are encouraged to be certified to ISO 14001 or working towards certification. Further, the Supplier shall be able to demonstrate, upon request, compliance with local, national and international standards and regulations regarding health, safety and environmental issues relevant to the Supplier’s business.

A Supplier Assessment by YAPP USA Automotive Systems, Inc. Supplier Quality Group may be required prior to the approval of a purchasing agreement. The YAPP USA Supplier Assessment Survey is structured to evaluate the Supplier’s QMS conformance to IATF 16949:2016, ISO 9001:2015, AIAG requirements and Customer Specific Requirements. Additional requirements might be necessary, which will be communicated to the Supplier prior to the survey.

Note: Directed Suppliers by OEM's will be evaluated performing Supplier Assessment audits at beginning of the projects / programs.

Non- automotive Suppliers may be required to conduct a self-audit as an interim approval at the discretion of YAPP USA Supplier Quality Group.

A copy of the YAPP USA Supplier Assessment Form can be obtained from the YAPP USA Supplier Quality team at SupplierQuality@yappusa.com.



The YAPP USA Buyer will notify the nominated Supplier of a new business award by issuing a Purchase Order for the program. In special circumstances, a letter of intent may be issued and can only be issued by YAPP USA Automotive Systems, Inc. Purchasing Department. The Supplier will submit PPAP based on Purchase Order acceptance, other discretionary requirements will be clearly identified as a condition of the Purchase Order.

Supplier Development of Specialty Designated Small Suppliers

When a direct Sub-Supplier to YAPP USA Automotive Systems, Inc. is so small as to not have adequate resources to develop a system according to the current version of IATF 16949:2016 or ISO 9001:2015, or supplies non-engineered products, certain specified elements may be waived by YAPP USA Automotive Systems, Inc. to the Supplier. "Small" here above refers to the size of the organization and may also refer to the volume supplied to the automotive industry. YAPP USA Automotive Systems, Inc. will still assess the Sub-Supplier's size, dollar value of the business, type of product supplied, Quality, manufacturing and delivery systems capability and the risk to YAPP USA Automotive Systems, Inc. Sub-Suppliers are still held accountable to meet the needs of the operations and will be monitored through current Supplier Quality Group's procedures. These sub-Suppliers may also be referred to as "Special Condition" Suppliers.

In addition, the YAPP USA Automotive Systems, Inc. direct Supplier certified to current versions of IATF 16949:2016 or ISO 9001:2015 shall have assessment criteria applied consistently to determine the specially designated small Sub-Suppliers for which this provision may also apply. Suppliers may use the YAPP USA Automotive Systems, Inc. Supplier Risk Assessment as a tool to assess the risk.

At a minimum, the direct Supplier should assess the Sub-Supplier's size, dollar value of the business, type of product supplied, Quality system, manufacturing and delivery systems capability and the risk to YAPP USA Automotive Systems, Inc. Suppliers are responsible for ensuring that Sub-Suppliers develop a Quality management system that facilitates defect prevention, monitoring and improvement. The Supplier is responsible to manage production risk through sourcing to financially stable Sub-Suppliers and monitoring Sub-Supplier financial stability (IATF 16949:2016 clause 8.4.1.2).

7.2 - Approval

To be awarded business from YAPP USA Automotive Systems, Inc., a potential new Supplier is required to enter a competitive bidding process with a lowest total cost approach. When it becomes evident that business will be awarded to the potential new Supplier, a more in depth analysis is done of the potential Supplier's ability to meet YAPP USA's requirements for Quality, delivery, responsiveness, technology and cost. An on-site audit may be conducted to confirm the potential Supplier's capability and capacity to meet the requirements.

Potential Suppliers will be requested to complete a Supplier Information form and a Supplier's Profile form. Once completed, the forms are to be submitted along with copies of the Quality system certification to the YAPP USA Buyer at Purchasing@yappusa.com.

A copy of YAPP USA's Supplier Profile Form can be obtained from the YAPP USA Purchasing team at Purchasing@yappusa.com.

This form requires to be updated whenever any of its content changes, such as changes of key personnel. In addition, the potential Supplier shall provide in writing a separate list with the names, responsibilities, address,



phone numbers and email for those occupying the position of President/Senior Executive, Top Sales Executive, Account Manager, Quality Manager and a primary Program Manager.

At the discretion of the Buyer, a pre-award/technical review meeting for new or current Suppliers offering new products or services may be conducted prior to the commencement of supply, based on risk assessment or potential issues, if identified. Technical, Quality, manufacturing, engineering, purchasing, delivery, capacity, and business issues shall be reviewed during this meeting to provide:

- A. The Supplier, with a thorough understanding of YAPP USA Automotive Systems, Inc.'s requirements and expectations.
- B. YAPP USA Automotive Systems, Inc., with a thorough understanding of the Supplier's capabilities, program risks and limitations.

7.3 - Supplier Development Program

YAPP USA Automotive Systems, Inc. will prioritize Supplier development based on the performance results, associated risks and criticality of the product and components.

The Supplier development plan can consist of the request for corrective action, scheduled progress report meetings, audits by the YAPP USA Automotive Systems, Inc. SQE and on-site support of Quality systems.

Supplier development plans may include support in Quality systems, Lean Mfg., six-sigma, team-oriented problem solving, etc.

YAPP USA Automotive Systems, Inc. has high expectations of all Suppliers and will seek to work with Suppliers that demonstrate a strong commitment to Quality improvement, continuous improvement and cost savings.

7.4 - Supplier's Performance Evaluation

YAPP USA Automotive Systems Inc. evaluates its Supplier's performance on a monthly basis through means of a scorecard issued within 10 days of each month's end and delivered electronically to the Supplier's contact on record. The scorecard report provides a final score based on an evaluation of the Supplier's performance on each of the following areas which have been identified as a key success factor for YAPP USA Automotive Systems, Inc.:

- Line interruptions (at YAPP USA and Customer locations)
- On time delivery (Material and Documentation)
- Customer Satisfaction
- Logistic issues (Labeling, packaging, ASN notifications, etc.)
- PPAP issues

When there are concerns in the above categories, penalty points are applied based on the number of rejected parts or occurrences giving demerit points, the total of which is used to calculate the performance score in a percentage form.

Suppliers are rated under this system in the following color format.



90 – 100%



Less than 90%

No action will be required from Supplier when monthly performance is 90% or above. This is indicative of a Supplier’s acceptable performance, and it is YAPP USA Automotive Systems Inc.’s expectation that Supplier achieves this category each month.

When a non-acceptable performance score of less than 90% is obtained, YAPP USA Automotive Systems Inc. will issue a SQIN to create a record of the impact caused to YAPP USA Automotive Systems or any of its customers. Supplier is required to close the SQIN by providing the YAPP USA Supplier Quality Group with a detailed problem-solving analysis and 8D within the first 30 calendar days after SQIN issuance. When required, the specific OEM format will be used to document the permanent corrective action. YAPP USA Automotive Systems, Inc. reserves the right to request the Supplier to visit the YAPP USA facility to present a corrective action to the YAPP USA personnel involved, if necessary.

Suppliers that fail to close an SQIN within the 30-calendar day period after SQIN issuance will receive a Customer Satisfaction penalization. This might affect the Supplier’s performance for the consecutive month.

7.5 - Delivery Expectations

YAPP USA Automotive Systems, Inc. issues release dates through the “YAPP USA Planning Schedule”. It is important to note that these are in-house arrival dates. It is expected that the Suppliers use appropriate lead times to ensure product arrives to schedule.

On time delivery is a key part of meeting our customers’ expectations, the product we receive from our supply base also needs to meet these expectations. A supplier’s delivery performance is calculated through tracking non-compliance to shipping dates, quantities, expedited freight and ASN’s.

7.6 - Customer Specific Requirements

Specific OEM’s Customer Specific Requirements are an integral part of doing business in the automotive industry and are a part of the contract with YAPP USA Automotive Systems, Inc. It is expected that all suppliers become knowledgeable in and practice all applicable OEM’s customer specific requirements.

Customer (OEM) Specific requirements are available at: <https://www.iatfglobaloversight.org/oem-requirements/customer-specific-requirements/>. Please contact SupplierQuality@yappusa.com to obtain a copy of the Customer Specific Requirements for the following Customers: John Deere, Nissan, Volvo.

Examples are:

- Certificate of Origin
- Packaging Forms
- Shipping label
- IMDS
- Process review

- CQI-9 Special Process: Heat Treat System Assessment
- CQI-11 Special Process: Plating System Assessment
- CQI-12 Special Process: Coating System Assessment
- CQI-15 Special Process: Welding System Assessment
- CQI-17 Special Process: Soldering System Assessment



Run at rate
PPAP samples

CQI-23 Special Process: Molding Assessment
CQI-27 Special Process: Casting Assessment

8.0 – Product/Process Development Requirements

8.1 - General

YAPP USA Automotive Systems, Inc. requires all Suppliers of production, service and prototype parts to follow the guidelines provided in the AIAG Core Tools manuals.

At the launch of any new programs or the changeover of existing parts, the Supplier's product and process, development practices are expected to follow the elements as defined in the AIAG APQP (Advanced Product Quality Planning) manual. On any changeover of existing parts, Suppliers are required to do a detailed review of existing parts to fully understand the Quality appearance and functionality of the part(s).

When Customer directed Suppliers are required to be used, the same level of controls are practiced as would be expected of the regular supply base.

The Supplier shall plan and develop Quality systems and manufacturing processes required for product acceptance (PPAP) based on their quote and YAPP USA Automotive Systems, Inc. program timing. Each Supplier shall develop a Quality plan that promotes continuous improvement in all activities such as Quality, cost and delivery and where appropriate, design and development. Documentation providing evidence of adherence to this plan shall be made available to the YAPP USA Buyer/SQE upon request.

8.2 - Program Development

At the time of any new job award or the changeover of existing parts a pre-award review will be held with the Supplier's multi-disciplinary APQP team prior to the release of a Purchase Order for materials, products or services related to production, the intent of the meeting will be to ensure the Supplier has a thorough understanding of the requirements and expectations of the job in addition to YAPP USA Automotive Systems, Inc. understanding the Supplier's capabilities, program risks and limitations.

Prototype parts

The goal is to manufacture prototype parts using a production based process in order to learn and develop robust part(s) for full production. At a minimum, the Supplier must use process planning (flow charts, control plans, inspection plans and work instructions) to define and implement the prototype build. All special and critical characteristics must be documented on all process control documents.

Prototype parts must meet all drawing requirements prior to shipment. Supplier must have a dimensional plan to layout or CMM parts to show conformance to drawing requirements for each serial numbered part, as required. Quantity of parts inspected will be documented in the specific build plan.

Engineering prototype parts with documentation of specification conformance shall be submitted for engineering validation testing. Documentation shall meet YAPP USA Automotive Systems, Inc., AIAG and Customer Specific requirements.



In all cases, the Suppliers are expected to follow the requirements defined in the end Customer's "Customer Specific Requirements" publications.

A robust APQP process with strong communication within the Supplier's organization and with YAPP USA Automotive Systems Inc. personnel is necessary to ensure all timelines, specifications and costs are met. Suppliers may be required to attend and support APQP meetings at YAPP USA Automotive Systems, Inc. or at the end Customer's facilities.

Documentation as evidence of adherence to the plan and progress of the program shall be made available to YAPP USA Automotive Systems Inc. personnel upon request.

Suppliers are responsible for sub-supplier's program activities and to ensure that the relevant documentation is available to support all APQP activities and the PPAP approval process.

Suppliers must have an effective continuous improvement process that reduces the Risk Priority Number (RPN) by operation. An RPN reduction system must be clearly defined with specified values over which action items will be taken.

All production part sample submission shall include all requirements listed in the PPAP manual. Any deviations from these requirements shall only be authorized by the YAPP USA Supplier Quality Group. The need for an Appearance Approval Report (CFG-1002) and other discretionary requirements will be clearly identified as a condition on the Purchase Order.

All PPAP submissions are to be in electronic media.

8.3 - Special Characteristics

Product is designated with special characteristics because variation is likely to significantly affect Customer Satisfaction with product fit, form or function. These designations are defined by YAPP USA Automotive Systems, Inc. or our Customer and listed on the design record. These characteristics shall be identified on all PFMEA's and Control Plans that are developed in accordance with AIAG's, PFMEA and APQP manuals. Special characteristics can include product characteristics and process parameters.

Definition of YAPP USA Automotive Systems, Inc.'s. Special Characteristics:

"{SC}" = Product characteristic or process parameter with reasonably anticipated variation which affects a product's safety or compliance with regulatory requirements as judged by the YAPP USA Automotive Systems, Inc. internal cross functional APQP team assigned to the project.

"[KC]" = Product characteristic or process parameter with reasonably anticipated variation which affects a product's fit / function or has need for high visibility as judged by the YAPP USA Automotive Systems, Inc. internal cross functional APQP team assigned to the project.



All {SC} and [KC]'s listed on the design record shall be statistically monitored to prove capability. Process capability must be documented and evaluated. At minimum, the Supplier's shall be familiar with and apply SPC as per the AIAG's SPC manual.

The minimum requirement for short-term capability is Ppk 1.67 and long-term is Cpk 1.33. Items not meeting the above capability criteria shall be 100% inspected until capability is resolved. Test data is to be submitted to the respective YAPP USA Automotive Systems Inc. plant as required.

Control of Significant and Critical Characteristics

In general, those Suppliers who produce a component, a subsystem or a complete system are responsible for the delivered Quality of the product and for creating and retaining the required documentation. Suppliers are obliged to follow Customer Specific Requirements Procedures where identified by YAPP USA's Customers. In absence the default system should be identified by IATF 16949:2016, AIAG QS900 SPC MANUAL or VDA.

Suppliers to YAPP USA are expected to establish the appropriate Process Controls for all Significant / Critical characteristic(s) identified during the APQP process and document these controls in the Control Plan.

In all cases whether YAPP USA Automotive Systems, Inc. or the Supplier is the design authority, Significant and Critical Characteristics will be identified on the part drawing, in test specifications and other applicable design records.

In all cases, the Supplier's Design Records will identify these characteristics. If the Design Records are proprietary (protected information), then the Supplier's Control Plan shall identify these Characteristics, Control Method, Gages used and Frequency of Sampling.

8.4 - Error Proofing

During the APQP process, the Supplier shall implement all necessary error proofing into the manufacturing process to eliminate or reduce the manufacture of defective product. The error proofing methods and devices shall be recorded in the PFMEA and Control Plans.

Error proofing devices shall be verified with the use of "rabbits" at least once a shift and records kept to ensure the device is continuing to function effectively.

8.5 - PPAP

All PPAP's are submitted in accordance with AIAG's PPAP (4th edition) manual and the individual Customers' Specific Requirements. Suppliers must review the YAPP USA PPAP checklist to make sure all requirements are met. Customer (OEM) Specific requirements are available at: <https://www.iatfglobaloversight.org/oem-requirements/customer-specific-requirements/>. Please contact SupplierQuality@yappusa.com to obtain a copy of the Customer Specific Requirements for the following Customers: John Deere, Nissan, Volvo.

For initial PPAP submission, Supplier shall submit Level 3 PPAP documentation at a minimum unless otherwise agreed upon in writing from the YAPP USA Supplier Quality Group. Data must be submitted to IMDS database by the Supplier prior to PPAP. All PPAP's are to be submitted electronically. Once PPAP approval has been granted, Suppliers are required to identify the first 3 shipments to YAPP USA with the GREEN IPP label (this labeling requirement applies for new part numbers, approved Engineering Changes or newly PPAP'ed parts).



Suppliers are expected to maintain a record of all PPAP documentation submitted including approved PPAP part. PPAP and Quality records are to be kept by Supplier for product life plus one year; the minimum run size for a PPAP is 300 pieces unless otherwise agreed in writing by the YAPP USA Automotive Systems Inc. Supplier Quality Group. Three sample parts are required for each PPAP submission. These parts shall be identified with the YAPP USA PPAP yellow label, properly packaged /protected and sent to the YAPP USA Automotive Systems Inc. Supplier Quality Group.

Review the YAPP USA PPAP Checklist for submission details and requirements. Checklist can be obtained via SupplierQuality@yappusa.com

PPAP annual validation is a Customer specific requirement and an important aspect to ensure the parts meet all Quality, functional and appearance characteristics. All initial PPAP packages submitted to YAPP USA at any time during the current calendar year will automatically expire on the same date during the following calendar year. PPAP annual validations must be submitted to the YAPP USA Supplier Quality Group at SupplierQuality@yappusa.com. Suppliers are responsible to create and maintain a schedule to make sure PPAP submissions to YAPP USA do not expire. In case the Supplier fails to submit annual validation within the required dates, YAPP USA will issue a SQIN to record this failure and a corrective action requested.

8.6 - Containment Requirements (GP12/Safe Launch)

YAPP USA Automotive Systems, Inc. requires all Suppliers of production parts to utilize the SECA (Supplier Early Containment Activity) program for all pre-production, ramp-up, system fill and for any product manufactures after a shutdown of 5 or more consecutive days. Containment will be kept in place until YAPP USA or the Customer exit criteria is met. This means that the Supplier's process is capable of sustaining production meeting all contractual requirements. Acceptable containment processes are those that meet the same intent as General Motors GP12. YAPP USA Supplier Quality may require the continuation and/or modification of Safe Launch containment activities if defects escape the Supplier while Safe Launch is in operation.

Data collected from the containment process needs to be made available to YAPP USA Automotive Systems, Inc. personnel as required.

Suppliers shipping parts under the Safe Launch Plan shall attach to each shipping label a green circular sticker showing "SECA" and signed by a staff person accountable for the Quality level of the facility. The green circular sticker should have a diameter of approximately 50 mm.

Note: Exit criteria for the Safe Launch Plan is shipment of zero defect parts that meet either the defined period of time or number of pieces. Any defect discovered during the SECA period restarts the event to "0" pieces shipped.

Suppliers must obtain the "Supplier Early Containment Activity" (SECA) document via SupplierQuality@yappusa.com in order to review additional details and requirements

8.7 - Process and/or Product Changes

Unapproved changes are not acceptable; they put our processes at risk and those of our Customers. Any requested changes shall be initiated with a formal change request to YAPP USA Automotive Systems, Inc. followed



by a PPAP submission that meets the conditions required for re-submission as detailed in AIAG's PPAP manual and applicable Customer Specific Requirements.

Any request for changes will be addressed to the respective YAPP USA Automotive Systems, Inc. Engineering Representative. Approvals to a request for change must be obtained before implementing the change. A deviation may be obtained from the YAPP USA Engineering Group in the form of a signed Design or Process Concession.

YAPP USA Automotive Systems, Inc. expects its Suppliers to verify and document the product dimensional before and after each approved Engineering Change. They are to communicate any issues or concerns with the design, material, performance, appearance, durability or any other key characteristic based on their expertise, knowledge and lessons learned from similar products.

Required written approvals and PPAP resubmissions are required for:

- Changes to previously approved materials or sub-Supplier's material changes
- Changes or modification of product specifications.
- Changes to process or method of manufacture
- Changes to the inspection process, methods or equipment.
- Change of Sub-Suppliers.
- Changes to any inputs supplied by your tiers.
- New start-up after a 12-month decommissioning period.
- Transfer of manufacturing location.
- Rework processes whether in process or off line.

When there is a new part number assigned, approved Engineering Change or initial PPAP submission to the Supplier part, Suppliers must attach the YAPP USA IPP GREEN label on 2 sides of every container/box; label is to be printed on an 8 ½ x 11 sheet of green paper. This must be done for the first 3 shipments delivered to YAPP USA Automotive Systems Inc.

The Supplier shall be held liable for any cost incurred by the changes made without obtaining a written supplemental Purchase Order or an approved Design or Process Concession. The Suppliers will not be paid for product, tooling, processing equipment, etc. until the change is approved.

The Supplier must notify YAPP USA Purchasing if there is a change in program timing and risk to meeting agreed upon tooling completion or PPAP date. Supplier will be required to add additional resources and/or work additional hours (7 days, 24 hours) to ensure date is met.

The Supplier must allow YAPP USA Automotive Systems, Inc. to review product and process development and planning via on-site review and confirmation during development or at any time during part production, if requested.

For changes initiated by YAPP USA Automotive Systems, Inc. or our Customers, the YAPP USA Procurement department will be the point of contact for formal notification to Suppliers of all drawing/design changes via a purchase order amendment.



It is the Supplier's responsibility to ensure all Production processes are launched in such a manner that they will not adversely impact YAPP USA Automotive Systems, Inc. or its Customer's production processes to meet timing and quantity. The use of Safe Launch tools such as pre-production product flow diagrams and control plan are a minimum requirement.

Documentation must reflect the specific information (i.e. part/drawing numbers, part/drawing revisions, Supplier code, etc.). A copy of the part drawing or design record (matching the latest revision requested) must be submitted or available for review. This drawing must be ballooned, that is, all dimensions, specifications, notes, etc. must be labeled or numbered in an orderly fashion and correspond to the Dimensional/Material/Performance results. When the design records are in electronic format, the Supplier shall submit this information in place of the normal "paper" drawing. This includes all notes and specification pages.

Supplier must verify compliance to ALL drawing requirements. This includes ALL dimensions, tolerances, notes, material/performance specifications, etc. The correct way to do this is to number (or label) ALL print requirements and then correlate the numbers to the actual data (dimensional or material/performance data) that proves compliance. This must be completed for each unique cavity, tool, machine, production line/process, mold, etc. For new parts or tooling, the Supplier shall perform a full dimensional layout on at least one (1) part from each cavity if multiple cavity tooling exists. For changed parts or tooling, the Supplier shall perform a dimensional layout on at least one (1) part and/or parts from all cavities of all dimensions affected by changes.

Any authorized engineering changes that have not been recorded in the design record but incorporated in the product, part or tooling must be included. If specified by YAPP USA Automotive Systems, Inc. the Supplier shall have evidence of engineering approval.

8.8 - Non-Conforming Product

When non-conforming product is found at YAPP USA Automotive Systems, Inc. a Supplier Quality Issue notice (SQIN) will be issued to the Supplier (Refer also to Section 7.4.)

YAPP USA Automotive Systems, Inc. requires the Supplier to notify as soon as non-conforming product is found and if potential similar conditions may exist with product in transit or already at the YAPP USA manufacturing plant location.

When YAPP USA Automotive Systems, Inc. finds supplied product to be non-conforming, the product will be tagged, segregated and the Supplier will be notified for immediate action to be taken by replacing product with certified material, and/or providing on site sort requirements.

In the event that non-conforming material is received by YAPP USA Automotive Systems, Inc. the Supplier is required to take immediate containment action in less than 24 hours to isolate YAPP USA Automotive Systems, Inc. from further delivery of defective material. The Supplier must provide a corrective action plan within 2 weeks and complete corrective action within 30 calendar days of SQIN issuance. When required, the specific OEM format will be used to document the permanent corrective action.

Costs incurred by YAPP USA Automotive Systems, Inc. due to poor product Quality, non-conforming product and delivery not meeting contractual requirements may be charged back to Supplier.



YAPP USA Automotive Systems, Inc. expects all Suppliers to deliver material ready for use without the need for incoming inspection. Suppliers are also required to perform annual validation and layouts to ensure product meets all Quality, functional and appearance guidelines.

The Supplier is required to account for and document the disposition of all non-conforming material. YAPP USA Automotive Systems, Inc., at its sole discretion, may request formal confirmation/photos of the disposal and/or scrapping of non-conforming or obsolete material.

8.9 - Corrective Action

When corrective actions are required, they will be addressed in the following manner:

- Initial response within 24 hours of receiving SQIN using Supplier’s corrective action 8D format addressing containment action.
- Full root cause analysis and systemic corrective actions to be submitted within **30 days**.
- PFMEA’s and Control Plans must be updated to reflect the corrective actions taken.

The YAPP USA SQE may follow up with a visit to verify corrective action implementation. All corrective action submissions are to be in electronic media.

8.10 - Quality Rejection Costs

The following charges may be applied by YAPP USA Automotive Systems, Inc. at the time of the occurrence of each Quality rejection.

| | |
|-----------------------------------|---|
| Administration Charge | Minimum \$500 and/or as per OEM charge to YAPP USA. |
| Part Cost | Actual Cost |
| YAPP USA Line Shut Down | Actual Cost |
| Customer Line Shut Down | Actual Cost |
| Lift Truck Usage | Actual Cost |
| Charges From Our Customer | Actual Cost |
| Excess Transportation | Actual Cost |
| Travel and Accommodation Expenses | Actual Cost |
| Labor Costs | Actual Cost*\$60.00 per hr. (Increased charges apply for weekend labor) |
| Additional charges may apply | Engineering support, material handling, sorting, rework, scrap, etc. |
| | * All above in US dollars |

8.11 - Deviation Request

In the event that a Supplier wishes to submit a request for deviation, the following conditions must be met:

1. Request should be submitted to the YAPP USA Automotive Systems, Inc. Supplier Quality Group in writing using the “Engineering Change / Deviation Request Form”. Request is to be submitted with supporting documentation such as statistical, process capability data, testing results and/or drawings.
2. Suppliers may **not** ship product without deviation approval.
3. Suppliers must clearly identify all shipments under an approved deviation with the GREEN IPP label (to be printed on an 8 ½ X 11 sheet of paper) and placed on 2 sides of every container/box. The form needs to



be completely filled out, clearly stating YAPP USA assigned ECN # and the description of the deviation on the ECN / Change description section.

4. Any and all costs associated with the deviation are the responsibility of the Supplier.

All forms and label formats can be obtained via a request from SupplierQuality@yappusa.com.

8.12 - Controlled Shipping

In the event of continued unacceptable Quality or delivery performance, the Supplier will be notified of the necessity to institute controlled shipping on the product. There are two levels of controlled shipping:

Level 1 (CS1) – The Supplier is expected to:

1. Identify the person responsible for the inspection activity.
2. Have an area separate and distinct from the manufacturing operations to conduct an additional inspection and certification of all products identified as suspect by YAPP USA Automotive Systems, Inc.
3. Specify the identification of certification to be used on the product and containers.
4. Report the type and quantity of defects found in the CS1 activity by the use of I charts, etc. as required.

Level 2 (CS2) – When YAPP USA Automotive Systems, Inc. experiences a reoccurrence of supply problems and action taken to date by the Supplier are insufficient to stop the flow of poor Quality, the Supplier will receive a written notification spelling out details of the containment, a confirmation reply form will accompany the letter and a meeting with Supplier and YAPP USA Automotive Systems, Inc. Plant, including Purchasing Director and Corporate Quality Manager to launch the following activities:

1. Identify the person responsible to the activity.
2. Retain an independent third party to monitor, measure, inspect and identify all product identified as suspect by YAPP USA Automotive Systems.
3. Have an area separate and distinct from the manufacturing operations to conduct the agreed upon containment activity.
4. Specify the identification of certification to be used on the product. Containers are to be labeled with a green tag that reads “CS2”. Each tag must be initialed and dated by the person identified on the confirmation reply.
5. Report the type and quantity of defects found in the CS2 activity.
6. Maintain CS1 activities in addition to CS2.
7. Exit criteria will be specified in the written notification.

Failure to comply with CS2 activities can result in YAPP USA Automotive Systems, Inc. at our discretion, setting up CS2 at our facility and charging it back to the Supplier.

Supplier will be removed from controlled shipping when inspection data shows no defects found for a minimum of 30 days for the specified defect or concern. YAPP USA Automotive Systems, Inc.’s SQE will review the data and verify corrective action and a potential audit may occur.



9.0 – Tooling, Equipment and Gauges

9.1 – YAPP USA Automotive Systems, Inc. Tooling (Molds, Equipment, Gauges and/or Other Items)

Suppliers contracted to design and manufacture tooling, equipment and gauges that are funded by YAPP USA Automotive Systems, Inc. are required to provide a detailed drawing of proposed tooling, equipment and gauge designs to YAPP USA Automotive Systems, Inc. for approval and sign-off prior to commencing work.

Tooling and equipment designs shall adhere to the YAPPUSA Automotive Systems, Inc. applicable riders that are supplied with the purchase order. Final tooling, equipment and gauge detailed drawings must be supplied to YAPP USA Automotive Systems, Inc. in an electronic format such as IGES, Unigraphics, AutoCAD or other agreed upon format.

YAPP USA Automotive Systems, Inc. Supplier Quality may, at its discretion, require gauge correlation studies, boundary samples and detailed measurement process instructions to assure comparable measurement results.

Supplier gauges must be capable of meeting the Measurement System Analysis (MSA) guideline in accordance with AIAG standards and be certified by an accredited body.

9.2 - Identification of YAPP USA Automotive Systems, Inc.'s Owned Tooling

All YAPP USA Automotive Systems, Inc.'s tooling that resides at the Supplier's facility requires a signed Bailee clearly establishing ownership; the signed document shall be forwarded to YAPP USA Automotive Systems, Inc. Purchasing Department prior to release of final payment.

[YAPP USA Bailment Agreement](#)

The Supplier is responsible to protect and safeguard from damage all YAPP USA Automotive Systems, Inc.'s owned tooling, equipment and gauges. If the property is found to be lost, damaged or otherwise found to be unsuitable for use, the Supplier shall immediately report this to the YAPP USA Automotive Systems, Inc. Buyer.

All tooling and equipment owned by YAPP USA Automotive Systems, Inc. shall be permanently marked so that the ownership of each item is visible and can readily be determined.

The Supplier must have documented process and schedules for Preventive Maintenance. The maintenance schedule must include all YAPP USA Automotive Systems, Inc. Customers' owned equipment and tooling. Supplier is responsible for identifying and stocking critical spare parts.



10.0 – Materials Management

10.1 - Planning Schedules

Products may be ordered by issuance of a Spot Buy for a specific quantity or through a Blanket Purchase Order supported by Planning Schedules.

Suppliers who have been issued a YAPP USA Automotive Systems, Inc. Blanket Purchase Order will receive Weekly Planning Schedules.

Releases will be communicated through a variety of options including FAX, e-mail or Electronic Data Interchange (EDI). If the release is not received, it is the Supplier’s responsibility to notify their designated YAPP USA Automotive Systems, Inc. Material Representative.

10.2 - Quantities and Timing

Deliveries are to be made both in quantities and times specified in YAPP USA Automotive Systems Inc. Planning Schedules or as authorized in writing by the designated YAPP USA Material Representative.

All dates specified on the release are arrival dates at our dock.

Suppliers who are unable to meet all requirements from YAPP USA Automotive Systems, Inc. for the specified delivery date, quantity and Quality MUST notify YAPP USA’s Material representative immediately (no later than 24 hours prior to the designated delivery date). Note that this communication does not alleviate the Supplier of any of the related costs and penalties associated with being past due or shipping defective material. During such delays, YAPP USA may, at its option, buy the goods from other sources and reduce its schedules to Suppliers by such quantities without liability to YAPP USA Automotive Systems, Inc.

Any excess costs resulting from unauthorized shipments, past due requirements and/or use of any unauthorized truck lines / shipping carriers (FedEx, UPS, etc.) will be debited in full from Supplier’s account.

10.3 - Documentation

Products shall not be considered received until YAPP USA Automotive Systems, Inc. receives all required documentation. YAPP USA Automotive Systems, Inc. reserves the right to reject and return such products, at the Supplier’s sole expense if documentation is not properly executed.

10.4 - Cumulative Material and Forecasting

YAPP USA Automotive Systems, Inc.’s maximum liability or exposure is limited to 7 weeks cumulative raw material, work-in-process and finished goods. YAPP USA is not responsible for any raw material, work-in-process and/or finished goods in excess of the times stated above unless prior approval has been negotiated. Quantities on the planning schedule beyond the cumulative dates above are for planning purposes only. In the event that additional lead-time is required, the Supplier must obtain prior written approval from YAPP USA Automotive Systems, Inc. Purchasing.

Forecast information will be supplied to Suppliers through rolling 12-week production releases. Forecast information is provided as an indication of the requirements of YAPP USA, but is not considered binding except as provided in paragraph above.



In order to support changes in production rates, replace failed or damaged product and emergency requirements, Supplier shall establish procedures and maintain adequate product to support YAPP USA's production requirements for 100% on-time delivery. As a minimum, such procedures shall be capable of supporting a 20% volume increase in production within 24 hours of notification.

10.5 - Packaging Requirements

Packaging will be designed to ensure that the integrity of the product is maintained throughout the supply chain.

Returnable containers are the preferred packaging method if total cost is justified. The containers are to be controlled and returned to the Supplier for reuse. "Returnable" pertains to Supplier owned or YAPP USA owned containers such as plastic or metal bins, racks, pallets, trays, separators and/or loose components.

Note: Cleanliness and maintenance are a requirement to ensure no part damage in transit.

All returnable containers and internal dunnage must be pre-approved by YAPP USA. Packaging proposals by the Supplier must be submitted to YAPP USA Automotive Systems, Inc. Purchasing for approval and be signed-off by YAPP USA prior to implementation.

All products shipped to YAPP USA Automotive Systems, Inc.'s plants shall be clean and free from contamination. Any cleaning chemical, preservative or lubricant shall be reviewed and approved for use on YAPP USA's parts by YAPP USA Engineering. It is the Supplier's responsibility to remove all old labels from returnable containers.

[YAPP USA Supplier Packaging Guidelines](#)

10.6 - Notification of Shipments

An Advance Shipping Notification (ASN) must be sent to the YAPP USA Automotive Systems, Inc. materials representative within 59 minutes of shipment leaving the Supplier's facility. If Supplier fails to comply with the ASN and packing slip requirements, YAPP USA will apply the charges as described in the YAPP USA Supplier Shipping Instructions.

[YAPP USA Supplier Shipping Instructions](#)

In the event of a known shortage or late shipment, the Supplier shall immediately contact the YAPP USA Materials representative to notify them of the situation. The Supplier shall also indicate the anticipated time of delivery of expedited material.

Supplier shall immediately notify YAPP USA Automotive Systems, Inc. any circumstances that it anticipates may cause a delivery delay, Quality concern or otherwise impact the Supplier's performance of its contractual obligations. The notification should include information on the estimated period of delay, the reasons and what is being done to rectify the situation. If requested by YAPP USA Automotive Systems, Inc. the Supplier shall, at Supplier's risk and expense, use additional effort including premium freight such as airfreight or other expedited routing to avoid or minimize delay to the maximum extent possible.



10.7 - Identification Labels

It is YAPP USA Automotive Systems, Inc.'s requirement that all inbound shipments be labeled in accordance to AIAG's B10 label (detailed information on this label is available on the AIAG website).

All containers shall have a Production / Service Bar Code Label, affixed to the upper right hand corner of at least two adjacent sides. If the container is returnable, Supplier's shall ensure that old labels are removed and replaced with new ones.

Note: Label must be legible, scannable and unobstructed from banding or other packaging materials.

All products received by YAPP USA Automotive Systems, Inc. must contain a serial number that is clearly identified on each label and every container. Suppliers must add date codes etc. within their allotted space. Mixed loads are not allowed via TL, LTL, FedEx or UPS. Each mixed pallet / box will be subject to penalization charge.

All Suppliers supplying materials to YAPP USA Automotive Systems, Inc. which are considered to be "controlled" under such regulations such as Workplace Hazardous Material Information Systems (W.H.M.I.S.), must be familiar with and comply with all such regulations, for packaging and shipping.

In addition, Supplier must follow all appropriate guidelines and rules relating to the country of receipt.

Material Safety Data Sheets (MSDS) must accompany all initial shipments and marked to the attention of YAPP USA' Health and Safety Representative at YAPP USA Automotive Systems, Inc.

The Supplier must provide verification of the composition of the material used and their individual components as well as aspects relating to the environment. Supplier must input the IMDS data into the system prior to delivery of the first samples or PPAP package.

[YAPP USA Supplier Labeling Instructions](#)

10.8 - Inventory levels

Based on YAPP schedules, the Supplier is required to maintain an inventory level of at least 4 days when the lead time is under 4 weeks. If the Supplier's lead time exceeds 4 weeks, they are required to maintain an inventory level of at least 10 days.

11.0 - Logistics

11.1 - Transportation & Freight

Suppliers must use specified transportation methods as indicated on YAPP USA's purchase order and/or accompanying routing letter, and/or as advised by YAPP USA Materials / Purchasing Group.

YAPP USA Automotive Systems, Inc. Materials / Purchasing Department must approve any permanent changes to carrier or delivery frequency in writing or via e-mail notification.



All regular freight, payable by YAPP USA (F.O.B. Seller or agreed Incoterms) must be shipped in accordance with YAPP USA purchase order. Non-compliance to these routing instructions will result in debiting back to the Supplier all applicable extra shipping charges. Suppliers are expected to contact the approved carrier to set up pick-ups, unless otherwise advised.

Any Suppliers shipping goods F.O.B. YAPP USA or F.O.B. shipping point freight allowed are responsible for proper coordination of freight to meet YAPP USA required arrival dates.

11.2 - Expedited Freight

All expedited freight (ground or air) payable by YAPP USA Automotive Systems, Inc. must be authorized in writing or e-mailed by the YAPP USA Buyer. All invoices for expedited freight must be accompanied with the written authorization to ensure payment. All excess transportation charges, such as those resulting from use of unauthorized truck lines or shipping carriers (FedEx, UPS, etc.) which have been determined to be the Supplier's responsibility, will be debited in full from the Supplier's account.

11.3 - Quantities

Suppliers must ship parts in pack quantities equal to the material releases and may only ship on their assigned shipping date. Any deviation to this has to be pre-approved. All pick-ups for consolidated runs must adhere to shipping schedules without exception. Any delay in shipping to schedule must be communicated to YAPP USA immediately to avoid downtime issues. Excess freight incurred because of a missed or later pick-up will result in a charge-back to the Suppliers.

11.4 - Timeliness

It is critical to YAPP USA's Operation that shipments leave the Supplier's facility and arrive at YAPP USA on time. Failure to deliver shipments as scheduled may result in charges for YAPP USA production downtime. Suppliers must notify YAPP USA immediately if the selected carrier does not pick up goods as scheduled.

11.5 - Special Handling/Hazardous Material

YAPP USA Automotive Systems, Inc. must be notified prior to shipping any material that requires special handling or bracing or classified as hazardous material.

11.6 - Quality/Timeliness Issues

If past due or defective material is deemed the fault of the Supplier, the Supplier shall bear the cost of all excess freight charges required to meet YAPP USA's requirements.

It is the Supplier's responsibility to automatically expedite should the Supplier foresee or incur a past due situation. The Supplier shall also be liable for all costs associated with downtime of YAPP USA and/or downtime costs billed to YAPP USA by its Customer (refer to clause 8.10 for charges).

11.7 - Documentation

The following requirements shall be met:

- A packing slip and bill of lading shall accompany all product received with a copy of the packing slip affixed visibly on shipment as described on the Supplier Labeling Instructions document.



- Except damage caused by a vehicle accident in transit, packing and packaging shall be sufficiently robust to protect products from shipping and handling damage, regardless of FOB point agreed.
- A correct bar-code label shall be attached to each package.
- Proper BOL must be used and completed correctly.

11.8 - Customs Documentation

All material shipping cross borders must have “Country of Origin” and “HS Tariff Classification” clearly marked on the commercial invoice along with a written description and value in currency of transaction.

Suppliers are responsible for accurate completion of customs documents and ensuring all documents are given to carrier at time of shipment for proper clearance through YAPP USA dedicated broker. Any delays in Customs and/or penalties for incomplete or inaccurate information will be the responsibility of the Supplier.

All charges resulting from the export and return of defective product shall be the responsibility of the Supplier.

All Suppliers are obligated to annually provide YAPP USA Automotive Systems, Inc. with all the appropriate Certificates of Origin (COO) to satisfy the United States-Canada-Mexico Agreement (USMCA) and origin requirements along with a Manufacturer’s Affidavit. These are to be sent to Purchasing@yappusa.com by December 31 of the current year for the upcoming year. Failure to comply will affect your Supplier Quality Rating.

Offshore shippers must inform freight forwarder of all information needed to complete the Importer Security Filing form (ISF-10 obtained by contacting the freight forwarder being used) for US customs at time of shipment. Suppliers will be responsible for any costs or penalties relating to Suppliers failing to provide certification or providing fraudulent certification.

11.9 - Customs Trade Partnership Against Terrorism (C-TPAT), Partners in Protection (PIP)

It is an expectation of YAPP USA Automotive Systems, Inc. that all Suppliers have or work towards achieving C-TPAT and/or PIP certification. As part of this requirement we ask that all Suppliers fill out the Supplier Facility Security Questionnaire. If sent by YAPP USA Automotive Systems, Inc., we require return within 14 days of receipt. All forms are to be returned to Purchasing@yappusa.com

11.10 - Materials Management Operations Guidelines (MMOG)

The “M-7: Global Materials Management Operations Guideline Logistics Evaluation (MMOG/LE)” guidelines were developed to reduce the time and work required by Suppliers and Customers to determine material process compliance. Using the guidelines, Suppliers complete a self- assessment and receive “A”, “B” or “C” ratings based on their compliance. While deficiency in one or more critical areas automatically earns a “C” rating, the MMOG/LE guide automatically develops an action plan to allow companies to address deficiencies and drive continuous improvement.

Suppliers shall complete the MMOG assessment if requested to do so by YAPP USA Automotive Systems, Inc.

Suppliers unfamiliar with MMOG shall contact YAPP USA Automotive Systems, Inc. for assistance.



12.0 – Additional Requirements

12.1 - Access

The Supplier shall allow YAPP USA Automotive Systems, Inc. and their Customers’ representatives all reasonable access to their premises to:

- Conduct audits as may be necessary to confirm that the Quality management system is performing as described in their manual.
- Confirm that product and subcontracted product or services conforms to specified requirements.
- Confirm the ability to sustain the declared production capacity.
- Verify the actions taken following a corrective action.

When circumstance allows, the YAPP USA Automotive Systems, Inc. Supplier Quality Engineer will notify the Supplier in advance of planned visits.

12.2 - Capacity Improvements

As part of the Supplier’s continuous improvement system, YAPP USA expects Suppliers to submit annually evidence of process capability improvements to the attention of the YAPP USA Supplier Quality Engineer.

12.3 - Confidentiality

The Supplier is required to maintain confidentiality of all drawings, specifications, documents or information provided by YAPP USA in any form or means. All YAPP USA provided documentation is to be maintained in a secure environment.

12.4 - Cost Reduction

Suppliers to YAPP USA Automotive Systems are expected to achieve a 3% minimum cost reduction annually and will be rated on their participation in this program. Cost reduction plans shall be submitted to the YAPP USA Buyer at the RFQ stage. The Supplier will be credited with those cost reduction when plans are approved and implemented.

12.5 - Customer Directed Parts

All requirements stated in this manual apply equally to Suppliers of Customer directed parts.



12.6 - Labor Disputes

The Supplier will notify YAPP USA in writing at least six (6) months in advance of the expiration of any current labor contract(s). If requested by YAPP USA Automotive Systems, Inc., the Supplier will have available eight (8) weeks' supply of finished goods at least 30 days prior to the expiration of any such labor contract, in quantities and for storage at any place or places designated by YAPP USA at the Supplier's expense.

The Supplier will also notify YAPP USA immediately of any actual or potential labor disputes or disruptions that will delay or threaten to delay timely delivery.

12.7 - Transparency

Full transparency and accuracy is expected to be practiced by all Suppliers and their representatives when providing YAPP USA Automotive Systems, Inc. with information; information could be in the form of documents, sample parts, Quality data, tooling data, processing data, run at rates and audit results.

12.8 - Supplier's Competitiveness

Suppliers agree to support YAPP USA Automotive Systems, Inc. in any joint effort with respect to cost reductions required by YAPP USA's Customer. Should the Supplier be unable to support YAPP USA's requirement, YAPP USA reserves the right to competitively bid the products and or services to confirm market price and to award an agreement for those goods and services to the successful bidder. Any Supplier notice of any market movement price increase shall be provided 180 days prior to any increase to be implemented.

12.9 - Warranty

Suppliers are responsible to become familiar with the end Customers warranty policies, as these will be cascaded down the supply chain.

When YAPP USA receives a warranty claims that involves supplied product, it becomes the responsibility of that Supplier to open a corrective action to document the investigation of the cause, testing results, root cause identification and corrective action taken.

The Supplier will be responsible for expenses related to their product that YAPP USA Automotive Systems, Inc. may incur in addressing the warranty claim.

12.10 - Traceability

Supplier must ensure identification and traceability of products supplied. The identification may include labeling of packaged products, manufacturing location, manufacturing date, shift, part identification and sub-contractor traceability (i.e. heat treat, plating, lot details and traceability).

Suppliers shall be able to directly correlate a raw material batch to the final product. Records of such shall be made available upon request.

When requested, Supplier shall affix a 2D bar code label on all individually purchased YAPP USA components. The label must be permanently attached to the purchased component and cannot interfere with the operation of this component or the finished assembly.

Bar code content, format and label requirements for part identification, verification and traceability, Key Characteristics Designation System (KCDS), SHALL be encoded in a Data Matrix or optionally Quick Response (QR)



Code two-dimensional (2D) symbol (bar code). Included in the information on the 2D bar coded label, but not restricted to, must be YAPP USA Automotive Systems, Inc. internal part number, manufacturing / assembly year, Julian date, Supplier unique serial number. The 2D label must be approved for use by YAPP USA Automotive Systems, Inc. prior to use.

12.11 - Training

Supplier employees must be competent and qualified for their job function. The Supplier must ensure this through appropriate internal and external training courses. A training record must be available for all employees producing a product or service for YAPP USA Automotive Systems, Inc.

12.12 - Contingency Plan

The Supplier must submit a recovery/contingency plan for any Quality, delivery, loss or spill that could affect production flow of material into YAPP USA Automotive Systems Inc. Assembly Plant.

12.13 - Conflict Minerals Compliance

All YAPP USA Automotive Systems Inc.'s Suppliers shall report their potential Conflict Materials as per YAPP USA Automotive Systems, Inc. specific requirements and our OEM Customer Specific Requirement Guidelines. Suppliers are to refer to AIAG for more information and details (www.aiag.org).

12.14 - Record Retention

Suppliers are expected to maintain applicable record retention periods as specified in IATF 16949:2016 latest edition standard or as defined by end Customer or as defined by your procuring division or as defined to longer retention periods in compliance to all applicable legal or governmental requirements. The length of retention is defined by the longest applicable requirement.

13.0 - General and Conclusion

This Manual's objective is to clearly state YAPP USA Automotive Systems, Inc.'s expectations that will support our operation and provide the level of acceptable Quality and cost parameters that our Customers require of us on a year over year basis. With committed Suppliers, we can meet and exceed these targets. We welcome feedback from the Supplier base for ideas that will create continuous improvements. If there are areas where you see we could be doing better please be open with your communications. It is only by truly working together can we achieve more.

YAPP USA Automotive Systems, Inc. is known as an innovator and leader within its business. This has provided continued growth and prosperity for us and our Supplier base. We are committed to continue this tradition by working with dedicated and committed Suppliers.

Thank you in advance for supporting this very important Supplier Quality Manual.

Sincerely,



SUPPLIER QUALITY AND DEVELOPMENT MANUAL

64P-D-009
Released Date: 3/29/2018
Approved by: Rodolfo Gonzalez

Rodolfo Gonzalez
Director of Quality

YAPP USA Automotive Systems, Inc.

Supplier Plant Name & Quality Rep. Signature