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## 1.0 CONFORMANCE TO ISO 9001:2000 or TS-16949:2001:

1.0.1. Safety Components International encourages all of its non-automotive suppliers to become certified to the requirements of ISO 9001:2000. However as this is an individual company's choice SCI will not make it mandatory

1.0.2. When it is possible, SCI will purchase its supplies and raw materials only from companies that are certified to the ISO 9001:2000 standard, or an equivalent standard for their industry, i.e. calibration (ISO 17025). Non-Automotive Suppliers whose quality system conforms to the requirements of ISO-9001:2000 will also be considered.

1.0.3. Automotive Suppliers are required to conform with the requirements of TS-16949:2000. The first step in conformance to TS-16949:2000, is to comply with the requirements of ISO:9001:2000.

1.0.4. Additionally, Automotive Suppliers must conform to the basic automotive standard's additional requirements of Advanced Product Quality Planning, Statistical Process Control, Production Part Approval Process, Control Plan Development, and Measurement System Analysis manuals.

## 2.0 GENERAL REQUIREMENTS:

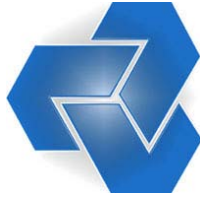
Both Automotive and non-automotive suppliers are required to establish a quality system. The depth and detail of the quality system is left up to the supplier as long as the previous paragraphs are met. Suppliers are expected to use ISO 9001:2000 as the basis for their systems.

### 2.1 QUALITY ASSURANCE AGREEMENT

When used, Quality Assurance Agreements defines specific rules and boundary conditions that suppliers must meet in order to be able to support a Safety Components International business platform. Purchase Orders received from the ordering SCI Unit will specify other requirements.

### 2.2 COMPLIANCE WITH BASIC LAWS:

All SCI Suppliers are required to adhere to, and follow all basic laws, regulations, and requirements, including local, national, and international requirements where their products are manufactured and sold.

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## 2.3 SUPPLIER QUALITY PERFORMANCE

Suppliers are expected to use a Corrective Action Reporting (CAR) system to address non-conformances and deficiencies when they are reported.

## 2.4 PROCESS CAPABILITY:

Non-automotive suppliers shall be informed of whether it is necessary to prepare a process capability ( $C_p/C_{pk}$ ) report for each significant and critical product characteristic identified by SCI on its drawings or listed in its specifications. Assuming that the process is statistically normally distributed, these reports shall be completed each quarter to show evidence that the processes making the product are controlled with  $C_p/C_{pk}$  greater than 1.33. On  $C_{pk}$ 's less than 1.33 should be assigned an improvement plan and improved upon.

$C_{pk}$ 's shall be maintained by the supplier and sent to SCI only upon request.

## 3.0 HOW TO DO BUSINESS WITH SCI

### 3.1 PURCHASING CONDITIONS

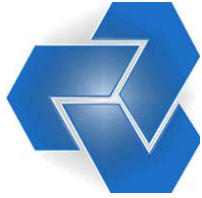
3.1.1 Only goods that meet SCI's current product specification, or purchase order, may be delivered to SCI

3.1.2 Parts used in the production of SCI products can only be purchased from those suppliers which have been added to Safety Components International's Buying Unit's "Approved Supplier List" (ASL).

3.1.3 Changes and additions to the purchasing contract can only be made in writing.

3.1.4 All other conditions concerning the purchasing contract are regulated by the SCI buying unit's general purchasing conditions in the supplier's possession.

3.1.5 SCI will insure continued compliance with the completion of the Supplier Quality Assurance Questionnaire that will be sent to each supplier at least annually.

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## 3.2 CONTRACT AND PURCHASE ORDER

3.2.1. Only SCI written orders signed by authorized individuals are valid. Verbal agreements not confirmed in writing shall be legally invalid. The acceptance of orders shall be as defined by the SCI purchasing Unit. SCI's conditions shall apply to all present and future transactions between SCI and suppliers. Our conditions shall apply to the delivery and invoicing of merchandise ordered from the respective supplier.

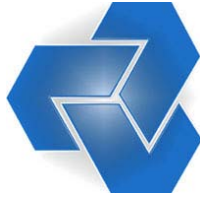
3.2.2 Suppliers shall receive a Contract Purchase Order from the SCI buying unit endorsed with the SCI buying unit's unique contract order number e.g. 000001, J000001, etc., depending upon the receiving plant and the material being ordered.

3.2.3 Each SCI plant shall determine its own schedule on suppliers. If a supplier supplies more than one SCI buying Unit, the supplier shall comply with the individual requirements of each SCI buying unit.

3.2.4 Any changes to the conditions of a purchase order must be approved by the SCI buying unit first. Payments are made in the local currency, or a currency agreed upon. SCI shall not accept gold or any similar stable value clauses. SCI reserves the right to make payment by means of bills of exchange (acceptance or remittance). The supplier shall obtain SCI's consent prior to assigning receivables arising from delivery contracts. In case of dispute, suppliers may not interpret the settlement of an invoice as approval of a delivery, or as the waiving of notices of defects

3.2.5 Invoices must be delivered punctually to SCI upon shipments of merchandise. They must also be sent separate from the shipment (by mail, fax, or courier). SCI's order number and the date of the order, as well as the supplier number, must be included on each invoice. In cases of partial shipments, the remaining amounts to be delivered, must be listed. SCI will not accept any reservations of ownership for merchandise delivered to us.

3.2.6 SCI reserves the right to charge the supplier for any additional work that SCI has to undertake on a delivery, ( i.e. sorting, extra checking, labelling) , if the additional work is caused by failing to follow SCI's instructions.

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3.2.7 SCI may cancel a contract for any reason, i.e, if our customers cancel SCI's orders. In such case, the supplier will be will be compensated in a manner agreed to by the SCI buying unit.

3.2.8 The Supplier shall be expected to meet the required delivery date to the SCI Unit. The shipment shall be considered "late" if the delivery is not made within 1 day of the required delivery date or if the amount delivered is different by at least 10%, from what was ordered, and no advanced notification was received. Shipments made early to the SCI Unit shall not be delivered more than 1 day in advance of the Required Delivery Date (RDD).

3.2.9 Delivery dates that are agreed, or tacitly accepted, by the supplier must be complied with. If a supplier falls behind with its performance, SCI shall be entitled to a choice of demanding either later delivery payments, and damages for delayed delivery or, instead of performance, damages for non-performance, or to withdraw from the contract. Immediate notification must be made about any delivery delays that the supplier is aware of. Any claims due to delays in taking delivery shall be ruled out.

3.3.0 Deliveries will only be accepted according to the SCI buying unit's written schedule. Over deliveries may be returned at the supplier's expense, at SCI's discretion.

3.3.1 Suppliers to SCI can not change the delivery amount without our approval.

3.3.2 SCI is allowed to cancel a contract or, give already scheduled quantities back, if changes are made without our written approval.

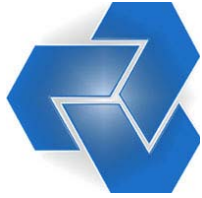
3.3.3 SCI is only obligated to take the fixed scheduled quantities.

Following table shows the generic delivery schedule of purchased materials:

Binding material take over:	2 month stock for call off schedule
Finished goods	1 further month
Raw material	= total 3 month

3.3.4 Suppliers are expected to provide technical support regarding their product to the SCI buying unit as required.

The supplier shall guarantee that during the contract's lifetime to always produce their product using the same production methods, machines, and the same production material,

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according to SCI's specification or contract requirements. SCI must be notified if changes to the production method (methods, machines, materials, etc.) are changed.

More details are listed in the contract's between SCI and the individual supplier.

### **3.4 CERTIFICATE OF COMPLIANCE (Cof C)**

3.4.1 Where relevant, the requirement for the inspection of product, materials or service at the your premises by SCI and/or SCI's customer shall be established. This information should be included in a "Purchase Order depending of the nature of the supplied product. The relevant details shall be entered on the purchasing documents and a copy made available for Quality.

3.4.2 The relevant arrangements for verification and the method of product release shall also be detailed on the documents.

3.4.3 Where applicable, Orders for trials may also be generated on non-approved Suppliers in urgent situations and for process development projects.

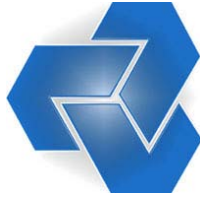
3.4.4 The Laboratory Manager or equivalent shall oversee trial Orders and endorse any requirements for inspection that may be considered necessary.

3.4.5 A member of the supplier's management team or an individual designated by them, shall sign the Certificate of Compliance or test report . This person must be designated in writing by the supplier, in the supplier's quality system.

3.4.6 An example of a C of C is listed in appendix 2 of this manual.

3.4.7 The Certificate of Compliance shall state in general terms whether or not the product supplied meets the requirements of the purchase order without referencing the test or test methods performed.

3.4.8 The Certificate of Analysis shall precisely describe the tests performed and the results as well as the specification requirements (lower, upper and target). The test methods shall also be referenced.

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### 3.5 CONTRACT AND PURCHASE ORDER REVIEW

3.5.1 Upon receipt of the Purchase Order, the supplier shall review it and determine whether it can be met in its present form. If the supplier determines that the purchase order cannot be met, the supplier shall communicate the reasons for not being able to meet the contract to the SCI unit. This includes the Required Delivery Date (RDD) specified on the contract or purchase order

3.5.2 If the purchase order can be met, the supplier shall inform the SCI unit of the expected delivery date. If the expected delivery date is not acceptable, the supplier shall negotiate with the SCI Unit to arrive at a mutually agreeable date.

### 3.6 Documentation

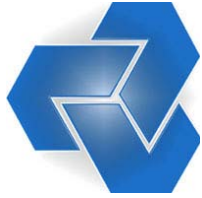
3.6.1 The supplier shall be given all necessary documentation (specifications, drawings, e-mails, minutes from technical meetings, etc.) in order to facilitate the delivery of the product to the SCI Unit. Each document shall be confidential and shall not be transmitted in any form to any other company or person without the expressed written permission of the Manager of the SCI Unit.

3.6.2 At the conclusion of business, any documentation given to the supplier shall be returned to the SCI Unit.

## 4 SCI SYSTEMS

### 4.1 SCI ERP SYSTEM

4.1 SCI Inc. has implemented the ERP system MFG/PRO from QAD in all our locations world wide. With MFG/PRO eB2, QAD leverages more than 23 years of experience and commitment delivering solutions to global manufacturers. With focus on the manufacturing sector. MFG/PRO eB2 represents one of the latest, most comprehensive enterprise software for global manufacturers available today. SCI Inc. is using the MFG/PRO eB2 platform for effectively managing a manufacturing enterprise with a subset of the core components/features like EDI capability. Where needed and useful, SCI will ask their suppliers to use features of this system for improving the business process.

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## 4.2 COMPLIANCE WITH SCI SPECIFIC STANDARDS

All materials used in the production of SCI's products shall comply with all legal requirements regarding toxic and dangerous materials. Additionally, Suppliers shall comply with all legal requirements of the supplier's and SCI's countries environmental laws and regulations .

## 4.3 Annual Validation (WHEN REQUESTED AND REQUIRED)

4.3.1 Once every year, each supplier is required to perform and submit a full layout of the supplied part.

4.3.2 The full part layout must consist of Dimensional Results and other requirements specified by SCI.

4.3.3 The results are to be submitted to the appropriate Quality authority at the SCI receiving plant on a mutually agreed date.

4.3.4 The information contained in these annual validation must be available within 48 hours of SCI's request.

4.3.5 If a supplier is required to comply with these requirements, it will be stated in the purchase order or other documentation from the SCI buying unit.

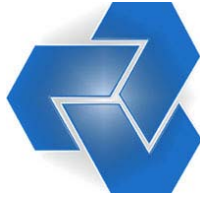
## 4.4 CC and SC surveillance program

4.4.1 If a supplier is required to comply with these requirements, it will be stated in the purchase order or other documentation from the SCI buying unit.

4.4.2 The supplier shall establish a surveillance program for all the special characteristics identified by the appropriate SCI unit. The supplier shall maintain a minimum Cpk of 1.33 for significant and process characteristics. The critical characteristics shall meet a minimum Cpk of 1.33.

4.4.3 Suppliers are expected to submit a quarterly Cpk report for all CC and SC items identified by SCI. Failure to comply with this requirement will directly affect the supplier performance rating and may place the supplier on a six month bid suspension status.

4.4.4 **Changes to products or raw materials shall not be made without the written consent of the SCI buying unit and submittal of PPAP documentation, if necessary.** If changes are made without consent from the SCI Buying unit, the supplier shall be liable

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for reimbursement to the SCI buying unit, or replacement of the product, as originally agreed.

4.4.5 The supplier is expected to notify the SCI buying unit when it becomes necessary to change the product or raw material. The supplier is expected to notify the SCI buying unit prior to making the change so that the SCI buying unit can assess what the changes will do to their (SCI's) products.

4.4.6 The supplier is expected to notify the SCI buying unit when the product or raw material is manufactured on equipment that is different from the equipment the original product was manufactured on. This requirement does not apply to perishable tooling. This requirement applies to additional equipment as well as new or refurbished equipment.

4.4.7 Suppliers are expected to maintain their manufacturing equipment in the same order as originally approved. The supplier is expected to maintain the same product flow as originally approved. The supplier will notify the SCI buying unit if equipment is moved within the same plant, or relocated to another manufacturing facility, outside of the original facility. Additional data may be required.

## 5.0 APQP / PPAP Requirements

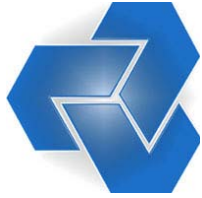
### **(THIS SECTION APPLIES TO AUTOMOTIVE SUPPLIERS ONLY, UNLESS SCI DESIGNATES OTHERWISE)**

5.0.1 SCI Corporation subscribes to the Automotive Industry Action Group [AIAG] requirements of Advanced Product Quality Planning [APQP] and Production Part Approval Process [PPAP]. These requirements are standard across the globe for automotive purposes.

5.0.2 APQP is expected to be used in order to reduce delays in processing of SCI's products or raw materials, and to insure that the supplier has the capability to meet the requirements specified before accepting a SCI contract.

5.0.3 For non automotive applications, these requirements shall apply as required by the SCI purchasing Unit, due to their systemic approach to a successful process to introduce a new product or revise an existing one. The supplier shall report the status of SCI projects monthly, unless the SCI buying unit directs otherwise.

5.0.4 **SCI appreciates the "bad news" policy. If the supplier has an issue with meeting the requested dates, The supplier must contact SCI to discuss a course of action.**

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## **5.1 COMPLIANCE WITH AIAG FORMS MANDATED BY SCI**

5.1.1 The SCI Corporation subscribes to the Automotive Industry Action Group forms

5.1.2 Suppliers are expected to use the forms listed the the AIAG PPAP Manual and other AIAG Manuals.

## **5.2 PRODUCTION PART APPROVAL PROCESS [PPAP]**

5.2.1 Supplier shall only submit PPAP packages for production release drawings., A copy of the drawing [regardless of the company with design authority] must be included in the submission package. The supplier is responsible for obtaining the SCI's buying unit Q Manager's approval for any change request prior to its implementation.

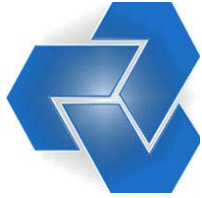
5.2.2 For all new components and raw materials, the supplier must submit alongside the validation package a copy of the GMW3059 when required by the Quality Department of the SCI buying unit.. This form should be completed once the supplier has posted the components of their products through the International Material Data System ([www.mdssystem.com](http://www.mdssystem.com)). This form is to comply with the End of Life Vehicle component. SCI will not grant full PPAP approval until the Material Data Sheet (MDS) is approve via this website. A copy of this form is included in Attachment 3

5.2.3 SCI has established a global PPAP validation requirement that further defines submission levels, including what the supplier submits and/or retains (See attachment 4). The order of the PPAP package is to be organized as indicated by the SCI buying Units Quality Department. Suppliers may use their own forms if equivalent to the AIAG and approved in writing by the appropriate SCI buying unit's Quality Engineer. In addition, the supplier is responsible for all sub-tier PPAP submissions and approvals, as required on ISO/TS 16949:2002 section 7.4.1.3.

5.2.4 Supplier submission of a non-conforming PPAP package will be recorded as a supplier performance failure and will have a effect on the supplier's performance rating.

5.2.5 SCI will determine the level of PPAP submission in special situations. The default level of PPAP submission is level 3. In addition, SCI may request special requirements if applicable

5.2.6 The supplier shall not ship production material that has not been PPAP approved unless the appropriate quality contact at the receiving plant provides approval to ship in writing. The material will be quarantined at the SCI receiving plant and not released for production until full PPAP or interim approval is granted. Samples of products may be shipped without PPAP approval, but shall be appropriately labeled so that they are identified.

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5.2.7 Receiving full or interim PPAP approval does not reduce the responsibility of the supplier to provide parts that meet the SCI specification requirements.

5.2.8 Please note, one Part Submission Warrant per part number is required.

### 5.3 SCI PPAP PROCEDURES:

#### a) PPAP

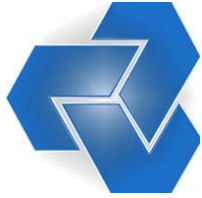
- a. 100% on time complete PPAP packages
- b. Incomplete packages will be returned affecting your supplier rating.
- c. Concerns to be addressed during design reviews, once the part has been PPAP'd, quality of the part must be maintained.
- d. Completed PPAP checklist with all items necessary completed.
- e. Copy of Certificate of Compliance/Analysis.
- f. Certificate of material compliance, supplier and sub-suppliers.
- g. Quality Management System Certification of supplier and sub-suppliers, including testing laboratories.

#### b) Part Submission Warrant

- a. One warrant for each part ordered.
- b. GM 1411 for interim approval must include action plan for full approval within 30 days.(A copy of the form is located in Attachment 5)
- c. Supplier shall include a copy of their supplier warrant sheet approving each sub-component.

#### c) Appearance Approval Report

- a. Only for parts with color, grain, surface appearance requirements.  
Use form CFG 1002 form PPAP manual. See PPAP Manual
- b. One form per Part Number

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**d) Master Sample**

- a. Included in PPAP and identified as such.
- b. One master sample for each position of a multiple cavity die, mold etc.
- c. Default Sample size is 1 part

**e) Design Record(s)**

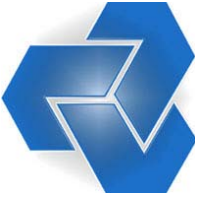
- a. Part drawing to be included in PPAP

**f) Checking Aids**

- a. Any part-specific assembly or component checking aid.
- b. Identified on control plan.
- c. Preventative maintenance plan for the checking aid. (if applicable)
- d. Completed MSA study. (if applicable)

**g) Dimensional Results**

- a. Form used is CFG 1003, See PPAP Manual
- b. Performed on all part materials with dimensional requirements.
- c. Dimensional measurements required on 5 parts.
- d. Dimensions marked on drawing.
- e. One report for each cavity in mold, die.(or as agreed upon by supplier and SCI)
- f. Correct drawing revision referenced.
- g. One measured part to be Master sample.
- h. Lab certification, if external one used.
- i. Inspection discrepancies marked.

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**h) Material and Performance Test Results**

- a. Design record change level of tested parts.
- b. Date of testing (within a year). Specifications of part / materials tested.
- c. Actual results of testing.
- d. Lab certification, if external.
- e. Use applicable forms CFG 1004 and CFG 1005. (See PPAP Manual)

**i) Process Flow Diagram**

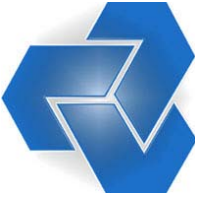
- a. All steps keyed to PFMEA and control plan.
- b. All steps labeled and descriptions clearly stated.
- c. Rework and inspections listed and matching control plan.

**j) PFMEA**

- a. Format must be per AIAG latest edition.
- b. Complete with all known potential failures.
- c. All operations are identified and list sequentially.
- d. All header information filled out correctly.
- e. Multidiscipline approach.
- f. RPN greater then 100addressed with action plan.
- g. [SC] [CC] identified.

**k) Control Plan**

- a. Format per AIAG.
- b. Control plan sequences match the Process flow and PFMEA.
- c. Receiving, in process, final inspection and dock audit included.
- d. [SC] [CC] as per PFMEA.

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- e. Gauges and inspection methods identified.
- f. Reaction plan included.

**l) Initial Process Studies**

Initial process capability required for all [SC] and [CC]. {SC} must be 1.33 or higher value. [CC] must be 1.33 or higher value.

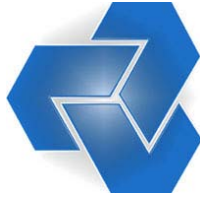
- a. Focused on variables not attributes data.
- b. Minimum 100 individual reading, minimum 25 sub groups from a 300 part PV (Product Validation) run. Another agreed upon number of parts or pieces may be used in lieu of the 300 pieces, when agreed to by the SCI buying unit.
- c. Attribute data 300 = zero defect.
- d. X Bar R chart included in PPAP.

**m) Measurement System Analysis**

- a. MSA required for all measurement and test equipment that records or verifies product. (Gauges listed on Control Plan at a minimum)
- b. Measurement system must be listed in the control plan.
- c. Acceptable measurement results (% of R&R)
- d. Acceptable error parameter - under 10%
- e. 10 to 30 % error - maybe acceptable depending on application and/or cost of repair.
- f. Error over 30% is not acceptable. Corrective action plan must be included

**n) End of Life Vehicle Directive (ELVD)**

- a. Use form GMW3059
- b. Must be completed for all parts, even if no chemicals are considered restricted and/or forbidden.
- c. Reported as % mass in the supplied part.
- d. Supply submission via the IMDS website ([www.mdsystem.com](http://www.mdsystem.com))

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**o) PPAP Feedback**

- a. The appropriate Quality authority reviewing the PPAP submission will provide a PPAP feedback sheet to the supplier, alongside with the PSW.
- b. Purpose of this feedback is continual improvement.

This is an aid in the timely submissions of the PPAP packages.

**5.4 SUBMITTAL**

5.4.1 Advanced copies sent by fax or email are acceptable for a limited time basis. It is SCI expectation to receive a hard copy on each requested PPAP.

5.4.2 The PPAP submission to SCI should be provided on the following format:

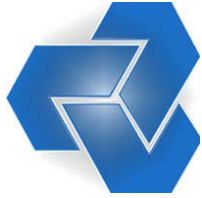
- a) Ring binders
- b) Binder cover sheet, showing
  - a. Part Number and revision level
  - b. Part Name and/or program platform
  - c. Submission date
  - d. Supplier Name
- c) Section separators with tabs, identifying each section
- d) Complete documentation as shown on Appendix 6. If a section does not apply, the supplier shall demonstrate why the section is not applicable.

5.4.3 The supplier shall keep a copy on file at their location. The applicable Quality authority at the receiving plant will issue approval to the PPAP package by signing the Part Submission Warrant.

**5.5 INTERIM APPROVAL REQUESTS**

5.5.1 For special situations where specific testing, specific verification or specific documentation has not been completed, the supplier may request interim approval for a limited period of time. This approval is provided by two documents – Part Submission Warrant and GM 1411 Interim Recovery Worksheet.

5.5.2 The supplier must understand that an interim approval of the PPAP does not diminish the responsibility of the supplier to supply parts that meet the SCI specification requirements.

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5.5.3 Your company is required to contact the appropriate Quality authority at the SCI receiving plant and communicate the need of providing an interim approval request.

5.5.4 The SCI receiving plant will review the request and based upon program launch schedule, may or may not allow interim approval.

5.5.5 The SCI buying unit will advise the supplier of any additional documentation is needed along with the request for interim approval and GM 1411.

## **5.6 MAXIMUM ALLOWABLE TIME FOR INTERIM APPROVAL**

5.6.1 The interim approval of the PPAP package shall not exceed 90 days. If you cannot complete your PPAP submission by that date, SCI and you will agree to a new submission date, or a new supplier will be identified..

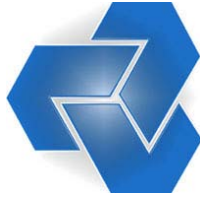
5.6.2 Interim will not be granted unless a detailed action plan with dates and responsible parties is provided alongside with interim approval request documentation.

5.6.3 SCI strongly encourages the supplier base to use interim approvals only when it is required.

## **5.7 OTHER PPAP REQUIREMENTS**

5.7.1 No changes to products or raw materials that have been PPAP approved are allowed without the written consent of the SCI buying unit and submittal of PPAP documentation. If changes are made without consent from the SCI Buying unit, the supplier shall be liable for reimbursement to the SCI buying unit, or replacement of the product, as originally agreed to in the PPAP.

5.7.2 The supplier is expected to notify the SCI buying unit when the product or raw material is manufactured on equipment that is different from the equipment approved in the PPAP approval. This requirement does not apply to perishable tooling. This requirement applies to additional equipment as well as new or refurbished equipment.

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## **5.8 MAINTENANCE OF PRODUCTION EQUIPMENT**

Suppliers are expected to maintain their manufacturing equipment in the same order as originally approved in the PPAP. The supplier is expected to maintain the same product flow as originally approved by the PPAP. The supplier will notify the SCI buying unit if equipment is moved within the same plant, or relocated to another manufacturing facility, outside of the original facility. Additional PPAP data may be required.

**THE FOLLOWING SECTIONS APPLY TO ALL SUPPLIERS, UNLESS OTHERWISE NOTIFIED.**

## **6.0 MISTAKE-PROOFING**

Suppliers are expected to use some form of mistake-proofing in their manufacturing processes. The use of the Process Failure Mode and Effects Analysis is one method. Suppliers are expected to use Statistical Process Control (SPC) on their processes when it is applicable.

## **7.0 CONTINGENCY PLANS**

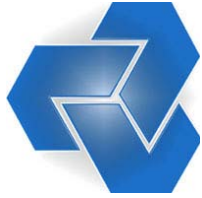
### **CONTINGENCY PLANS**

SCI requires the supply base to develop and publish contingency plans to avoid supply interruption to the SCI receiving plant (s). The supplier should review the contingency plan on a yearly basis. The resulting document / contingency plan must be submitted to the appropriate SCI unit, when requested.

## **8.0 LABELING AND PACKAGING STANDARDS**

8.0.1 Suppliers are expected to be able to communicate with the SCI buying unit in various methods and have a back-up method available when the primary means of communication fails.

8.0.2 SCI's labeling requirements shall be specified. The Supplier is expected to meet the requirements specified unless a waiver is obtained. Failure to meet the SCI buying unit's requirements may result in the return of the product. The labeling requirements are part of the purchasing agreement and listed in the material specification. Supplier labels shall

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clearly identify the product being received and the labels shall be able to be read by a hand-held scanner.

## **9.0 MATERIAL VERIFICATION**

### **9.1 GENERAL**

9.1.1 Suppliers are expected to verify incoming raw materials prior to placing them in their production stream. This is a requirement for all of SCI's products. Suppliers are expected to exercise extreme care in the protection and handling of controlled materials.

9.1.2 Suppliers shall have a process to insure that controlled materials are properly safeguarded against loss or damage.

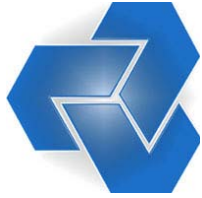
9.1.3 Suppliers are expected to have an incoming inspection process. Suppliers shall maintain records of their incoming inspections to show that the materials received meet the requirements specified in the suppliers purchase orders.

### **9.2 NON-CONFORMING MATERIAL**

9.2.1 Suppliers are expected to identify non-conforming material, segregate it from conforming material and investigate the reason(s) for the material's nonconformity.

9.2.2 Suppliers are expected to use the Eight Disciplines of Problem Solving (8-D) Method to investigate the root cause of the non-conformity. The Eight Disciplines (8-D)s are:

- 1-D: Use the team approach, select a team
- 2-D: Describe the problem, input provided by the SCI buying Unit
- 3-D: Implement and verify interim action, containment effort
- 4-D: Define and verify the root cause(s)
  - Identify potential cause(s)
  - Analyze potential cause(s)
  - Validate the root cause, repeat the fault by intention
  - Identify alternative solutions
- 5-D: Choose and verify the effectiveness of the permanent corrective action
- 6-D: Implement permanent corrective action
- 7-D: Prevent recurrence of the problem
- 8-D: Congratulate your team.

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9.2.3 A corrective action report with each of the above items shall be completed by the supplier and submitted to the SCI buying unit when requested. See attachment 8 for an example of an Eight Discipline Work Sheet.

## 10. DOCK AUDITS

10.1 The supplier is expected to perform dock audits on product or raw material being shipped to SCI. The dock audit shall insure that:

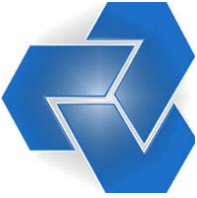
- All product or raw material are correct and matches the Purchase Order.
- The packaging meets the requirements specified in the contract or purchase order.
- The product or raw material is properly labeled meeting all government and safety requirements.
- There are no holes, tears, rips, or any damage to the cartons, drums, packaging protecting the product or raw material.
- The product or raw material does not pose an environmental danger when properly shipped and handled.

10.2 The supplier shall maintain records of the dock audit and provide them to SCI upon request. The "Dock Audit Checklist" that is attached to this document may be used as evidence of a Dock Audit, or the Supplier may use their form. (See attachment 7)

## 11. Supplier Corrective Action Request (SCAR)

11.1 If a vendor fails to respond to a Supplier Corrective Action Request, the Quality Department will review the vendor's past evaluations and take action to insure that the vendor's product is acceptable before it is released into the production stream. This action may include 100% inspection of incoming product as necessary. Other acceptable actions are:

1. **Bar** - The supplier may be barred from doing further business with SCI and removed from the approved supplier list.
2. **Business Hold** - The supplier may be suspended from doing business with SCI for a specified period of time. During this time, the vendor will be removed from the Approved Supplier Listing.
3. **100% Inspection** - The vendors product will be 100% inspected before released into the SCI Unit's production stream. The vendor may be charged for this service.
4. **100% inspection of the vendors product** shall not exceed six months. If the vendor has not improved their product or service within that time, the vendor shall be moved to "Business Hold" status until corrective action is complete.

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11.2 The Quality Department will notify the vendor of the action being taken and the steps necessary to return to SCI approved supplier status. The Quality Department will insure that business is not conducted with the supplier as long as they are barred or in "Business Hold" status.

11.3 The supplier is expected to respond to the Supplier Corrective Action Request (SCAR). The Quality Department will review the vendor's response and determine whether it is sufficient to permanently correct the problem. If the response does not adequately address the problem, the SCAR will be returned to the vendor along with a request for further evaluation.

11.4 If the vendor's response appears to be adequate, the SCI Unit's Quality Department will make arrangements with the vendor for an on-site visit to verify the effectiveness of the corrective action. If the auditor finds that the vendor has not implemented any of the stated corrective actions, the vendor will be placed on "Business Hold" until the corrective action is implemented and its effectiveness verified.

11.5 Once the Supplier Corrective Action Request has been satisfactorily settled, the SCAR shall be maintained in a vendor history file and used as part of the next evaluation.

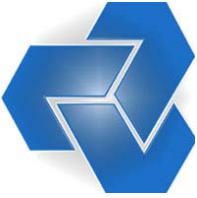
## **12. Records Management**

12.1 Records of Automotive PPAPs, samples, or documents that demonstrate product quality conformance, and traceability documents must be stored in a safe condition in order to prevent destruction and maintained for 20 years or longer if required by legislation.

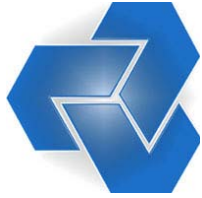
12.2 At a minimum, the supplier shall retain automotive documents and product samples for the time the part is active (a part is active as long as it is being supplied to the SCI buying unit for original or service applications) in production plus a period of 15 years. Parts used in multiple programs may require an exceptionally long retention period.

12.3 The supplier shall retain a automotive master sample of each cavity, die, pattern, etc., for the same period as the production part approval records, or until a new master sample is produced for the same part number subject to the SCI buying unit's approval. The master sample will be identified as such and shall show the PPAP submission date and SCI approval date.

12.4 Records shall be marked with any special markings required by the SCI buying units quality department. Records shall be stored in such a way as to allow for easy retrieval if needed. Records may be retained in electronic or hard-copy format.

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12.5 Records for non-automotive products will be maintained as described by the SCI buying Unit's Quality Department.

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### **13. Laboratory Systems**

#### **13.1 LABORATORY SYSTEM REQUIREMENTS**

13.1.1 The supplier is expected to have a way of certifying the requirements listed in the SCI's purchase order or specification.

13.1.2 When the supplier is unable to certify the product itself, the supplier is expected to have a contract laboratory or other facility that is capable of certifying that the product meets the requirements.

#### **14.0 Product Safety**

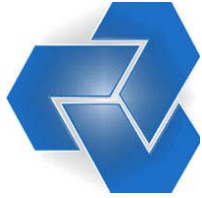
14.0.1 Product safety faults can be the cause of liability claims against SCI. Therefore, all staff members who are responsible for the relevant instructions of product safety must know about the principals of product liability. Adequate systems must be introduced insuring the following:

- a. information and qualification of the responsible operators
- b. legal advise (internal and external)
- c. compliance with science and technology
- d. evidence that the production process and its supervision is according to the latest status of technology (it may not be sufficient only to comply with the standard)
- e. limitation of fault consequences by documentation and traceability system.

#### **15. COST RECOVERY**

15.1 Without prejudice to SCI's rights under any conditions, the supplier shall be liable to SCI on demand for any indemnity and hold SCI harmless against any loss, damage, liability, claim, cost or expenses for any breach by the supplier or for any defect in any goods supplied.

15.2 Supplier cost recovery will by initiated by SCI when it has been determined that the supplier is responsible for quality and/or delivery shortcomings. Cost recovery will be communicated using a method agreed to by both parties. The Cost Recovery process will include, but is not limited to, claims for contaminated stock at a SCI plant, product in transit, OEM assembly plant, non-conforming received goods, assembly line down time due to delivery or quality related issues and warranty returns. The Cost Recovery will be a significant factor in SCI's sourcing decisions.

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## 16. COMMUNICATION

16.1 Communication between the you and the SCI Buying Unit will take place using all appropriate means such as domestic mail service, telephone, fax, e-mail, electronic means, 2nd and 3rd party audits, etc.

16.2 Suppliers are expected to use the Internet for business with SCI whenever possible. Suppliers are expected to have an email address along with a fax number so that the SCI contact can get in touch with the your contact as needed. See attachment 8 for finding the SCI contact name and addresses, as well as any necessary information (i.e. internet address, phone/fax).

## 17. Approved Supplier List (ASL)

17.1 Each SCI Unit maintains an "Approved Supplier Listing" Listing the supplier, date surveyed and other information necessary.

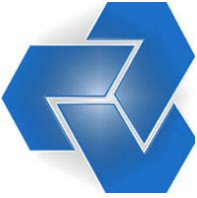
17.2 A supplier can only get onto the approved supplier list through one or more of the following methods:

1. On-Site audit conducted by a SCI Unit or auditor hired by the SCI Unit.
2. In-plant trials of the suppliers product, including review of the supplier's quality system and delivery performance.
3. Being declared a "sole source" supplier by the SCI Unit 's management; or
4. Being designated by the customer as the supplier of choice. However, the SCI Unit being required to use the supplier by the customer is not relieved of the requirement to supplier the customer with product that meets the customer's requirements

## 18 SUPPLIER DEVELOPMENT

18.1 All SCI suppliers or vendors who do conform to the requirements of ISO 9001:2000 are required to begin a establish a quality system that will conform to the requirements.

18.2 In order to insure that each SCI supplier or vendor conforms to the requirements of ISO-9001:2000, each SCI Unit will survey each of their suppliers of essential raw materials or products.

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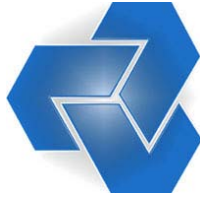
1. This survey will be accomplished at least annually or at an interval determined by the SCI Buying Unit's Quality Department.
2. Suppliers of office supplies, paper, office equipment, motors, or maintenance supplies are not required to be surveyed, only suppliers of product going into or used to protect the original product need be surveyed.
3. Each SCI Unit shall determine the criteria for performing a survey.

18.3 The survey will measure the supplier's progress toward achievement of conformity with ISO-9001:2000, and will, at a minimum, measure the suppliers progress toward meeting the following requirements:

- Management Reviews
- Quality Manual
- Receiving Inspections
- Review of Test Data
- Employment of Mistake-Proofing (Error-Proofing)
- Use of SPC
- Final Product Inspections
- Records Maintenance
- Internal Audits
- Continual Improvement
- Training
- Corrective/Preventive Action
- Purchasing
- PPAP (Production Part Approval Process)
- Contract Review
- Inspection and Test Status
- Other items as deemed necessary by the SCI Unit

18.4 Each supplier will be monitored to insure that progress is being made in each of the areas listed above. The SCI Unit will provide whatever assistance is needed by the supplier to insure the supplier meets the requirements. Failure to implement a program could result in the supplier from being barred from doing further business with SCI. All suppliers, both present and future, shall meet this requirement

18.5 SCI at its discretion may use independent auditors to perform supplier audits. When used, these individuals represent the interest of SCI and will audit the supplier's processes **looking for conformance to the specified requirements.**

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18.6 The supplier must allow SCI's customers access to their facilities for the purpose of evaluating parts, processes, documents, methodologies and systems used in the manufacture of SCI parts.

## **19.0 INTERNATIONAL MATERIAL DATABASE SYSTEMS (IMDS)**

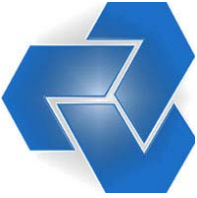
All of the major automotive companies (i.e. Ford, VW, Opel, GM, Daimler-Chrysler, etc.) have agreed to the use of the International Material Database System (IMDS [http://www.mdsystem.com/html/de/home\\_de.htm](http://www.mdsystem.com/html/de/home_de.htm)) for reporting hazardous and prohibited substances their products. Suppliers of products to SCI whose products end up in an automotive product are required to use this system. You will be notified by the SCI buying unit's Quality Engineer if you are required to submit information to this database. SCI expects its suppliers to support SCI in our efforts to fulfill these requirements.

### **19.1 End-of-Life Vehicle (ELV)/International Material Data System (IMDS) Reporting**

19.1.1 The End-of-Life Vehicle (ELV) Directive, 2000/53/EC, was enacted by the European Commission to minimize the impact of end-of-life vehicles on the environment. The use of lead, mercury, cadmium and hexavalent chromium are prohibited in vehicles and their components, except for certain exceptions published in Annex H of that Directive. **This is a mandated requirement for European Union (EU) Member States and also required by North American, and some Japanese vehicle manufacturers.**

19.1.2 In addition to the above, and other legal requirements, such as EU Directives 2002/95/EC, 2002/96/EC and 2003/11/EC, there are restrictions on the use of certain flame retardant substances such as polybrominated biphenyls (PBBs) and polybrominated diphenyl ethers (PBDEs). PBBs and PBDEs shall not be present in the products supplied to SCI.

19.1.3 Suppliers or vendors in all countries shall insure that all components and materials supplied to any SCI Unit comply with the above legal requirements.

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