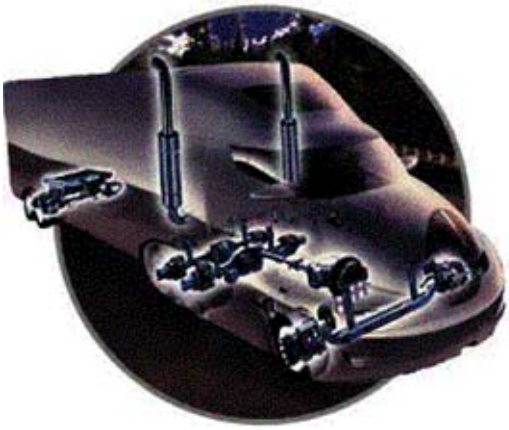
ArvinMeritor™

SQSR

Supplier Quality System Requirements



Revision 5a
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1.0 Introduction

1.1 Scope

The details stipulated within this manual are the minimum mandatory requirements for "approved" production (including aftermarket) goods and service suppliers to ArvinMeritor Inc., its subsidiaries and affiliates, irrespective of their global location. These requirements also apply to ArvinMeritor plants supplying components to other ArvinMeritor locations.

ArvinMeritor is committed to providing on time, quality products and services that meet our customers needs and requires a commitment from our suppliers to provide the same to us. Creating win/win relationships strengthened by success remains a cornerstone in meeting changing customer expectations.

1.2 Purpose

The purpose of this document is to communicate ArvinMeritor's requirements with respect to the quality management system of those companies that supply production goods and/or services to ArvinMeritor.

ArvinMeritor requires that its suppliers:

a) Implement appropriate systems and controls to ensure the 100% on-time delivery of conforming, defect free products to ArvinMeritor.

b) Manage facilities, processes, quality systems and personnel to consistently and cost effectively produce products and furnish services that meet the needs of ArvinMeritor and its customers.

c) Develop and implement a documented Quality System, including an Advanced Product Quality Planning process, in accordance with the requirements of ISO/TS-16949 and the AIAG Advanced Product Quality Planning and Control Plan reference manuals in order to assure that all ArvinMeritor requirements are met.

d) Provide objective evidence that all supplied products and services satisfy AIAG Production Part Approval Process requirements including acceptable process capabilities for Special/Control Characteristics.

e) Utilize appropriate statistical techniques for on-going process control and improvement (as established in the AIAG Fundamental Statistical Process Control reference manual).

f) Continuously improve by reducing part-to-part variation and eliminating all waste.

g) Conduct its operations to and assure that all materials and products provided to ArvinMeritor meet or exceed all applicable environmental laws and regulations of the jurisdictions in which the supplier does business. Suppliers must meet the same requirements that our customers demand of us. Also, suppliers are strongly encouraged to install environmental systems in their facilities that are compliant to ISO 14001.

h) Comply with all applicable government statutes, regulations and standards relating to motor vehicle safety or emissions within the territories of use (e.g. US FMVSS safety standards, 49 USC 301, et seq., TREAD Act, EU Directives on Product Safety).

i) Meet the requirements of ArvinMeritor with regard to the use, control and supply of returnable packaging. Suppliers are responsible for requesting any specific packaging documentation directly from business unit(s), as required.

j) Are capable of receiving and sending EDI transactions (e.g., receiving Releases, sending Advanced Shipping Notices).

1.3 Background

The ArvinMeritor Supplier Quality System Requirements (SQSR) are based upon the latest edition of ISO/TS-16949 Quality System Requirements. These requirements are an integral and legally binding aspect of the ArvinMeritor Purchase Order. Although this does not alter or reduce any other requirements of the contract, it is intended to provide a concise understanding of our quality expectations.

This manual supersedes all previous Rockwell Automotive, Meritor Automotive, Arvin Industries and ArvinMeritor supplier quality systems requirements manuals.

The controlled copy of the ArvinMeritor Supplier Quality System Requirements manual is posted on the ArvinMeritor supplier web site at:
http://tradeexchange.arvinmeritor.com/SupplierDir/Supplier Requirements/corporate/files.htm

2.0 Quality Systems Requirements

2.1 General Quality Systems Requirements

Present and potential suppliers to ArvinMeritor, Inc. must operate within a comprehensive quality system. Suppliers shall provide written confirmation and objective evidence of third party certification to an active version of ISO/TS 16949. Certification to ISO 9001 will be accepted as a first step in achieving this goal. Certified suppliers must submit their initial and renewal quality system certifications to ArvinMeritor Procurement within 10 days of receiving the certificate from their registrar. Also, suppliers are required to immediately notify all ArvinMeritor receiving sites and their buyer if their registrar places them on “Probation”.

Suppliers who are not ISO/TS 16949 certified must have a working plan to become compliant to ISO/TS 16949 available for ArvinMeritor review.

Suppliers are required to follow the requirements of the current version of the Production Part Approval Process (PPAP) manual and meet the intent of the requirements specified in the following AIAG Reference Manuals: Advanced Product Quality Planning and Control Plan (APQP), Potential Failure Mode and Effects Analysis (FMEA), Measurement Systems Analysis (MSA), and Statistical Process Control (SPC). Additional requirements are noted in this Supplier Quality System Requirements manual. ArvinMeritor may communicate other requirements as our needs or the needs of our customers change. It is the responsibility of ArvinMeritor’s suppliers, both present and new, to obtain and maintain the current issue of all ISO/TS 16949 and AIAG related documents (see 3.2 Supporting Industry Documents for ordering information).

Comments or questions regarding the ArvinMeritor Supplier Quality System Requirements manual may be directed to the appropriate ArvinMeritor plant quality engineer.

2.2 Advanced Product Quality Planning (APQP)

Suppliers are required to generate an Advanced Product Quality Plan in accordance with the AIAG APQP reference manual for review by the ArvinMeritor C_2C (Concept to Customer) Project Team or relevant Engineering group. This plan shall include, but is not limited to:

a) Notification of risks that affect product integrity or the project plan.
b) Implementation of error-proofing (poka-yoke) to achieve Zero Defects to ArvinMeritor.
c) Identification of changes needed to product or process specifications.

Suppliers designated as "critical" by ArvinMeritor will be required to utilize and submit the APQP Critical Supplier Status Report. This report is intended to track the supplier's progress throughout the APQP and launch processes (see the APQP Critical Supplier Status Report form and instructions under the 3.1 ArvinMeritor Supporting Documents link).

2.3 Pre-Award Meeting

A Pre-Award Meeting for present and potential suppliers offering new products or services shall be required prior to Purchase Order issuance (unless formally deviated by ArvinMeritor based upon historical evidence of successful adherence to ArvinMeritor's requirements). Technical, quality, manufacturing, engineering, purchasing, delivery, and business issues shall be reviewed during this meeting to provide the supplier with a thorough understanding of ArvinMeritor requirements. Under most circumstances, Procurement shall schedule the meeting and include cross-functional membership as appropriate. Suppliers shall meet all requirements agreed to at the Pre-Award Meeting as a condition of business award. Agreements shall be documented in the Pre-Award Meeting minutes and formally concurred with signature on the Supplier Pre-Award Meeting Checklist (see the link under 3.1 ArvinMeritor Supporting Documents for a copy of the checklist).

Design responsible suppliers are required to comply with ArvinMeritor's Engineering drafting standards, which can be obtained from the applicable Engineering group.

2.4 Engineering Prototype Sample Submissions

Engineering prototype parts with documentation of specification conformance shall be submitted to ArvinMeritor by the supplier as instructed by the ArvinMeritor C_2C Project Team for engineering validation testing. Each sample or prototype must be clearly labeled as such and accompanied by a completed Dimensional Results, Material Test Results, and Performance Test Results reports as described in the AIAG PPAP manual. Specific instructions, in addition to these stated requirements, may be agreed upon and documented by ArvinMeritor via the Pre-Award Meeting or other formal communication.

2.5 Special Characteristics

Special Characteristics are any product or process characteristics that affect safety or compliance with regulations, fit, function, performance or subsequent processing of product.

In accordance with the requirements of ISO/TS-16949, Special Characteristics shall be identified and specifically addressed in the DFMEA, PFMEA, Control Plans, Process Flows, Work Instructions and other associated documents. ArvinMeritor designated Special Characteristics are identified on drawings/specifications or in a separate document (e.g., QCC Log) that cross-references these characteristics to the drawings/specifications. Suppliers are responsible to fully understand the usage of their product and also identify Special

Characteristics, as appropriate. This includes "black box" suppliers. Suppliers are also responsible for ensuring that relevant Special Characteristics are explained, understood and controlled by their sub-suppliers.

2.6 Process Capability and Control

Suppliers are required to meet the process capability requirements as defined in the AIAG PPAP and SPC reference manuals, unless otherwise specified by ArvinMeritor. The supplier is responsible to ensure process capability and control requirements are documented in their control plan and that capability indices are achieved and improved throughout production.

2.7 Sub-Supplier Control

Each ArvinMeritor supplier is responsible for the control and continuous improvement efforts of its suppliers. However, ArvinMeritor reserves the right to visit sub-suppliers.

ArvinMeritor suppliers shall require their suppliers of production goods and services to conform to the requirements specified herein and must implement and document appropriate controls.

2.8 Supplier Tooling, Gaging and Returnable Containers

Supplier tooling (dies, patterns, molds, special tooling) and gaging shall be permanently marked with a unique serial number and company name so that the ownership of each item can be easily identified. Returnable containers shall be permanently marked with the company name of ownership. For ArvinMeritor or OEM owned tooling, an ArvinMeritor or OEM asset tag may also be required.

The supplier shall establish preventive/predictive maintenance procedures on all tooling. Evidence of procedure execution shall be made available upon request. Preventive/predictive maintenance schedules and tool history records shall be documented and available for review.

No supplier tooling shall be sold or consigned to another entity without proper notification and written consent from ArvinMeritor. In such cases, or in case of tooling relocation to an alternate supplier location or facility, it is the supplier's responsibility to contact ArvinMeritor regarding potential re-PPAP requirements prior to moving the tool.

2.9 Early Production and Pilot Part Requirements

Suppliers are required to meet ArvinMeritor's Early Production/Pilot Part requirements. These requirements will be documented by ArvinMeritor via the Pre-Award Meeting or other formal communication. Required documentation (e.g., Control Plans) must be kept current.

Suppliers are expected to clearly identify "early production" or "pilot parts" to ensure that the ArvinMeritor receiving site does not mix such parts with "regular" production parts. Suppliers are also expected to work closely with ArvinMeritor plant Scheduling and Material Control personnel to minimize unnecessary obsolescence.

Labelling must be done per ArvinMeritor receiving site requirements and shall be differentiated from regular production shipping labels, unless the parts are already PPAP approved. In particular, the Supplier Identification, Part Number, Engineering Level, and Quantity must be clearly displayed on the part-packaging label to ensure easy, visible segregation of containers/parts.

In addition, a brightly colored sheet of paper, at least 8 inches by 10 inches in size (A5 or greater), must be attached to at least 2 sides of the container or material, stating one of the following:

- Pre-Production Materials
- Pre-Production Parts
- Pilot Materials
- Pilot Parts

Suppliers not adhering to the above requirements may be placed on Containment, which is discussed in Section 2.24.

2.10 Manufacturing Process Review

A systematic review of a supplier's manufacturing process may be conducted at the supplier's facility prior to AIAG PPAP submission. This process may be an ArvinMeritor or ArvinMeritor customer specified process (e.g., PSO, PAPA, Run at Rate).

2.11 Production Part Approval Process (PPAP)

All production part sample submissions shall be in accordance with the AIAG PPAP manual requirements as stipulated by the ArvinMeritor C_2C Project Team or receiving site Quality department. Level 3 PPAP, supplied electronically, is the default submission level unless otherwise agreed upon with the relevant receiving site Quality department. Supplier PPAP packages shall include all component (internal and sub-supplier) PSWs at a minimum and may require additional PPAP documentation as per the receiving site Quality department.

PPAPs shall be submitted to each ArvinMeritor receiving site Quality department and any associated PPAP sample parts shall be clearly labeled as such.

Full or interim approved PPAP is required prior to shipping parts to ArvinMeritor for production. Any production shipments received by ArvinMeritor prior to obtaining this approval will be rejected. Any exceptions must be documented and approved on an ArvinMeritor deviation.

2.12 Changes to Approved Product and Processes

Suppliers and sub-suppliers are not to make any unauthorized changes to a product (e.g., material, component, subassembly, etc.) or the process used to produce a product that has been previously PPAP approved by ArvinMeritor. This includes changes to Process Control Plans.

ArvinMeritor notification and submission requirements are clearly outlined in Section I.3 of the AIAG PPAP manual. The appropriate ArvinMeritor Procurement and receiving site Quality representative shall be notified of intentions to change a product or process prior to making any changes. The supplier must submit a Supplier Request for Product or Process Change (see 3.1 ArvinMeritor Supporting Documents for a link to the form) and receive written authorization to proceed with the change from the ArvinMeritor's receiving site Quality department prior to change implementation.

Any such change made without prior written approval by ArvinMeritor would not only constitute a breach of our purchase order terms and conditions, but would also be a serious breach of standard automotive practice. Suppliers who do not adhere to this requirement will be held responsible for all damages, losses and liabilities attributable to any unapproved change made

by you or one of your suppliers (e.g., customer rejections, customer line stoppage penalty fees, field failures costs, warranty expense). In addition the supplier may be placed on New Business Hold until the systemic issue is addressed.

2.13 Annual Re-qualification

Unless waived in writing by ArvinMeritor, the supplier shall inspect and test annually a sample of each active product supplied to assure conformance to all ArvinMeritor specified requirements (e.g. dimensional, material and performance). These inspection requirements shall be included in the supplier's production control plan. Material testing shall be carried out by a qualified laboratory. Annual validation documentation shall be on file at the supplier and available to ArvinMeritor upon request. If a nonconformance is found during the annual validation, the supplier must notify the ArvinMeritor using plant quality department immediately so that appropriate action can be determined and implemented.

Whenever ArvinMeritor is required to submit PPAP to their customer, suppliers with PPAP documentation over one year old may be required to re-PPAP as directed by the ArvinMeritor receiving site Quality department.

2.14 Certificates of Conformance

A signed certificate of conformance will be maintained on file at the supplier and may be required to accompany each shipment of specified components or materials. The certificate of conformance must contain the actual results of physical testing, measurements and/or analysis specified by the contract confirming compliance with all identified requirements. The ArvinMeritor receiving site and/or C_2C Project Team will give specific instructions during the Pre-Award Meeting or other formal communications.

The supplier should have a system capable of retrieving and submitting the requested Certificate of Conformance within 24 hours of ArvinMeritor's request.

2.15 European ELV Directive and IMDS Requirements

The European End-of-Life-Vehicles (ELV) Directive 2000/53EC that was entered into force on October 21, 2000, imposes specific rules for materials used in cars. All suppliers of ArvinMeritor are responsible to ensure that the ELV-Directive is fulfilled, and need to inform ArvinMeritor about the contents of every part you deliver to ArvinMeritor through the IMDS.

In order to ensure regulatory compliance to the ELV-Directive and any applicable substance regulations over time, it is necessary to document the material and substance composition of the entire vehicle. IMDS (International Material Data System) allows the OEM's and suppliers to collect and to manage the information regarding the material and substance composition of all the components of a vehicle so that compliance to the ELV-Directive is documented. ArvinMeritor suppliers are required to report the contents of the products they supply to ArvinMeritor in the IMDS under IMDS ID Number 2199**.** Refer to the following links for more information:

- **ELV Directive 2000/53EC:** http://europa.eu.int/eur-lex/pri/en/oj/dat/2000/l_269/l_26920001021en00340042.pdf
- **IMDS :** http://www.mdsystem.com

Liability rests with the supplier in the event of that components being supplied to ArvinMeritor do not conform to the relevant statutory requirements. Any and all costs incurred in such instances will have to be borne to their full extent by the supplier, not by ArvinMeritor.

Information regarding ArvinMeritor's environmental policies and/or International Material Data System (IMDS) requirements may be obtained upon request by contacting Corporate Environmental Management (see 3.1 ArvinMeritor Supporting Documentation link for additional information).

2.16 Verification Reviews of Purchased Product

The supplier shall allow ArvinMeritor, an approved 3rd party representative or our customers the right to verify, at the supplier's premises that the product and subcontracted product(s) conform to specified requirements. Prior to conducting such verification reviews, the responsible ArvinMeritor contact shall specify both the arrangements and method of performing the reviews.

2.17 Product Identification and Packaging

Each container, rack, box, or pallet of material shipped to ArvinMeritor shall be identified as instructed by the ArvinMeritor receiving site. Unique requirements will be identified and documented by ArvinMeritor at the Pre-Award Meeting or other formal communication.

Labeling must be done per ArvinMeritor receiving site requirements. At a minimum, the Supplier Identification, Part Number, Engineering Level, Quantity and Batch/Lot Number must be clearly legible in both human readable and bar coded form on the part-packaging label. All bar codes must be scanned by the supplier to verify readability.

Identification shall permit traceability back to the specific supplier raw materials lot numbers, as well as the manufacturing, inspection and test records. The supplier should also be able to trace where products made under similar conditions (same raw material lot, same manufacturing line/batch, etc.) were shipped. Suppliers are required to utilize and ship material on a first in first out basis. Sequence of batches must be identified on the packaging label by either a date code or batch/lot number. Safety related identification criteria shall conform to all government regulatory and ArvinMeritor requirements. No exceptions to this requirement shall be permitted unless acknowledged in writing by ArvinMeritor.

Suppliers shall ensure their products are transported in a manner that prevents damage or deterioration to the product. Suppliers shall maintain documentation detailing proper packaging, cleanliness level, storage and shipping instructions of its products. These instructions must conform to the ArvinMeritor receiving site requirements.

For further information, refer to the applicable specifications located at:

http://tradeexchange.arvinmeritor.com/SupplierDIr/edi/files.htm

CVS aftermarket suppliers shall refer to TP02100 Packaging and Shipping Guide at:

http://tradeexchange.arvinmeritor.com/SupplierDir/SupplierRequirements/cvs/files.htm

2.18 Delivery Performance and EDI Requirements

The supplier shall provide 100% conformance to the delivery requirements as specified by the ArvinMeritor receiving site. Costs incurred by ArvinMeritor as a result of a delivery nonconformance caused by a supplier shall be the responsibility of the supplier.

Upon request, suppliers shall submit corrective action plans for delivery nonconformances.

For further information on Delivery and EDI requirements, refer to the applicable specifications located at:

http://tradeexchange.arvinmeritor.com/SupplierDir/edi/files.htm

2.19 Contingency Plans

Suppliers are required to prepare contingency plans (e.g. utility interruptions, labor shortages, key equipment failure and field returns) to reasonably protect ArvinMeritor's supply of product in the event of an emergency, excluding natural disasters and acts of God.

2.20 Continuous Improvement

The supplier shall continually improve quality, delivery, cost and other services provided. To aid in fulfillment of this requirement the supplier's organization shall establish, monitor, prioritize, and act upon key performance objectives and targets. The objectives and targets should be established based upon (at a minimum) business plans, management systems, product quality, process capability, and customer satisfaction goals. Actions taken to regain previously sustained levels of performance are corrective actions, not continuous improvement.

ArvinMeritor reserves the right to visit any supplier site to assess its continuous improvement programs and lean manufacturing practices, and make recommendations for improvement. In addition, ArvinMeritor may deploy personnel to focus on a specific improvement issues. In most cases, savings generated from these exercises will be shared between ArvinMeritor and the supplier.

2.21 Supplier Problem Solving and Avoidance

Suppliers shall have trained (preferably certified) personnel with the ability to quickly and permanently resolve product and process issues using data driven problem resolution tools and techniques. Problem resolution must be conducted using a defined, structured process like the 8-Discipline process, Six Sigma DMAIC (Define, Measure, Analyze, Improve, Control) or any process that includes verification of the root cause and validation of corrective action effectiveness.

Data driven techniques should also be used during the process design, verification and validation phases of the APQP process in order to prevent problems with new or changing products and processes. These data driven tools and techniques include but are not limited to: Failure Mode and Effects Analysis (FMEA), Measurement System Analysis (MSA), Statistical Process Control (SPC), Design of Experiments (DOE) and Taguchi Methods.

Product design responsible suppliers must use reliability methods during the product design, verification and validation phases of the APQP process in order to assure the robustness and durability of their product design for the intended application or as specified by ArvinMeritor.

2.22 Supplier Performance Ratings

ArvinMeritor production suppliers are required to monitor their performance monthly on the ArvinMeritor Supplier Performance Rating (SPR) website located at:

http://supplier.arvinmeritor.com/supplier_performance/

In order to monitor performance, a supplier must first:

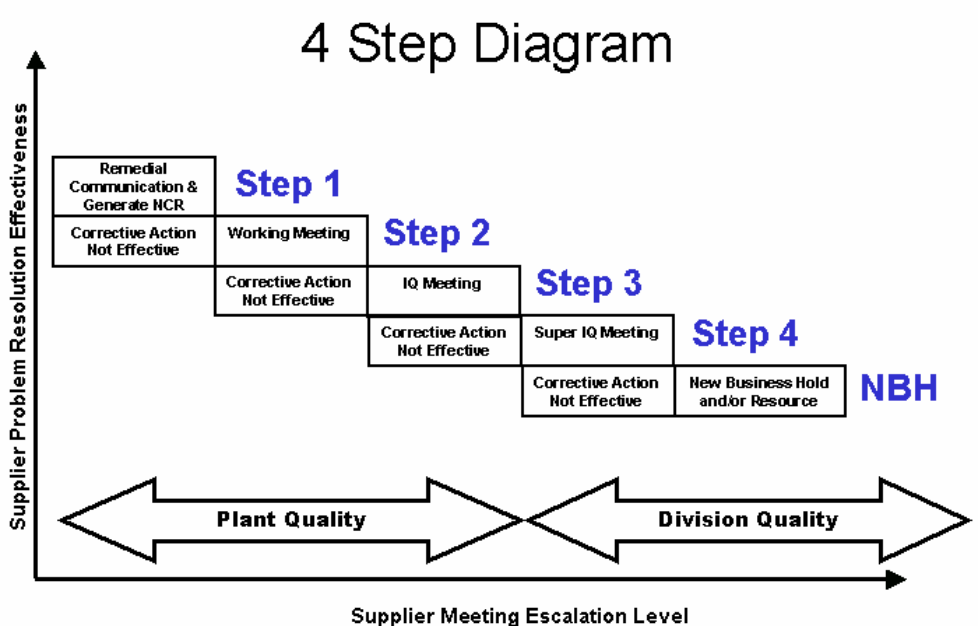
1. Register with Dunn & Bradstreet to obtain a DUNS Number. This registration is free of charge and must be done by each supplier's site that ships to ArvinMeritor. The Dunn & Bradstreet registration site is located at: http://www.dnb.com/us/
2. Begin shipping Production Product to ArvinMeritor.
3. Register for ArvinMeritor's Supplier Performance Rating website. When registering a particular supplier site in SPR, be sure to note all ArvinMeritor plants that that site supplies along with the vendor code found on the PO for each ArvinMeritor site.

Once registration is complete, the supplier will receive a confirming email that they are registered and then can begin to monitor their performance on a monthly basis. New monthly SPR data is updated on the 15th of each month (for example, June's data will not show up in the system until July 15). However, once in the system, the data is refreshed daily. The supplier should report any errors in the data to the appropriate ArvinMeritor plant so it can be corrected. This is important since the SPR system is utilized by Procurement when determining placement of new business.

In the individual metric reports, the ArvinMeritor Division's supplier performance target for that metric is noted. Comparison of a supplier's performance to these targets is one method used by our plants to determine if a supplier should be invited to an IQ meeting, Super IQ meeting or placed on New Business Hold (see Steps 3 and 4 below). Meeting these targets does not relieve the supplier of the responsibility for 100% on-time delivery of defect free parts.

2.23 Supplier 4-Step Incoming Quality Process

ArvinMeritor utilizes a 4-Step Incoming Quality Process to resolve supplier performance issues (e.g., quality, delivery, etc.). The four basic steps are shown in the diagram below:



Step 1 – Remedial Communication

A nonconformance report (e.g. NCR, DMN, QPR, Inspection Report) is issued when an ArvinMeritor receiving site receives material or service that fails to conform to applicable quality and delivery specifications. Within 24 hours of receipt of the nonconformance report,

the supplier is required to submit a formal, interim QRCM Problem Solving Report (see 3.1 ArvinMeritor Supporting Documents for a link to the QRCM (8D) report) to the ArvinMeritor receiving plant quality department. At a minimum, this corrective action shall identify the problem, the immediate containment actions (including notifying all ArvinMeritor receiving plants) that have been implemented to assure nonconforming product is not shipped to ArvinMeritor, and the potential root cause(s) of the problem. Containment must comply with Section 2.24 of this manual. For nonconformances related to Motor Vehicle or Environmental Safety or which cause a major disruption (e.g., stop shipment, line shutdown, yard holds), an action plan is required immediately after notification.

A completed QRCM Problem Solving Report (8D) shall be submitted no later than thirty (30) calendar days after receipt of the nonconformance report, unless otherwise specified by ArvinMeritor.

Costs and charges incurred by ArvinMeritor associated with shipping, handling, processing, reworking, inspecting, engineering verification and replacing supplier responsible defective material including the costs of value-added operations prior to its discovery are the responsibility of the supplier.

Step 2 – Working Meeting

A working meeting is an ArvinMeritor plant led activity to address specific supplier performance issues not resolved in a timely fashion at Step 1. Working meetings focus on the development of an action plan to prevent or eliminate the root cause of the issue. The supplier is expected to submit periodic updates until the issue is resolved.

Step 3 – Incoming Quality (IQ) Meeting

An IQ meeting is an ArvinMeritor plant led activity to address supplier performance issues not resolved in a timely fashion at Step 2. The purpose of the IQ Meeting is to identify, and mutually agree to, all actions required for the permanent resolution of the systemic and particular issues that led to the Supplier's unsatisfactory performance. The supplier shall come prepared to address the following:

- Summary of events relating to the Supplier's performance concerns.
- Completed QRCM Problem Solving Report (8D) including containment actions, root cause analysis, corrective action and verification data and status.
- Preventive action plans and status to address systemic root cause(s)
- Strategic improvement plans

At the IQ meeting, ArvinMeritor and the Supplier must agree on the Exit Criteria. In addition, action plans that exceed 90 days duration may require supplier justification and may warrant interim IQ meeting reviews. The supplier is expected to submit periodic updates until the issue is resolved.

Step 4 – Super IQ Meeting

A Super IQ meeting is a corporate led activity involving the Executive Management of both ArvinMeritor and the supplier. The meeting addresses issues not resolved in a timely fashion during Step 3.

The supplier may be prohibited from bidding on new business and/or may be in jeopardy of losing current business at this stage of the 4 Step process. Suppliers who do not show improvement within 3 months of a Super IQ Meeting are automatically placed on New

Business Hold. Suppliers who are placed on New Business Hold must remain in tolerance for six consecutive months in order to be removed from New Business Hold. Suppliers will be formally notified by their ArvinMeritor buyer when they are placed on or removed off of New Business Hold.

ArvinMeritor may request an extra audit from the supplier's registrar in cases of on-going performance issues. The cost of the audit will be the responsibility of the supplier.

2.24 Containment Requirements

Containment for New Production Parts

a) Containment of new production parts starts with Pre-Production builds and continues through the first 90 days of production after PPAP approval. For LVS suppliers, at least 3000 pieces must be put through new production containment even if this means extending containment over the 90 days.
b) New Production Containment requirements will be documented by the supplier in their Pre-Production Control Plan and must be reviewed by the ArvinMeritor receiving site quality engineer for concurrence prior to any Pre-Production builds. Concurrence from ArvinMeritor does not relieve the supplier of any responsibility or accountability to deliver 100% conforming product to ArvinMeritor.
c) Suppliers may exit new production containment if they have achieved zero defects at the point of containment for 90 days after PPAP approval unless otherwise specified by ArvinMeritor. If defects are found at containment during this time the counter is reset and 90 clean days must be achieved from that point.
d) ArvinMeritor may require suppliers to perform off-line new production containment.
e) Suppliers are required to submit inspection data with each lot shipped to the receiving ArvinMeritor plant. This should include variable measurement data, where applicable.
f) Suppliers shall develop action plans to address missed failure modes or capability improvement needs.

Containment for Nonconforming Parts

Suppliers shall implement Level I Containment immediately upon notification by ArvinMeritor of a nonconformance. Level I Containment shall include at a minimum:

a) Submission of a documented action plan for the containment of all parts within the supply chain. This includes, but is not limited to, parts at the supplier, in transit and at the ArvinMeritor receiving plant. The plan will include a containment data sheet, PPM per batch, PPM per defect and an action plan to resolve the issues detected during the containment activity.
b) Regular communication of the containment results to ArvinMeritor.
c) Communication of the manner in which product will be identified as quality assured/inspected by container or individual product.
d) On-site support to ArvinMeritor and, in conjunction with ArvinMeritor personnel, to ArvinMeritor's customers as required.
e) Utilization of a third party inspection service when circumstances prevent the supplier from providing expedient and efficient containment.

Suppliers, whose containment actions have been ineffective, may be placed on ArvinMeritor Level II Containment. Level II includes all of Level I, with the added inspection by an ArvinMeritor approved 3rd party. The approved 3rd party will be contracted and paid for by the supplier. Based on the severity of the issue, ArvinMeritor may elect to have the supplier go directly to Level II Containment.

Supplier shall remain in containment (either Level I or Level II) until permanent corrective action has been implemented and its effectiveness validated. Suppliers may exit from Level I or Level II containment when the following criteria have been met:

a) 30 days of production have shown zero defects at the point of containment unless otherwise specified by ArvinMeritor. If a defect is found at containment during this time the counter is reset and 30 clean days must be achieved from that point.
b) A full QRCM Problem Solving Report (8D), with supporting evidence, for the concern that caused the containment to be initiated has been submitted to the ArvinMeritor Receiving site and closure has been agreed.

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

2.25 Product or Process Deviations

It is the policy of ArvinMeritor to **not** accept product that does not meet the requirements of the applicable drawings and specifications. Requests for deviations on nonconforming product shall be submitted to the ArvinMeritor receiving plant for review and approval and to obtain ArvinMeritor customer approval, as required, prior to shipment. Deviations shall be approved only for a specific time period or quantity of parts. No permanent deviations are permitted.

A deviation request shall be accompanied by a QRCM Problem Solving Report (see 3.1 ArvinMeritor Supporting Documents for a link to the QRCM (8D) report). This report shall include the identification of a clean point and the manner in which product will be identified, including how traceability will be maintained.

2.26 Warranty and Cost Recovery

Requirements for warranty and cost recovery are identified on ArvinMeritor Purchase Orders. ArvinMeritor may identify other specific warranty requirements at the Pre-Award Meeting. In some cases, a separate warranty sharing agreement may be required by Procurement and/or the Business Unit.

2.27 Product Safety and Compliance Requirements

Advance Notification of Potential Safety Nonconformities: The Supplier must notify ArvinMeritor as soon as reasonably practicable, after discovering any nonconformity relating to the performance of the product, in a way that contributes to unreasonable risk of death, injury or property damage, because of the product's design, construction, or performance. This communication must be in the form of a written notice. ArvinMeritor and the Supplier will cooperate fully using ArvinMeritor's Product Safety and Compliance (PSAC) process to identify the cause of the nonconformity and develop a plan for the prompt resolution of the nonconformity.

Regulatory Compliance: The Supplier must be knowledgeable in all applicable government statues, regulations and standards relating to motor vehicle safety (e.g. 49 USC 301, et seq., TREAD Act, EU Directives on Product Safety) within the territories of use.

Regulatory Notice: The Supplier must provide ArvinMeritor copies of any data, materials or information provided to a government entity relating to the products supplied[1] to ArvinMeritor,

including any test, manufacturing, field performance or warranty data. The Supplier must provide the information within 10 business days from the date of submission to the government entity.

NOTE 1: The Supplier must promptly notify ArvinMeritor, if it has provided information to a government, concerning recall of products that are Identical or Substantially Similar[2], regardless of whether such recall was voluntary or government mandated.

NOTE 2: Identical Or Substantially Similar Motor Vehicle Equipment as defined by NHTSA regulation means an item of motor vehicle equipment sold or in use outside the United States [and its Territories] is identical or substantially similar to equipment sold or offered for sale in the United States [and its Territories] if such equipment and the equipment sold or offered for sale in the United States [and its Territories] have one or more components or systems that are the same, and the component or system performs the same function in vehicles or equipment sold or offered for sale in the United States [and its Territories], regardless of whether the part numbers are identical.

2.28 Charges for Supplier Responsible Nonconformances

An appropriate charge may be imposed by the ArvinMeritor receiving plant for the following reasons:

a) Nonconformance Report (e.g. DMN, QPR) or Nonconforming Service.
b) Nonconforming Product Deviation Requests.
c) PPAP submission rejections, delays or shipments of unapproved product.
d) Delivery Performance Failures (in addition to any specific costs incurred by ArvinMeritor associated with the failure).

A supplier who causes an ArvinMeritor line shutdown, may be required to reimburse ArvinMeritor for the full cost of production downtime, as well as any OEM imposed charges.

If a supplier believes that they have been unfairly charged for administrative fees, they shall contact their Procurement representative to initiate a dispute resolution process. Note: Dispute resolution regarding actual nonconformances should be handled through the plant Quality representative.

2.29 Record Retention

Suppliers are required to maintain production part approval process (PPAP) packages, annual layout and validation records, tooling records, traceability records, engineering records, purchase orders and amendments for the length of time that the part (or part family) is active for production and service requirements plus one calendar year or a minimum of 10 years whichever is longer, unless otherwise specified by ArvinMeritor. Corrective Action records are to be retained for 5 years. Quality performance records such as control charts and inspection and test results are retained for 10 years.

The above time periods are considered “minimum”. All retention times shall meet or exceed the above requirements and any governmental requirements.

2.30 Key Supplier Scorecards

ArvinMeritor Procurement will notify suppliers in writing if they are classified as a Key Supplier. Key Suppliers are required to review their Supplier Scorecard performance on ArvinMeritor’s

Supplier Scorecard Web Site. Scorecard ratings are completed annually by Parent supplier and are based on the supplier's performance during each ArvinMeritor fiscal year (October through September). Each Scorecard rates the Parent Supplier Company in the following categories:

- Continuous Improvement
- Total Cost Management
- Operational Excellence
- Globalization
- Technology

Unsatisfactory ratings may result in one or more of the supplier's sites being placed on New Business Hold. Refer to the following link for further information and to review your company's current Scorecard:

http://supplier.arvinmeritor.com/supplier_scorecard/

2.31 Minority Supplier Requirements (United States Certified Minorities only)

All United States certified Minority Business Enterprises (MBE) and Women Business Enterprises (WBE) are required to submit their initial and renewal certifications to ArvinMeritor Procurement within 10 days of receiving them from NMSDC or one of their affiliates.

2.32 Tier II Minority Purchase Reporting (United States Suppliers only)

United States Suppliers are required to report their U.S. Minority Purchases on ArvinMeritor's Supplier Diversity Exchange Website. Purchases reported must be from a certified Minority Business Enterprise. Refer to the following link for reporting and further instruction:

http://supplier.arvinmeritor.com/diversity_exchange/welcome.asp

U.S. Suppliers who do not report their U.S. minority purchases may be considered in breach of their contract and may be placed on New Business Hold. Non-reporting U.S. Suppliers will also not be eligible for ArvinMeritor's Supplier Achievement Awards.

3.0 Supporting Documents

3.1 ArvinMeritor Supporting Documents

For these and other ArvinMeritor supporting documents, please refer to the appropriate item at the following link:

http://tradeexchange.arvinmeritor.com/SupplierDir/SupplierRequirements/corporate/files.htm

- Acronyms and Definitions
- APQP Critical Supplier Status Report
- QRCM Problem Solving Report (8D)
- Supplier Pre-Award Meeting Checklist
- Supplier Request for Product or Process Change

3.2 Supporting Industry Documents

The following publications are available from the Automotive Industry Action Group (AIAG). These documents contain information that is mandatory for suppliers to ArvinMeritor:

- Quality System Requirements ISO/TS-16949
- Quality System Assessment (QSA)
- Production Part Approval Process (PPAP)
- Advanced Product Quality Planning and Control Plan (APQP)
- Potential Failure Modes and Effects Analysis (FMEA)
- Measurement Systems Analysis (MSA)
- Fundamental Statistical Process Control (SPC)
- Tooling & Equipment Assessment (QSA-TE)
- The TC-5 TREAD ACT Reporting Kit

These documents can be purchased from:

Canada/United States
Automotive Industry Action Group
26200 Lahser Road, Suite 200
Southfield, MI 48034
United States of America
Phone: (248) 358-3570/3003
Fax: (248) 358-3253
Web: www.aiag.org

Europe
Carwin Continuous Ltd.
Unit 1 Trade Link,
Western Avenue,
West Thurrock, Grays
Essex RM20 3FJ
United Kingdom
Phone: 44 (0) 1708 861 333
Fax: 44 (0) 1708 867 941
Web: http://www.carwin.co.uk/qs

Asia
Local source for Japanese translation
For QS 9000 and QSA listed below.
Use America's source for English copies
Of the other required documents.
Japanese Industrial Standard
Japanese Standards Association
1-24, Akasaka 4, Minato-ku,
Tokyo 107-8440, Japan
Phone: 81 3 3583 8002
Fax: 81 3 3583 0462

Brazil
IQA-Instituto de Qualidade Automotiva
Alameda dos Aicas, 95.
Indianopolis, Sao Paulo,
Brazil CEP 04086-000.
Phone/Fax: 55-11-5051-8971
Email: webmaster@iqa.org.br

Australia
FAPM
6th Floor, Perpetual Trustees Building
10 Rudd St.
Canberran City GPO Box 295
Canberra, ACT 2601
Phone: 61-6-247-4177
Fax: 61-6-257-4651

Mexico
Instituto Mexicano de Normalizacion Y
Certificacion A.C.
Manuel Maria Contreras N° 133
ler. Piso, Col. Cuauhtemoc. C.P. 06470
Mexico D.F.
Phone: 52-5-546-4546
Fax: 52-5-566-4750

China
China Automotive Technology &
Research Center (CATARC)
PO Box 59, Tianjin, China 30001
Phone: 86 22 2437 3100 x6305
Fax: 86 22 2437 5351

4.0 Revision Record and Approvals

Rev. #	Date	Revision Change
Previous Issues	Various	See Rev 4 of the SQSR Manual
4	July 1, 2001	Changed from Meritor to ArvinMeritor and Product Development Team to ArvinMeritor C_2C Project Team throughout document. Page 2 updated to new quality policy and clarified; Page 3 – Table of Content; changed section titles 2.3 Pre-Award Meeting; section 2.4 Special Characteristics; 3.2 Nonconformance Report; 3.5 Nonconforming Product Deviations…; Appendix C Supplier Request...; eliminated appendix D, changed Appendix D to E, Appendix F to E Page 4 – Purpose clarified; Page 6 – section 2.1 revised; section 2.2 revised and added; section 2.4 clarified and added; section 2.5, 2.6, 2.7 clarified; section 2.10 revised; section 3.2 updated; section 3.3 clarified; section 3.4 clarified and updated; section 3.5 clarified and modified; section 3.6 clarified; section 3.8 clarified and updated; section 3.9 & 3.10 updated. Appendix A - changed ArvinMeritor website address; Appendix C modified; Appendix D & E updated.
5	October 18, 2004	Updated, clarified and reordered entire document and added ISO/TS-16949 references (updates noted in blue text). Added the following sections: 2.9 Early Production and Pilot Part Requirements, 2.15 European ELV Directive and IMDS Requirements, 2.19 Contingency Plans, 2.20 Continuous Improvement; 2.21 Supplier Problem Solving & Avoidance, 2.22 Supplier Performance Ratings, 2.27 Product Safety and Compliance Requirements, 2.29 Record Retention, 2.30 Key Supplier Scorecards, 2.31 Minority Supplier Requirements, and 2.32 Tier II Minority Purchase Reporting. Also released a QRCM Problem Solving Report and APQP Critical Supplier Status Report as a Supporting Document. Updated Supplier Pre-Award Meeting Checklist, Updated Acronym and Definitions and made both a Supporting Document. Added a Supplier 4-Step Diagram. Revised approval sheet to reflect organizational changes.
5a	April 10, 2006	Maintenance update, removed references to QS-9000 in 2.1, removed ARM Quality Policy, removed obsolete signatures.

Document Approvals:

Deborah Henderson Vice-President, LVS Quality	10-Apr-2006 Date Approved
Joseph Muscedere Vice President, CVS Quality	10-Apr-2006 Date Approved
Aziz Aghili Vice-President, LVS Procurement	10-Apr-2006 Date Approved
Mark Purtilar Vice President, CVS Procurement	10-Apr-2006 Date Approved