



precision
MACHINED PRODUCTS

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SUPPLIER QUALITY REQUIREMENTS MANUAL

**SUPPLIER QUALITY REQUIREMENTS MANUAL
TABLE OF CONTENTS**

SQM Number	Title	Page
Section I – General Quality Standards for Purchased Materials		
SQM-1.0	Purpose	2
SQM-2.0	Scope	2
SQM-3.0	Supply Chain	2
SQM-4.0	Supplier Contact Information	2
SQM-5.0	Quality Systems	2
SQM-6.0	Right of Access	3
SQM-7.0	Confidentiality/Non-Disclosure Agreement	3
SQM-8.0	Raw Material Suppliers	4
SQM-9.0	Special Processes Suppliers	4
SQM-10.0	Sub-Tier Selection/Control	4
SQM-11.0	Distributors	4
SQM-12.0	Prevention of Counterfeit Parts	5
SQM-13.0	First Article Production Control	5
SQM-14.0	Purchased Part Control	5
SQM-15.0	Process Control for Key Characteristics	5
SQM-16.0	Material Identification	5
SQM-17.0	Sampling	5
SQM-18.0	Drawing and Control Change	6
SQM-19.0	Records	6
SQM-20.0	Change in Manufacturing Process Control	6
SQM-21.0	Foreign Object Debris/Damage (FOD) Prevention Program	6
SQM-22.0	Nonconforming Material	6
SQM-23.0	Notification of Escapes	7
SQM-24.0	Certification of Conformance	7
SQM-25.0	Defense and Federal Acquisition Regulation Supplement (DFARS)	7
SQM-26.0	Export Control	7
SQM-27.0	Shipping and Packaging Requirements	7
Section II – Supplier Approval		
SQM-28.0	Introduction	8
SQM-29.0	Supplier Quality Management System Requirement	8
SQM-30.0	Supplier Performance Requirements	8
Section III – Purchase Order Terms and Conditions		
SQM-31.0	Formation: Offer, Acceptance, Exclusive Terms	9
SQM-32.0	Quality	9
SQM-33.0	Delivery	10
SQM-34.0	Changes	10
Section IV – Miscellaneous Provisions		
SQM-35.0	Conflict Minerals	11
SQM-36.0	Applicable Laws	11
SQM-37.0	Liability	11
SQM-38.0	Amendment	12

SECTION I
GENERAL QUALITY STANDARDS FOR PURCHASED MATERIAL

SQM-1.0 PURPOSE

The purpose of this Supplier Quality Requirements Manual (Manual) is to define the supplier quality requirements for Precision Machined Products, LLC (PMP) to ensure that purchased product conforms to specified purchasing requirements.

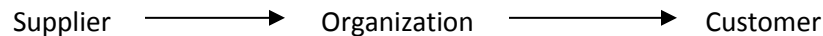
SQM-2.0 SCOPE

This Manual applies to suppliers who directly provide material (*raw materials, production services, component parts, and assemblies*) to PMP, unless otherwise exempted by Contract, Purchase Order, or noted in this Manual. Facility/building MRO items and general services are excluded from this process, except for the Purchase Order terms and conditions.

In the event a Purchase Order or Contract conflicts with the requirements of this document, the Purchase Order or Contract requirements will supersede.

SQM-3.0 SUPPLY CHAIN

The supply chain is an entire network of entities, directly or indirectly interlinked and interdependent in serving the same customer. It comprises of suppliers that supply raw material and/or services, organizations who convert the material into products, and customers who ultimately consume and/or deliver the product and/or services to end users.



SQM-4.0 SUPPLIER CONTACT INFORMATION

All suppliers must provide PMP with the contact information for their Sales, Customer Service, Material Control, and Quality Departments. Updates to the contact information must be submitted every year and/or when any changes occur.

SQM-5.0 QUALITY SYSTEMS

Requirements shall be in effect for all suppliers who directly supply materials, items, services, and/or special processes to PMP. This includes those suppliers identified as distributors (*see SQM-11.0*), special process suppliers (*heat treating, plating, welding, etc.*) (*see SQM-9.0*), calibration laboratories (*see SQM-5.1*), and raw material suppliers (*see SQM-8.0*).

SQM-5.1 Supplier must have established, documented, implemented, and maintained a quality management system in accordance with the requirements of ISO 9001 and/or AS9100. Calibration suppliers shall have a quality system that is compliant to ISO/IEC 17025 or ANSI/NCSL Z540.

SQM-5.2 A supplier must have an Environmental, Health and Safety (EHS) program that meets all statutory and regulatory requirements appropriate to their business.

SQM-5.3 A supplier not meeting the above Quality System Requirements may be assessed at any time for reasons not limited to performance, and may be liable for actual costs of such assessments.

SQM-6.0 RIGHT OF ACCESS

Supplier shall provide to PMP, its customers, and/or a specified third party (*statutory/regulatory agency*) right of access to its facilities and all records related to product ordered by PMP or its customers. PMP, its customers, representatives, and/or a specified third-party reserves the right to perform an audit or inspection at supplier's facilities to verify that supplied product conforms to specified requirements. This verification does not absolve supplier of the responsibility to provide acceptable product and does not preclude subsequent rejection by PMP or its customers.

SQM-7.0 CONFIDENTIALITY/NON-DISCLOSURE AGREEMENT

By accepting the terms of a Purchase Order and/or Contract from PMP, supplier agrees to adhere to the confidentiality provisions stated herein. Information considered confidential may include, but is not limited to:

- Customer-supplied documentation/records.
- Customer-supplied product/property.
- Customer furnished data used for design, production, and/or inspection.
- Intellectual property.

SQM-7.1 No Use. Supplier agrees not to use Confidential Information in any way, or to manufacture, test, and/or distribute any product embodying Confidential Information, except for the purpose set forth in the Purchase Order.

SQM-7.2 No Disclosure. Supplier agrees to use its best efforts to prevent and protect the Confidential Information, or any part thereof, from disclosure to any person other than Supplier's employees having a need for disclosure in connection with Supplier's authorized use of the Confidential Information and production/process activities.

SQM-7.3 Cyber Security. Supplier is required to follow policies and procedures for cyber security based on industry standards (e.g. ISO 27000, NIST 800-53) when sensitive information is shared.

SQM-7.4 Protection of Secrecy. Supplier agrees to take all steps reasonably necessary to protect the secrecy of the Confidential Information, and to prevent the Confidential Information from falling into the public domain or into the possession of unauthorized persons.

SQM-7.5 Term and Termination. These obligations shall be continuing until the Confidential Information disclosed to supplier is no longer confidential.

SQM-7.6 Separate Agreement. Supplier agrees to execute a separate Confidentiality/Non-Disclosure Agreement immediately upon request. Supplier further agrees to obtain a Confidentiality Agreement/Non-Disclosure Agreement, in form and

content acceptable to PMP, from any sub-tier supplier or third-party whom supplier deems disclosure of Confidential Information necessary, it being understood that no disclosure of Confidential Information shall be made without the prior written consent of PMP.

SQM-8.0 RAW MATERIAL SUPPLIERS

Unless otherwise specified, all raw material suppliers shall provide material certifications/test reports with all shipments. PMP will periodically validate supplier reports for raw material to verify the data in said reports is acceptable per applicable specifications.

SQM-9.0 SPECIAL PROCESSES SUPPLIERS

All special process suppliers shall have a quality system that is compliant to ISO 9001 or AS 9100, or accredited to AC7004 (PRI-Nadcap). All suppliers shall use only end user approved suppliers unless otherwise specified by the Purchase Order. PMP participates in the NADCAP special process accreditation program administered by the Performance Review Institute (PRI). All special process suppliers (*Non-Destructive Testing, Heat Treating, Chemical Processing, Coatings, and Material Testing Labs*) must comply with end user NADCAP accreditation requirements.

SQM-10.0 SUB-TIER SELECTION/CONTROL

PMP reserves the right to specify and/or approve sub-tier suppliers chosen by its suppliers. Direct suppliers shall flow down to all sub-tier suppliers all relevant quality requirements imposed by this Manual, purchasing documents and applicable contract requirements, and PMP customer requirements such as DPD, including government and Department of Defense (DoD) requirements.

SQM 11.0 DISTRIBUTORS

A distributor is defined as a supplier that procures parts, materials, or assemblies and sells such products to a customer without affecting product characteristics or conformity. Distributors must ensure that only approved, conforming parts make their way into the supply chain (*See SQM 12.0*). The constant concern of "*black market*" or "*counterfeit*" parts has reached heightened levels and this SQM includes requirements that when effectively implemented, shall assist PMP in minimizing the risk of such activity. Definitions of counterfeit parts may include, but not by way of limitation: unauthorized copies or substitutes of OEM or OCM parts that are not traceable to an OEM sufficient to ensure authenticity in OEM design and manufacture; parts that do not contain proper external or internal materials or components required by the OEM and are not constructed in accordance with OEM design; and parts that have been re-worked, re-marked, re-labeled, repaired, and/or refurbished and are represented as OEM authentic or as new or parts, but have not successfully passed all OEM required testing, verification, screening, and quality control processes.

Distributors of aerospace commodity items must employ a documented quality system that is compliant to (AS/EN/JISQ) 9120 Aerospace Requirements for Stockist Distributors or (AS/EN/JISQ) 9100 Quality Management Systems – Aerospace – Requirements. Copies of the AS standards can be purchased from SAE International at www.sae.org.

A Manufacturer Certificate of Conformance is required for each item delivered to ensure that the product provided is as specified in the PMP procurement document.

SQM-12.0 PREVENTION OF COUNTERFEIT PARTS

All raw material suppliers, special processes suppliers, and distributors shall have a plan in place to prevent counterfeit parts. Said Plan shall document the necessary avoidance, detection, mitigation, and disposition processes to prevent counterfeit parts and/or materials from entering into our customers' supply chain. The prevention processes shall include:

- Training of appropriate persons in the awareness and prevention of counterfeit parts.
- Application of a parts obsolescence monitoring program.
- Controls for acquiring externally provided product from original or authorized manufacturers, authorized distributors, or other approved sources.
- Requirements for assuring traceability of parts and components to their original or authorized manufacturers.
- Verification and test methodologies to detect counterfeit parts.
- Monitoring of counterfeit parts reporting from external sources.
- Quarantine and reporting of suspect or detected counterfeit parts.

SQM-13.0 FIRST ARTICLE PRODUCTION APPROVAL

When required by contract, First Articles shall be performed by suppliers as per AS9102 requirements or other similar/proven methods. The designated quantity of components, randomly selected from a significant production run, must be produced utilizing production tooling, processing, and cycle times. This approval must include dimensional and performance requirements and, in some cases, may also include specific visual and functional approvals.

SQM-14.0 PURCHASED PART CONTROL

Suppliers must certify, as part of sample submission, compliance with current constraints on restricted substances as specified by purchase order or contract, especially toxic and hazardous substances.

SQM-15.0 PROCESS CONTROL FOR KEY CHARACTERISTICS

When required by Purchase Order and/or Contract, suppliers must implement a process compliant with AS9103.

SQM-16.0 MATERIAL IDENTIFICATION

Supplier is required to establish a documented system for the control of all materials. The inspection and test status of all materials must be easily identifiable by the system, and documentation must include a description of any applicable containment areas and/or devices. Parts or products removed from the normal process flow must be segregated and clearly marked.

SQM-17.0 SAMPLING

Supplier may use sampling plans when historical records indicate that a reduction in inspection can be achieved without jeopardizing the level of quality. Supplier may employ sampling inspection in accordance with nationally accepted or customer required standards. Sampling may not be used to justify the existence of known defectives or discrepancies in a lot. Supplier shall maintain quality records in sufficient detail to establish evidence that any sampling was representative, the required tests and verifications

were properly performed, and only material meeting specified requirements has been accepted for production and delivery to PMP. These records shall be available for review by PMP or a PMP authorized representative as required and copies of individual records shall be furnished to PMP upon request.

SQM 18.0 DRAWING CHANGE AND CONTROL

Supplier's quality management system must ensure that the latest engineering drawings and specifications are available at the manufacturing, test, and/or inspection locations. Written procedures should indicate the methods utilized for receipt, review, or distribution of all changes and the methods of recalling and disposing of an obsolete item. A review process, conducted at least once each calendar year, must be established in the system for confirming that specifications are at the latest revision level with the issuing source.

Supplier must coordinate and document all changes with PMP's Order Processing personnel. This may involve customers and/or regulatory authorities in accordance with contract or regulatory requirements.

SQM 19.0 RECORDS

Supplier must retain adequate quality system records, including all production planning documents, process guidelines, laboratory test instructions, gauge/test equipment verification and calibration, and performance test methods. In addition, supplier must retain quality performance records, including control charts, and inspection and test results, where appropriate. At a minimum, Supplier must retain records for the periods indicated and make such records available for review as required:

- Quality System Records / 20 calendar years
- Quality Performance Records / 20 calendar years

In the event Supplier discontinues business operations, Supplier shall agree to transmit to PMP those records maintained in support of PMP's contract agreements.

SQM-20.0 CHANGE IN MANUFACTURING PROCESS CONTROL

PMP's continuous improvement philosophy encourages process improvements both internally and at our Supplier's facilities. However, prior to any such "*modification*" to a process being implemented, Supplier must complete all required/necessary verifications and tests to ensure that any new process continues to yield product/services that meet PMP's specifications. First Article requirements per AS9102 apply.

SQM-21.0 FOREIGN OBJECT DEBRIS/DAMAGE (FOD) PREVENTION PROGRAM

Supplier shall assure cleanliness of products/services provided. When designated on Purchase Order, delivered product must be clean and free from any debris such as machined chips, burrs, grinding dust, forming materials, corrosion, oil, and other foreign material on surface to prevent F.O.D. entrapment.

SQM-22.0 NONCONFORMING MATERIAL

All products or processes found to be nonconforming by the Supplier to the engineering drawings, specifications, or Purchase Order shall be identified, segregated, and reworked or replaced with conforming products or processes prior to delivery to PMP. In the event Supplier deems it necessary to submit a deviation request for approval, Supplier shall submit such request to PMP's Purchasing Department. Supplier is responsible to segregate nonconforming product to prevent delivery to PMP until

the deviation is processed and disposition has been given. A copy of the Supplier Deviation Request will be returned to Supplier showing final material review disposition. A "Use As Is" or "Repair" disposition by the material review process does not relieve Supplier of the legal responsibility and liability for such products/processes.

Nonconforming products identified: (1) at Supplier's facility; (2) returned from PMP's facility; or (3) through performance testing and/or field failures must be systematically analyzed to determine the root cause(s) of the nonconformance. Failure to respond to a Corrective Action Request may result in punitive action up to and including removal and/or suspension from PMP's Approved Supplier List/Register.

SQM-23.0 NOTIFICATION OF ESCAPES

It is the responsibility of Supplier to notify PMP immediately of any items that were provided and later discovered by Supplier to be defective. This notification shall include, at a minimum, Purchase Order number, part number, suspected quantity, and discrepancy/issue. Immediately following the receipt of Supplier's notification, a complete Root Cause Analysis, including containment action, corrective action, and preventive action with completion dates shall be provided to PMP.

SQM-24.0 CERTIFICATION OF CONFORMANCE

Each shipment shall include a Certification of Conformance unless otherwise specified by Purchase Order. The Certificate of Conformance must contain a statement that all inspections, processing, and tests have been performed as required by the drawing requirements and/or Purchase Order. Products controlled by heat numbers, certification numbers, batch numbers, or cure dates must be linked to the Certificate of Conformance by the controlling number and show physical and chemical values when applicable.

SQM-25.0 DEFENSE AND FEDERAL ACQUISITION REGULATION SUPPLEMENT (DFARS)

When required by Purchase Order, materials shall comply with all U.S. Government, Defense Federal Acquisition Regulation Supplement (DFARS) 252.225-7008 and 252.225-7009 requirements, including Country of Origin and Cyber Security policies and procedures 204.7304 and 252.204-7000.

SQM-26.0 EXPORT CONTROL

When required by Purchase Order, Supplier is responsible for ensuring that Supplier and all related transactions conform to the requirements of the U.S. Arms Export Control Act, including the International Traffic in Arms Regulations (ITAR), the U.S. Export Administration Act, including the Export Administration Regulations (EAR), and/or export restrictions of any other relevant jurisdiction (*collectively "Export Control Regulations"*). Supplier acknowledges its continuing obligation to be fully compliant with, and knowledgeable of all such Export Control Regulations, as may be amended or modified from time to time. Supplier shall immediately provide PMP with documentation or information requested to evidence Supplier's compliance with all Export Control Regulations.

SQM-27.0 SHIPMENT AND PACKAGING REQUIREMENTS

Supplier shall comply with all requirements for shipping, packaging, and labeling. In the absence of specific requirements, suitable protection from corrosion, contamination, and handling damage during transit is required (*see SQM-33.3*).

SECTION II
SUPPLIER APPROVAL

SQM-28.0 INTRODUCTION

The approval process is an ongoing, comprehensive, supplier-monitoring and feedback procedure that optimizes total cost and quality and minimizes process variation. It requires performance measurements and reporting and communicating with the supply base and features a method of recognizing high-performance suppliers. Suppliers that are currently on an approved suppliers list of a PMP customer may automatically be added to PMP's Approved Suppliers List/Register.

SQM-29.0 SUPPLIER QUALITY MANAGEMENT SYSTEM REQUIREMENT

Supplier must maintain an approved quality management system and acceptable performance levels in order to retain active status as a PMP Supplier.

SQM-30.0 SUPPLIER PERFORMANCE REQUIREMENTS

While the key metrics below are targeted goals for qualification, it is expected that PMP Suppliers will strive for continuous improvement to meet zero defects for quality and 100% on-time delivery.

- Quality 2% or less rejects
- Delivery 95% on-time or greater
- Cost* Price compared to market benchmark
- Documentation Accuracy, completeness, and timeliness

** Optional and subjective criteria determined by Purchasing and/or Quality Assurance.*

In addition to these performance metrics, Supplier is also responsible to provide timely corrective action response and demonstrate commitment to continual improvement through improving performance trends. A Supplier causing product quality escapes to PMP customers may be placed in a conditional or disapproved status regardless of performance trends. A Supplier exceeding either of these limits may be placed on conditional status. Conditional status requires the Supplier to submit a Corrective Action Plan acceptable to PMP. Once accepted, Supplier must show significant improvement toward meeting the required measurable within a reasonable period of time as defined by PMP. A Supplier that fails to show improvement may be removed from PMP's Approved Supplier List/Register.

SQM-30.1 Calculating Performance Levels.

Product quality may be calculated using the following formula:

$$\frac{\text{Number of Defective Parts}}{\text{Total Number of Parts Received}}$$

Percentage on-time delivery may be calculated as follows:

$$\frac{\text{Purchase Order Line Item Quantity On-Time*}}{\text{Total Purchase Order Line Item Quantity Due}}$$

* Partial deliveries arriving after original due date will be considered late shipments.

SQM-30.2 Scoring Criteria

Scoring		Total Score	Rating	Status
5	Fully Meets	16-20	Excellent (E)	Approved
4	Meets Most	11-15	Satisfactory (S)	Approved
3	Meets Some	< 10	Unsatisfactory (U)	Disapproved/ Conditional
2	Barely Meets			
-5	Does Not Meet			

SQM-30.3 Supplier Evaluation. Critical Supplier annual performance evaluation will commence Q1-2018 (*Supplier performance for Year 2017*).

SECTION III
PURCHASE ORDER TERMS AND CONDITIONS

SQM-31.0 FORMATION: OFFER, ACCEPTANCE, EXCLUSIVE TERMS

SQM-31.1 Except as otherwise provided herein, each Purchase Order, together with these terms and conditions, is an offer by PMP to enter into the agreement it describes and shall be the complete and exclusive statement of such offer and agreement.

SQM-31.2 A contract is formed when Supplier accepts the Purchase Order and the terms and conditions of PMP by shipment of goods, performance of services, commencement of work on goods, written acknowledgement, or any other conduct by Supplier that recognizes the existence of a contract.

SQM-32.0 QUALITY

SQM-32.1 Supplier shall meet all quality requirements of PMP and its customers, including, but not limited to, the applicable quality management system requirements (*ISO 9001, AS9100, etc.*) and any other customer specific requirements.

SQM-32.2 Supplier must maintain adequate documentation, implementation, and maintenance of a functioning quality management system while continually improving its effectiveness in accordance with contract requirements to ensure that all goods provided to PMP and its customers

conform to all specifications, drawings, quality, and performance requirements under the terms of the Purchase Order.

SQM-32.3 Supplier may be held responsible for any and all costs associated with nonconforming product or services provided by Supplier, including, but not limited to, PMP's raw material cost, added value cost, quality issue investigation, administrative costs, containment, and remedial actions, including third-party activities identified by PMP and/or its customers.

SQM-32.4 PMP or its customers may reject and return, at Supplier's risk and expense, or retain and rework goods received that fail to conform to the requirements of the Purchase Order or any other specifications within the Purchase Order. Supplier shall replace any nonconforming goods with conforming goods unless otherwise notified, in writing, by PMP's Purchasing personnel.

SQM-33.0 DELIVERY

SQM-33.1 Deliveries shall be made both in quantities and at the times specified on the Purchase Order. Supplier shall adhere to all shipping directions from PMP Purchasing personnel and/or directions on the Purchase Order.

SQM-33.2 Premium shipping expenses and/or other related expenses necessary to meet delivery dates set forth in the Purchase Order shall be the sole responsibility of Supplier unless the delay was solely caused by PMP or its customers and Supplier provides notice within ten (10) days of the occurrence.

SQM-33.3 Supplier agrees to properly pack, mark, and ship goods in accordance with the Purchase Order requirements and/or the requirements of PMP or its customers. Markings on each package and identification of the goods on the packing slips, bill of lading, and invoices shall be sufficient to easily identify the goods purchased.

SQM-34.0 CHANGES

SQM-34.1 Without prior approval from PMP, Supplier shall not make any changes to any PMP Purchase Order, including goods and/or services covered by Purchase Order and/or Contract, such as, but not limited to:

- Any third-party supplier to the supplier of services, raw materials, or goods used by Supplier.
- The facility from which Supplier operates.
- The price of any of the goods or services.
- The nature, type, or quality of any goods or services, raw materials, or goods used by Supplier or its sub-tier suppliers.

- The fit, form, function, appearance, or performance.
- Changes in product, specifications, and/or any process in the manufacture of any goods.
- Partial shipments are not accepted without prior approval.

SECTION IV MISCELLANEOUS PROVISIONS

SQM-35.0 CONFLICT MINERALS

In the Democratic Republic of Congo and neighboring countries, conflict materials may serve as funding sources from mines that finance militia groups committing human rights abuses. PMP is committed to meeting all legislative and regulatory requirements that seek to eliminate conflict minerals from the supply chain. PMP's policy is not to purchase conflict minerals, materials, or products using metals made from conflict minerals. PMP requires that its Suppliers and their suppliers acquire minerals only from responsible sources.

Supplier represents and warrants that it and its supply chain are currently in compliance, and covenants that it and its supply chain shall continue to comply with existing and future laws relating to conflict minerals as defined by the Dodd-Frank Wall Street Reform Act. Supplier shall be responsible for, and shall release, defend, indemnify, and hold PMP harmless from and against any liability of any kind or nature resulting from the breach of this representation and warranty and covenant.

SQM-36.0 APPLICABLE LAWS

Supplier shall comply with all local, state, federal, and international laws, rules, and regulations, both generally and as they affect the price, production, sale, and/or delivery of the goods, materials, and/or services under PMP's Purchase Order and Supplier shall indemnify and hold PMP harmless from and against any an all liability, expense, or loss, including actual and reasonable attorney fees, resulting from Supplier's failure to do so.

SQM-37.0 LIABILITY

Supplier shall indemnify and hold PMP and its officers, agents, servants and employees, or any of them, harmless from any and all loss, damage, liability, or expense, including actual and reasonable attorney fees for: (1) any breach of any representation, warranty, covenant, or agreement herein, in the Purchase Order, or in any related agreement; and (2) any damage to or loss of property or injuries, including death, to all persons, including employees of Supplier and its subcontractors and all other persons performing any part of the work, which may arise in the performance of any of Supplier's obligations or otherwise under the Purchase Order. Supplier shall defend, at its own expense, any suits or other proceedings brought against PMP and its officers, agents, servants or employees, or any of them, on account thereof, and will pay all expenses and satisfy all judgments which may be incurred by or rendered against any of them in connection therewith. PMP shall have the reasonable right of approval with respect to any legal counsel selected to defend a claim. Supplier shall be excused from liability for failure to deliver, and PMP from failure to accept deliveries hereunder when such failure is due to acts of God, fire, war, public enemy, strikes, civil commotion, transportation or other embargoes, acts of civil or military authority, governmental priority, or other similar causes beyond their control.

SQM-38.0 AMENDMENT

PMP reserves the right to amend, update, or revise this Manual at any time.
