

**SUPPLIER
REQUIREMENTS
MANUAL**

Iskra ISD Group

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1. GENERAL REQUIREMENTS

1.1 Purpose

This manual specifies the basic/minimum quality and environmental requirements, which all suppliers of component parts and/or services to Iskra ISD must conform. An addendum may be attached to this manual with additional basic requirements.

This document is a supplement to "Generale Purchase Condition". Condition in Supplier Requirements Manual prevale to conditions in Generale Purchase Conditions.

This document is a supplement to and does not replace or alter other terms and conditions covered by the "Purchase agreement" that could include; purchase documents, Purchasing requirements, Quality Assurance requirements, specified warranty agreements, and/or requirements of engineering drawings and specifications.

All documentation and written communication between Iskra ISD and the supplier must be in Slovenian or English.

1.2 Introduction

The quality of purchased products is an essential element to the success of Iskra ISD in the marketplace. Attaining high quality requires teamwork between Iskra ISD and our suppliers. Open communications are important to achieving the necessary teamwork. These communications shall be channelled through and supported by Iskra ISD purchasing organization. This document establishes the basis for such communication.

Iskra ISD environmental work is based on a life cycle perspective. Iskra ISD purchasing business is included in Iskra ISD yearly evaluation of significant environmental aspects. As we proceed in business, we encourage communication between parties toward environmental stewardship. It is our policy to be in compliance with regulations, continuously improve, and prevent pollution.

1.3 Supplier Management System Development

Suppliers to Iskra ISD shall as a minimum be third party registered to ISO 9001:2015 by an accredited third-party certification body. The Quality management system shall be developed with the goal to conform to IATF16949:2016. Iskra ISD priority concerning suppliers upgrading to IATF16949:2016 is based on how critical supplied component is and suppliers ability of meeting Iskra ISD requirements. Distributors of products that do not directly affect the product quality may not be required to be third-party certified; this decision is to be taken by Iskra ISD. Distributors of common of off the shelf products and suppliers of packaging materials may be excluded from the requirement to be third-party certified.

Targets for the suppliers to aim for are 100 % delivery performance and zero defects.

All suppliers to Iskra ISD shall actively reduce their environmental influence with the objective to document an Environment management system. Suppliers must be able to report their environmental work, including organisation, fulfilment of legal demands, and environmental results. Current and new suppliers need to be certified according to ISO 14001 or have a written plan to become certified or compliant within three (3) years.

If this is not feasible, the supplier must once a year to fulfill self-assessment questionnaire submitted by Iskra ISD.

If the supplier already is or become certified under IATF 16949 or ISO 9001 during the term of this Agreement, the latest version of the certification standard shall form an integral part of this Agreement.

If certificate issued for the supplier's quality management system expires or becomes invalid for any other reason, Iskra ISD must be promptly notified thereof in writing.

Supplier is obligated to send immediately copy of valid certificate to Iskra ISD purchasing department.

1.4 Product Safety

Iskra ISD manufactures products for performance and safety in vehicles. It is of outermost importance that our products are reliable in their applications.

Product safety must therefore be the highest priority throughout the complete supply chain. Iskra ISD will include suppliers focus on Safety Management in our evaluation of suppliers, depending on the criticality of supplied parts.

1.5 Legal Requirements

It is the supplier's responsibility to understand and follow applicable regulations in the business relation with Iskra ISD.

2. Iskra ISD SUPPLIER PURCHASING PROCESS (Principle)

2.1 Potential Supplier Assessment

Iskra ISD performs regular searches to find potential applicants for future business collaboration. At this time, Iskra ISD requires information concerning the potential supplier's present business, organisation, sales structure, and management systems. Iskra ISD can perform the Supplier assessment by visit at the Supplier or by self evaluation of supplier, regarding type of supplier.

2.2 Confidentiality Agreement

A potential supplier must sign a confidentiality agreement to regulate protection of business information before engaging in detailed discussions.

2.3 Request for Quote

Iskra ISD request for quote constitutes a basis for business negotiation.

2.4 Contract Review

Contract reviews are carried out between Iskra ISD and supplier in order to communicate requirements and to agree upon business terms including following:

2.4.1 Commercial Requirements

General commercial requirements are defined in General Purchase Conditions.

2.4.2 Design Requirements

Iskra ISD product requirements are specified in drawings and in technical regulations. All specified properties are essential and must be complied with. The nature of some of the properties is such that if the specification is not met, the reliability and performance of the product may be adversely affected. Iskra ISD specifies these properties as critical characteristics marked on customer drawings. During manufacturing, supplier must secure statistical control of these properties and documentation must be available to show that the requirements specified have been met (see 2.7). Supplier can be requested to enclose data in shipments to Iskra ISD.

Iskra ISD responsible purchaser shall inform the supplier when there is a new issue of the drawing.

Supplier shall maintain the appropriate Iskra ISD drawings and other technical specifications, and assure that all affected personnel have current drawings and specifications.

Incomplete, ambiguous, or conflicting requirements reflected on drawings and/or specification documents shall be resolved through the responsible Iskra ISD purchaser.

Where the supplier has design responsibility of purchased parts and/or services, it is responsible for ensuring that parts and/or services do not contain substances that are listed in REACH, RoHS and conflict minerals regulating requirements, see below.

2.4.3 Quality Requirements and specific customer Requirements (CSR)

Iskra ISD general quality requirements imposed on its suppliers are stated in this document. Quality requirements on specific parts and/or services are specified in product specifications and in order documents and <https://www.iatfglobaloversight.org/oem-requirements/customer-specific-requirements/> . It is a supplier obligation to recognize all specific customer requirements listed in received documentation. In case the supplier has an direct impact on those requirements, than supplier has a full responsibility to ensure all requested specifics during project life time.

2.4.4 Environment Requirements

All suppliers must follow REACH, RoHS and conflict minerals regulating requirements on chemicals or materials used in parts and/or services. Any presence of listed chemicals are prohibited.

2.4.5 Purchasing Data

Iskra ISD purchase order documents issued to suppliers contain description of products ordered including article number, description, released quantity, delivery date(s) scheduled, other pertinent data and refer to Iskra ISD General Purchase Conditions.

Supplier shall review and approve purchasing documents for accuracy and adequacy of the specified requirements prior to release for production. Incomplete or conflicting requirements shall be resolved with the issuer prior to release. Upon review and acceptance of the purchase order documents, the supplier, where requested, shall confirm receipt and acceptance of the order to the issuer. The supplier is responsible for outgoing product quality. They must verify and document that the product conforms to all Iskra ISD standards and engineering specifications as reflected on the purchase order with the engineering drawing.

2.4.6 Equipment Supplied by Iskra ISD

Tools, gauge, patterns, fixtures and machines (named equipment below) supplied and / or paid by Iskra ISD, are owned by Iskra ISD. After receiving the equipment the Supplier shall by return hand over a notice of delivery to Iskra ISD showing that deposition of the equipment to Iskra ISD has been done. The equipment remains Iskra ISD property and is to be marked in such a way showing that they belong to Iskra ISD.

Equipment, not used in production, must be kept in a fireproofed place and stored separated from the production. The Supplier undertakes not to use the equipment for manufacturing for somebody else's use. The Supplier is responsible for maintenance of equipment, paid or supplied by Iskra ISD. Measuring equipment supplied by Iskra ISD must be included in the suppliers own calibration system.

When the agreement and the manufacturing expire, if nothing else agreed, the equipment must be returned to Iskra ISD. Supplier has no right to scrap equipment without Iskra ISD permission. If Iskra ISD requires the Supplier to show received equipment, the Supplier must do so.

2.5.7 Compliance

We Iskra ISD are committed to working with suppliers who adhere to our quality requirements and our business principles. We will strive to support positive changes as regards quality, the environment and the work environment. Suppliers are important business partners for Iskra ISD and it is important for us that suppliers share the values listed below.

With signature of the Supplier Requirements Manual you confirm to accept and act according to principles listed below:

- We respect the rights of the individual, act in accordance with fair business, marketing and advertising practices and are committed to continuously developing the safety and quality of our products and processes.
- We respect the rule of law, conduct our business with integrity and honesty and are accountable for our actions.
- We continuously work to reduce the negative impact of our operations on the environment and health.
- We do not engage in illegal operations or operate in the context of illegal activities.
- We do not tolerate the offering, solicitation or acceptance of bribes.
- We are all entitled to alert the designated compliance officers if we witness any violations of laws or of this principles

Iskra ISD listens to its stakeholders and takes their opinions into account with the objective of ensuring the sustainable success of our company.

2.5 Production Part Approval Process

The production part approval process is intended to verify that products made from production materials, tools, and processes meet Iskra ISD engineering requirements and that the production process has the potential to produce product meeting these requirements during an actual production run.

PPAP must be carried out:

- On new parts.
- On changed part, controlled by an engineering change order.
- When new supplier is introduced.
- When previous PPAP has been rejected.
- When required by Iskra ISD.

In case of requalification: For automotive products 1x per year.

Supplier must inform Iskra ISD regarding initial sampling:

- When significant changes to the manufacturing process are planned, this may affect the properties and quality of the part.
- When a change of materials supplier is planned (applies to parts which require traceability).

- When a change of subcontractor is planned (for example but not limited to heat treatment, surface treatment).
- When their own production equipment has broken down and manufacturing has to be transferred to another company.
- When equipment is transferred within suppliers own facility.
- When parts are produced on different equipment as parts where PPAP was confirmed.

Product and process approval must be performed in accordance with the VDA 2 PPAP Level 3 requirements unless otherwise noted on Iskra ISD instructions and/or order documents. Other approval requirements can be defined on the basis of the “PPAP” manual from the AIAG series of publication or in accordance with VDA volume 2 “Quality Assurance for Supplies”. If submission of sample product is required supplier shall send marked sample/samples to Iskra ISD with inspection and test records. Sample shall be sent as a separate shipment and with separate delivery note. Package and documents must always be marked “PPAP” with attention to the responsible person at Iskra ISD purchasing department. Regular production part deliveries are not permitted before approval been granted by Iskra ISD. This approval is distributed to supplier by a returned and signed Warrant informing if the PPAP is approved or rejected.

PPAP Requirement Table

Requirement	Level 1	Level 2	Level 3	Level 4	Level 5
Part Submission Warrant	S	S	S	S	R
Sample product	R	S	S	R	R
- Master Sample	R	R	R	R	R
Design Records	R	S	S	S	R
Change documents (if any)	R	S	S	S	R
Dimensional results	R	S	S	S	R
Material and function test results.	R	S	S	S	R
Process flow diagrams	R	S	S	S	R
Process FMEAs	R	S	S	S	R
Design FMEAs #	R	R	S	S	R
Control Plan	R	R	S	S	R
Process Capability studies	R	R	S	S	R
Measurement system studies	R	R	S	S	R
Qualified Laboratory Documentation	R	S	S	S	R
IMDS report*	S	S	S	S	S

S = Submit to Iskra ISD. Retain copy at manufacturing location.

- R = Retain at manufacturing location and readily available to Iskra ISD representative upon request.
- # = Applicable if supplier has design responsibility.
- * = If requested

PPAP Requirements, Brief Explanation:

Part Submission Warrant

Part Submission Warrant form shall correspond with VDA 2 PPAP-manual model and be signed by Iskra ISD before production and deliveries to Iskra ISD take place. If supplier does not have a PSW-form, Iskra ISD will submit it.

Sample Products

The supplier is to provide production level parts as requested by order. Parts must be manufactured according to the methods and with the tool equipment intended for future serial production.

Unless otherwise agreed upon, supplier must perform inspection and testing on 5 different parts, marked 1, 2,3,4,5. If there are unique molds/cavities the submission should include 5 samples per each unique mold/cavity. Parts must be from a production run unless otherwise agreed upon with Iskra ISD.

Master Sample is the sample that is going to be retained at the supplier for referral.

Design Records

A copy of Iskra ISD part drawing for the submitted part must be included with submission when requested.

Change Documents

Written authorisation from Iskra ISD when a PPAP submission occurs before the design record is updated i.e. part drawing updated to latest level.

Dimensional Results

Dimensional inspection must be done for all parts and product materials (see “sample products” above) with dimensional requirements to determine conformance with all design record specifications. It is the supplier’s responsibility to provide dimensional measurement results. If a third party inspection service has been used, this must be stated on the result sheet. Any compensation for costs using external service will not be accepted by Iskra ISD if this was not included in the quote.

Material and Function Test

All performance, durability and material test specified on drawings or technical requirements must be performed and recorded by supplier if not otherwise agreed upon with Iskra ISD. This clause includes results from material analysis documented in a *Material certificate* or *Quality certificate*.

Process Flow Diagrams

Flow chart describing the production process for the part.

Process FMEA

Refer to AIAG model Potential Failure Mode and Effect Analyses reference manual.

Design FMEA

Design FMEA is required if the supplier is responsible for design. Refer to AIAG Potential Failure Mode and Effects Analyses reference manual.

Control Plan

Control plan, minimum describing operations steps, characteristics, critical characteristics, tolerances, measurement technique, sample size and frequency, records and reaction plan when non-conformity occur.

Process Capability

Process capability studies must be carried out on the critical characteristics specified in Iskra ISD drawings as well as on the critical process parameters identified by suppliers Process FMEA. Iskra ISD require a minimum of 1,33 Cpk for the initial process study approval of process.

Measurement System Analysis

Measurement system analysis must be performed to understand how measurement error is affecting the measured values. To be done for the measuring, gauging or test equipment, used to produce the Process Capability Studies. Refer to MSA Measurement System Analysis Manual.

Qualified Laboratory Documentation

Laboratory scope is quality record containing:

- the specific tests, evaluations and calibrations a supplier laboratory has the ability and competency to perform
- a list of the equipment which it uses to perform the above
- a list of the methods and standards to which it performs the above

IMDS report

Unless otherwise stated by Iskra ISD, the part (or substance) shall be registered in the International Material Data System (IMDS) before delivery of samples to Iskra ISD. A signed document verifying this shall be included in the delivery of the samples.

2.5.1 Production Test Run

Iskra ISD reserves the right to request and attend a full production test run prior to serial release of the production. The Production Test Run is done to assure the capability and capacity of the specific production line. The scope and extent of the Production Test Run is decided upon for each specific case.

2.5.2

2.6 Production / Part Assurance

General conditions and terms for production of Iskra ISD parts and final supplier approval.

2.6.1 Process Control

Supplier must establish and maintain manufacturing documentation adapted to their manufacturing process. Supplier must document the inspection and test results, which show that the critical characteristics meet the set requirements. This may be in form of minutes and reports from process control, quality inspection, tool inspection, etc.

Manufacturing must take place under controlled conditions. Capability studies must be performed for machinery and processes using statistical methods, such as SPC. Process must show capability, $Cpk > 1,67$ during the life of product. If capability is between 1,33-1,67 corrective actions must be planned and implemented. $Cpk < 1,33$ may be accepted in exceptional cases and approved by Iskra ISD, on the condition that all parts are inspected and sorting is performed.

The use of statistical control measures by the supplier shall be performed on critical characteristics informed by Iskra ISD on drawings and on characteristics identified by suppliers Process FMEA. Documentation must be traceable to the actual products shipped.

Supplier shall, unless otherwise agreed, at least once a year perform and documented a layout inspection and a functional verification, including inspection of packaging and labelling according to Iskra ISD requirements. Results shall be available for Iskra ISD review.

2.6.2 Supplier Final Quality Inspection

The supplier shall maintain procedures to ensure that purchased product conforms to and is certified to specified requirement, if necessary by final quality inspection operation. It is the supplier's responsibility to ensure that all parts shipped to Iskra ISD meet specified requirements. Acceptance of product by a sampling plan (either by the supplier or by Iskra ISD) does not relieve the supplier of the responsibility for all parts to meet specified requirements. Iskra ISD reserves the right to verify purchased product at the supplier's premises. In such an instance, the supplier will be notified and given sufficient preparation time.

2.6.3 Part Assurance

Regular production deliveries can only begin after signed/approved:

- Confidentiality agreement
- Price agreement
- Supplier assessment
- Contract review or signed Supplier Requirements manual
- PPAP/Part Submission Warrant

Unless otherwise previously agreed upon between Iskra ISD and the supplier.

Part assurance may be done by follow up in Iskra ISD receiving inspection and by supplier quality audit, depending on the complexity of the product and manufacturing processes.

2.6.4 Handling of Non Conformities

In this context, non-conformities do not only refer to products which do not conform to specification, but also to breached agreements in respect of delivery dates and size of delivery as well as packaging instructions which have not been followed.

When non-conformance is detected at the supplier's facility, the supplier must determine immediately the extent of the problem and take prompt corrective action to prevent shipment of any non-conforming material. All suspect material shall be handled and contained as non-conforming material. The supplier must immediately notify Iskra ISD of any suspected quality problems in shipped product and the corrective action being taken to eliminate the condition for future shipments. If the problem cannot be corrected immediately, shipments must be held pending specific instructions from Iskra ISD.

Supplier communications notifying Iskra ISD of nonconforming conditions or requesting deviation approval shall be directed to the appropriate Iskra ISD contact. Notification by telephone must be followed promptly in writing. The material involved must be retained by the supplier pending receipt of specific instructions from Iskra ISD.

2.6.5 Handling of Claims

If Iskra ISD receives a delivery with non-conformities, the supplier will be informed of this through a non-conformity report. The Supplier undertakes to respond to the complaint in writing within 24 hours, supplementing the response by analyzing the causes of the defect and stating immediate actions to prevent the recurrence of the defect (4D report). Supplier can be required to remedy the non-conformity at Iskra ISD.

The Supplier must send to the Iskra ISD an 8-D report stating the remaining corrective and preventive actions to prevent the error no later than seven working days after receiving the Non-Compliance Report.

Costs associated with shipping, handling, processing, reworking, inspection, and replacing defective material including the costs of value-added operations prior to its discovery shall be charged to, and paid by, the supplier.

2.6.6 Documents

PPAP documents and Product audit reports must be stored for 15 years. Other documents like Capability studies reports, Inspection and traceability records, and certificates shall be stored for 5 years. All documentation must be available for Iskra ISD and its customers on request.

2.7 Supplier Evaluation

Evaluations shall be performed regularly on all suppliers. Supplier evaluation and ranking is to be performed in accordance to Assessment criteria posted on <http://www.iskra-isd.si/suppliers>.

2.8 Lean Implementation

In order to secure a long term, successful and profitable teamwork between Iskra ISD and the suppliers, the supplier is requested to dedicate resources for Lean Production. The supplier shall have an implementation plan for Lean Production that is supported and regularly reviewed by senior management.

3. SUB-SUPPLIER CONTROL

Each Iskra ISD supplier is responsible for the control and continuous improvement effort of its sub-suppliers. Supplier to Iskra ISD must require and issue corresponding requirements to sub-suppliers.

4. MANUFACTURING AND DELIVERY OF PROTOTYPES

Prototype material is used in development work in order to evaluate and verify that the design meets the requirements made. Manufacturing of prototypes must take place under controlled conditions and inspections must be made to assure that all delivered products are in conformance with specifications. Records from production and inspections shall be delivered following Iskra ISD request and always accompany the product.

Prototypes shall be sent as a separate shipment and with separate delivery note. Package and documents must always be marked "PROTOTYPE MATERIAL" with attention to person at Iskra ISD who ordered the prototypes.

5. DESIGN CHANGES

Iskra ISD purchaser co-ordinate all design changes with the supplier. Design changes process includes 3 steps:

1. Inquire of Design change.
2. Design change request.
3. Design order.

Request for design change can be suggested by supplier in order to improve performance of the part or lower the costs. Request is done in written to Iskra ISD purchaser.

Design change requests are remitted to the involved internal and external parties. Iskra ISD purchaser decides if supplier needs to be notified of design change in order that they may respond on what consequences the requested Design change will have on their process.

Decisions about design change are documented in a Design order, including updated product specification. The order is distributed to internal and external parties. Design changes must be implemented following requirements in the Design order.

6. LOGISTICAL REQUIREMENTS

6.1 Delivery

Suppliers are responsible for ensuring that Iskra ISD receives deliveries on time and order quantities are complete. Iskra ISD requires 100 % delivery performance from request date. The total quantity must be delivered unless otherwise agreed upon. Suppliers are responsible for communicating any delivery problems or order quantity discrepancies to Iskra ISD immediately upon occurrence.

6.2 Product Identification and Packaging

Identification shall permit traceability back to specific supplier manufacturing and inspection records.

Each container, box or pallet of material shipped to Iskra ISD shall be packed and identified as instructed in Iskra ISD General Purchase conditions or in technical specification of the product.

6.3 Delivery Documents

Delivery documents must include at least Iskra ISD purchase order and release number, part number, drawing issue and quantity delivered. Requested delivery documents are specified in General Purchase Conditions or in Purchase contract/order.

7. CONTROL OF CUSTOMER SUPPLIED PRODUCT

The supplier shall establish and maintain control of product supplied by Iskra ISD for the express purpose of producing finished product for Iskra ISD.

Place and date: _____

Company: _____

Signature: _____

Name and Surname: _____

Function in company: _____