



**PAZMAC
ENTERPRISES
LTD.**

REF / TITLE

AP-40 Supplier Quality Assurance Requirements

BY / APPROVAL

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REV /

1.0

1.0 Quality Management System (QMS)

1.1 QMS System Requirements

Pazmac Enterprises supplier shall establish, document and maintain a quality management system that ensures product conformity to PO requirements. The QMS should be appropriate to the type of items or services being furnished to Pazmac Enterprises. Quality assurance responsibilities shall be clearly designated within the Suppliers organization with sufficient authority to assure quality is not compromised.

If the supplier has stated that they operate to an internationally recognized quality standard (i.e., AS 9100, ISO 9001), then Pazmac Enterprises will expect the supplier to adhere to this standard unless otherwise agreed to in writing. If the suppliers QMS is noncompliant to the applicable requirement, is revoked, suspended, changed or expires during the fulfillment of a Pazmac Purchase order the supplier will notify Pazmac in writing within 24 hours of the change. This notice shall include all affected part numbers. Suppliers shall also notify Pazmac of certification renewal.

1.2 Calibration System Requirements

The supplier shall maintain a calibration system that complies with MIL-I-45208, AS9100, and/or ISO 9001, and is acceptable to Pazmac. This system shall control the accuracy of all devices used to measure, gage, test, inspect or otherwise examine items to verify acceptability of materials or services in performance of this purchase order or referenced specifications.

The Supplier's calibration system for tooling, measuring, and test equipment used for product acceptance or in-process control shall be checked at established intervals against suitable high-level standards which, in turn, will be checked by reference to National Institute of Standards Technology (NIST) or equivalent certified primary standards. The Supplier shall maintain records or other conclusive evidence that proper control is being maintained

1.3 Records and Document Retention

Quality is a key consideration for supplier selection and sourcing. Dedication to quality, and adherence to the following documentation will put suppliers on the path to a successful relationship with Pazmac:

- Purchase Order requirements
- All applicable drawings and specification
- This document
- All customer specific flow down requirements.

When required by a Pazmac purchase order or referenced on drawing or specification, the supplier shall provide reports such as Certificate of Compliance, Certificate of Analysis, Test/Inspection Records, and/or SPC data. The Supplier is responsible for compliance with all certification requirements referenced on the Purchase Order and for the maintenance of quality control records evidencing compliance with such requirements, regardless of whether material was procured/produced and/or work was performed by the Supplier or their sub-tier suppliers. Failure to do so may result in rejection or delayed payments.

After completion, the Supplier shall retain all objective evidence pertaining to purchase order and specification adherence for a calendar year plus ten years.

1.4 Training/Personnel Awareness

The Supplier shall implement documented process training to ensure all personnel are qualified to meet their job requirements. The Supplier shall maintain training and certification records for periodic audits. These records should include job specific training, a schedule for on going/repeat training and re-training for revised procedures/processes.

The supplier shall ensure their employees and sub-tier suppliers are aware of their contribution to product or service conformity, to product safety, and the importance of ethical behavior.

2.0 Supplier Sub-tier Management

The Supplier is responsible for compliance with all certification requirements referenced on the Purchase Order and for the maintenance of quality control records evidencing compliance with such requirements, regardless of whether material was procured/produced and/or work was performed by the Supplier or their sub-tier suppliers. The Supplier shall perform evaluation and selection of any sub-tier suppliers based on their ability to supply product or service which is compliant to the Pazmac requirements. Any work assigned to a sub-tier supplier should be done with full transparency and prior approval.

2.1 Approval

A minimum criterion for this evaluation and selection shall be established, including periodic review, to demonstrate the sub-tier supplier's ability to provide conforming material or service and mitigate risk to the customer. Records of this evaluation and review shall be maintained in accordance with the document retention requirements

2.2 Approved Supplier List

The supplier shall maintain a retrievable list of sub-tiers indicating which sub-tiers have been approved and continue to meet supplier's requirements

2.3 Disqualification

The supplier's system for monitoring and assessing sub-tiers should include a mechanism for removing a supplier's approval.

2.4 Flow-down

All purchase order, drawing, specification or additional requirements flowed down from Pazmac Customers shall be flowed down to all supplier sub-tiers.

2.5 Confidentiality

The Supplier and their sub-tiers shall respect the legitimate proprietary rights and intellectual property rights of customers and Suppliers and take proper care to protect sensitive information, including confidential, proprietary and personal information.

2.6 Ethics

The Supplier and their Sub-tiers shall be committed to the highest standards of ethics and business conduct, and shall comply with the law, honor commitments, act in good faith, and be accountable. The Supplier shall support product safety by ensuring robust management of special requirements, critical items, and key characteristics. If there are concerns with respect to product safety, the Supplier shall communicate them to the fullest. If there is a concern at the Supplier's premises with respect to safety during the manufacture of the product, the Supplier or sub-tier supplier shall notify its own employees of the concern and whenever possible, mitigate the concern. The Supplier shall ensure that employees and people working on its behalf are aware of their contribution to product or service conformity, their contribution to product safety, and the importance of ethical behavior.

3.0 Material

3.1 Verification

All materials provided or used for inputs should be traceable with sufficient certification to validate it meets the requirements.

3.2 Lot Control/Material Traceability

The Supplier shall maintain full forward and backward traceability down to the component and raw material level. This requirement includes maintaining traceability of all fabricated articles back to raw material part number, lot number(s), and date code(s). All material used to fulfill a given purchase order shall be traceable to the original manufacturer's lot or date codes and supporting approval documentation (e.g., purchase orders, certificates of conformance, test data and reports).

When the applicable specification(s) establishes requirements for chemical and/or physical properties, the supplier shall provide for each lot in each shipment, test reports which provide evidence that the materials shipped possess the chemical and/or physical properties required by the applicable specifications.

The Supplier shall maintain documented procedures for identification and maintaining traceability of product from receipt and during processes of production and delivery.

3.3 ROHS/ REACH/Conflict Material

Unless otherwise noted in writing, all material/products should be manufactured, with applicable certification, in accordance with "REACH" European Union Regulation (EC) No 1907/2006 concerning the "Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals and European Union's *Directive 2011/65/EU on the Restriction of the Use of certain Hazardous Substances in Electrical and Electronic Equipment (RoHS Recast)*).

Supplies shall not provide material/goods containing conflict materials without full transparency and prior written approval from Pazmac.

3.4 Safety Data Sheets

Follow all relevant Health, Safety and Environmental regulations. Ensure all proper markings are on containers. Suppliers shall provide current Safety Data Sheets (SDS) for any product or material considered hazardous prior to at the time of initial shipment.

3.5 Special Processing

A certificate of Compliance shall be provided for all special processing. The Supplier shall establish a system to assure that all processes, even including those which cannot be readily verified by inspection, will conform to specification requirements. When critical or special processes are performed outside the Supplier's facility, it shall be the Supplier's responsibility to assure proper performance of all such processes.

The supplier is required to validate and control all special processes and shall maintain evidence that supports the ability of the processes to achieve the specified results. Validation includes, but is not limited to, defined process criteria, approved and trained personnel, approved equipment, specific methods or procedures specified by the design authority, retention of records, test reports, and revalidation plans.

4.0 Pazmac Supplier Management

4.1 Notification

The Supplier shall adhere to all notification requirements detailed in this document. The Supplier shall also notify Pazmac Enterprises within 24 hours in writing of any change to top management, ownership, QMS, enterprise/material resource planning/management software, any software that could affect the quality/compliance/delivery of product, manufacturing facility location, a major change in the number of employees, or resources used to provide Pazmac products, services or materials. All affected Pazmac part numbers must be listed in the notification.

4.2 Scorecards

Supplier performance is reported periodically and derived from Supplier responsibilities to deliver within the agreed upon delivery window, deliver acceptable material and/or services, and provide acceptable documentation as required by the Purchase Order. Expectations for suppliers are 95% or higher for On Time Delivery and Quality. Pazmac Enterprises will provide performance scores for any supplier upon request from the supplier but may otherwise keep said information as an internal resource.

4.3 Surveillance/Audits

The Supplier will grant right of access to Pazmac Enterprises, its customers, and regulatory authorities to the applicable areas of all facilities, at any level of the supply chain, involved in the order and to all applicable records. Such access may include Pazmac's inspection of product and documentation, and/or audit at the supplier's premises. This verification does not waive the requirements for Initial Sample/First Article Reviews as noted in section 4.4.

4.4 Initial Sample/First Article Reviews

A First Article Inspection Report (FAIR) is required when specified by a Pazmac purchase order. The Supplier shall flow down this obligation to its sub-tier chain.

4.5 Control of Nonconforming Product

The Supplier shall not knowingly ship nonconforming material without authorization from

Pazmac. Parts to be that are determined by supplier to be nonconforming will be sorted 100% for discrepant parts. All parts to be returned must be identified with a discrepant part tag or other means of identification that indicates quantity and nature of nonconformity.

The Supplier shall provide a written notification of nonconformities, both potential and confirmed, that may have affected parts or services delivered to Pazmac within 48 hours of discovery. The discrepancy documentation must include a clear and concise description of the discrepancy and:

- A. Lot/batch information and/or date of manufacture, as applicable,
- B. Part number(s) impacted including vendor part number(s),
- C. Purchase Order number,
- D. Quantity,
- E. The date the parts were delivered.
- F. Immediate corrective action / containment, and
- G. Root cause and corrective action.

4.6 Supplier Corrective Action Requests

The Supplier's Quality Assurance system shall provide means for ready detection of discrepancies and for prompt and effective corrective action. All Corrective Action responses must address root causes and actions implemented to prevent recurrence of the problem. Pazmac is willing to assist suppliers with root cause analysis upon request.

4.7 De-activation

Failure to comply with the requirements of this document may jeopardize Pazmac's determination of supplier's compliance to the contract requirements. Pazmac may exercise its rights and remedies in accordance with the terms and conditions of all contracts or orders between Pazmac and the Supplier. This could include, but is not limited to, suspension or cancellation of the Supplier's status on Pazmac's Approved Supplier List.

4.8 Prohibited Practices

The supplier shall not:

- Perform Unauthorized Repair
- Perform Unauthorized Processing
- Disregard of Required Approvals
- Submit products that contain defective/counterfeit materials

4.9 Communication

In the event supplier is unclear and/or specified requirements are not completely clear, or where special assistance is needed the supplier is expected contact Pazmac for

clarification or assistance. The supplier should request any pertinent specifications when not already supplied and clarify inspection requirement if they are unclear.

5.0 Inspection

The Supplier shall perform inspection and/or test on end items covered by the Purchase Order prior to submission to Pazmac or prior to delivery. The Supplier must maintain records of inspection/tests. Inspection/test of material, which cannot be readily examined in the end items, must be performed at the appropriate in- process stages of manufacturing. The Supplier shall provide adequate controls, within the quality system, to ensure that characteristics not verifiable upon receipt are adequately controlled. The Supplier shall be responsible for maintaining procedures for governing the control of inspection authority and shall, upon request, forward a record of such authority to Pazmac Enterprises. 100% visual inspection may be required with documented evidence presented with each shipment. This evidence will be shown through an inspection check or equivalent with the method stated as “visual”

5.1 Counterfeit Parts

Supplies shall have policies and procedures in regards avoidance, detection, mitigation, and disposition of counterfeit goods. Pazmac has zero tolerance for supplying counterfeit parts. Counterfeit prevention should include but is not limited to:

- Adopting and implementing standard counterfeit mitigation processes applicable to their industry
- Having staff trained to look for abnormalities that could signal counterfeit goods
- Purchasing direct from manufacturers or their authorize distributors

5.2 Sampling

The default sampling method to include 100% inspection and/or test. Any statistical sampling procedures used for inspection/test shall be subject to pre-approval from Pazmac Enterprises.

5.3 Conformance Responsibility

The Supplier is responsible for compliance with all certification requirements referenced on the Purchase Order and for the maintenance of quality control records evidencing compliance with such requirements, regardless of whether material was procured/produced or work was performed by the Supplier or their sub-tier suppliers. Surveillance, inspection, verification and/or test conducted by Pazmac or representatives of any customer or government agency shall not relieve the Supplier of their responsibility to meet the quality requirements of the Purchase Order and providing acceptable product.

5.4 Foreign Object Damage/Debris

Supplier shall make provision for the prevention, detection and removal of foreign objects. The contamination of goods by foreign material or objects is not acceptable as it could eventually affect product appearance and performance. The supplier shall document and implement a program for the prevention, detection, and removal of Foreign Object Damage/Foreign Object Debris (FOD) and shall have controls which are being implemented to ensure sufficient cleanliness of work areas. The program shall include training and the active involvement of employees. In addition, the supplier shall conduct audits and maintain records to demonstrate the program's effectiveness

5.5 Certificate of Conformance

The Supplier provides, with each shipment, a Certificate of Compliance. This document certifies that material or parts furnished have been produced, processed, and/or manufactured and verified in accordance with all applicable specifications as stated in the Purchase Order. This document also certifies that objective evidence of inspection and testing verifications is on file and available for review. The Certificate of Compliance should at minimum contain the following:

- Part number and revision
- Purchase Order number
- Quantity Processed
- Processor's name and address
- Specification and revision the parts were processed in accordance with
- Name of the specific process utilized
- Signature representative of the authorize quality representative of the process.

6.0 Packaging and Labeling Requirements

6.1 Labelling

The Supplier shall ensure all deliveries are adequately labelled with identification that maintains traceability to specific batches, heats, lots and includes part number and revision, purchase order number, quantity.

Any hazardous goods shall also be identified with applicable warnings.

6.2 Packaging

Suppliers shall package their products in such a way as to prevent damage in transit and eliminate the risk of Foreign Object Damage/Debris.