

# Micro-Mechanics, Inc. (USA) Supplier Quality Requirements Manual

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## **SECTION A – 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 Micro-Mechanics, Inc. (“MMI”) to ensure that purchased product conforms to specified purchasing requirements. MMI reserves the right to amend/update/revise this Manual at any time.

### **SQM-2.0 Scope**

This Manual applies to suppliers who directly provide material (raw materials, production services, component parts and assemblies) to MMI, 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 that the 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.

**Supplier > Organization > Customer**

### **SQM-4.0 Supplier Contact Information**

All suppliers must provide MMI 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 MMI. This includes those suppliers identified as distributors [SQM-11.0], special process suppliers (heat treating, plating, welding, etc.) [SQM-9.0], calibration laboratories [SQM-5.1], and raw material suppliers [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/NCSS 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**

The Supplier shall provide MMI, its customer(s), and/or a specified third party (statutory/regulatory agency) right of access to the facility and all records *related to* product ordered by MMI or its customers. MMI, its customer(s) representative(s), and/or a specified third party reserves the right to perform an audit or inspection at the supplier’s facility or any level of the supply chain to verify that supplied product conforms to specified requirements. This verification does not absolve the supplier of the responsibility to provide acceptable product and does not preclude subsequent rejection by MMI or its customer.

## SQM-7.0 Confidentiality Agreement

By accepting the terms of a MMI Contract and Purchase Order, supplier agrees to adhere to the confidentiality agreements stated herein. "Confidential 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 – The obligations of this Agreement shall be continuing until the Confidential Information disclosed to suppliers is no longer confidential.

SQM-7.6 SEPARATE AGREEMENT – Supplier agrees to execute a separate Supplier Confidentiality Agreement immediately upon request. Supplier further agrees to obtain Confidentiality Agreement, in form and content acceptable to MMI, 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 prior written consent of MMI.

## SQM-8.0 Raw Materials Suppliers

Unless otherwise specified, all raw material suppliers shall provide material certifications/test reports with all shipments. MMI will periodically validate supplier's reports for raw material to verify that data in those reports are 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. All special process (*Non-Destructive Testing, Heat Treating, Chemical Processing, Coatings and Material Testing Labs*) suppliers of aerospace parts must comply with end user NADCAP accreditation requirements.

## SQM-10.0 Sub-Tier Selection/Control

MMI 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, 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. The constant concern of "black market" or "counterfeit" parts has reached heightened levels and this SQM includes requirements that when effectively implemented, shall assist MMI to minimize the risk of such activity. Definitions of

counterfeit parts may include but not limited to; unauthorized copies or substitutes of an 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, parts that have been re-worked, re-marked, re-labeled, repaired, refurbished but are represented as OEM authentic or as new or parts that 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](http://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 MMI procurement document.

### **SQM-12.0 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-13.0 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-14.0 Process Control for Key Characteristics**

When required by the purchase order or contract, suppliers must implement a process compliant with AS9103.

### **SQM-15.0 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-16.0 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 MMI. These records shall be available for review by MMI or a MMI authorized representative, as required and copies of individual records shall be furnished to MMI upon request.

### **SQM-17.0 Drawing and Change 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 method(s) utilized for receipt, review, or distribution of all changes and the method(s) 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 MMI's Order Processing personnel. This may involve customers and/or regulatory authorities in accordance with contract or regulatory requirements.

### **SQM-18.0 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, customer provided prints. In addition, supplier must retain quality performance records, including control charts, and inspection and test results, where appropriate. At a minimum, supplier must retain the records for the periods indicated and make such records available for review as required:

Records	Retention Period
Quality system records	20 calendar years unless otherwise indicated on the PO
Quality performance records	20 calendar years unless otherwise indicated on the PO

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

### **SQM-19.0 Change in Manufacturing Process Control**

Our continuous improvement philosophy encourages process improvements both internally and at our supplier's facilities. Suppliers must notify MMI of any change in manufacturing process control at the earliest opportunity. First Article requirements per AS9102 apply.

### **SQM-20.0 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-21.0 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 MMI. In the event the supplier needs to submit a request for deviation approval, supplier shall submit the deviation to the Purchasing Department. Supplier is responsible to segregate nonconforming product to prevent delivery to MMI, 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 a supplier's facility;(2) returned from MMI'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 the MMI's Approved Supplier List/Register.

### **SQM-22.0 Notification of Escapes**

It is the responsibility of supplier to notify MMI within 3 business days of knowing of any items that were provided and later discovered by supplier to be defective or nonconforming. However, if the condition is possible safety of flight, submit all available information immediately. This Notification of Escape shall include, at a minimum, purchase order number, part number, suspected quantity and discrepancy noted. Immediately following the receipt of Notification of Escape, a complete Root Cause Analysis, including containment action, corrective action, and preventive action with completion dates shall be provided to MMI.

### **SQM-23.0 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-24.0 Defense 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.

### **SQM-25.0 International Traffic in Arms Regulations (ITARs)**

When required by Purchase Order, supplier is responsible for ensuring that all related transactions conform to the requirements of the International Traffic in Arms Regulations.

### **SQM-26.0 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 B – SUPPLIER APPROVAL**

### **SQM-27.0 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 MMI customer may automatically be added to MMI's Approved Suppliers List/Register.

### **SQM-28.0 MMI's Register of Approved Suppliers: Requirements**

**Micro-Mechanics Inc. will conduct business honestly and ethically wherever operations are maintained. World-wide, all Micro-Mechanics entities are committed to Corporate Social Responsibility in accordance with the Electronic Industry Citizenship Coalition (EICC) Code of Conduct. We strive to improve the quality of our services, products, and operations and will maintain a reputation for honesty, fairness, respect, responsibility, integrity, trust, and sound business judgment. Likewise we require all suppliers to comply with Corporate Social Responsibility in accordance with the EICC and sign the Supplier's Declaration Form every three years acknowledging their commitment to this Code of Conduct.**

Suppliers must maintain an approved quality management system and acceptable performance levels in order to retain active status.

### **SQM-29.0 Supplier Performance Requirements**

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

<b>Key Metrics</b>	
Quality	3% or less rejects
Delivery	75% on-time or greater

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 MMI customers may be placed in a probationary or disapproved status regardless of performance trends. A supplier exceeding either of these limits may be placed on probation. Probation status requires the supplier to submit a Corrective Action Plan acceptable to MMI. Once accepted, supplier must show significant improvement toward meeting the required measurable within a reasonable period of time as defined by MMI. A supplier that fails to show improvement may be removed from MMI's Approved Supplier List/Register.



## SQM-29.1 Calculating Performance Levels

**Product quality will be calculated using the following formula:**

Number of defective parts	divided by	Number of parts received
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## SQM-29.2 Percentage On-Time Delivery

**Percentage on-time delivery will be calculated as follows:**

Purchase Order line item quantity on time	divided by	Total Purchase Order line item quantity due
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*Note: Partial deliveries arriving after original due date will be considered late shipments.*

## **SECTION C – PURCHASE ORDER TERMS AND CONDITIONS**

### **SQM-30.0 Formation: Offer, Acceptance, Exclusive Terms**

SQM-30.1 Except as otherwise provided herein, each Purchase Order, together with these terms and conditions, is an offer by MMI to enter into the agreement it describes and shall be the complete and exclusive statement of such offer and agreement.

SQM-30.2 A contract is formed when supplier accepts the Purchase Order and the terms and conditions of MMI by shipment of goods, performance of services, and commencement of work on goods, written acknowledgement, or any other conduct by supplier that recognizes the existence of a contract.

### **SQM-31.0 Quality**

SQM-31.1 Supplier shall meet all quality requirements of MMI 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-31.2 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 MMI and its customers conform to all specifications, drawings, quality, and performance requirements under the terms of the Purchase Order.

SQM-31.3 Supplier may be held responsible for any and all costs associated with nonconforming product or services provided by supplier, including, but not limited to, MMI's raw material cost, added value cost, quality issue investigation, administrative costs, containment, and remedial actions (including third party activities identified by MMI or its customers).

SQM-31.4 MMI or its customers may reject and return, at the 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 that Order. Supplier shall replace any nonconforming goods with conforming goods unless otherwise notified, in writing, by MMI's Purchasing personnel.

### **SQM-32.0 Delivery**

SQM-32.1 Deliveries shall be made both in quantities and at the times specified on the Purchase Order. Supplier shall adhere to all shipping directions from the Purchasing personnel and/or directions on the Purchase Order.

SQM-32.2 Premium shipping expenses and/or other related expenses necessary to meet the delivery dates set forth in the Purchase Order shall be the sole responsibility of supplier, unless the delay was solely caused by MMI or its customers and supplier provides notice within 10 days of the occurrence.

SQM-32.3 Supplier agrees to properly pack, mark, and ship goods in accordance with the Purchase Order requirements and/or the requirements of MMI or its customers. The marks 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-33.0 Changes**

SQM-33.1 Without prior approval from MMI, supplier shall not make any changes to any MMI Purchase Order, including goods and/or services covered by Contract and/or Purchase Order, 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 the supplier or its sub-tier suppliers;
- The fit, form, function, appearance, or performance; and
- Changes in product and/or any process in the manufacture of any

### **SQM-34.0 Applicable Laws**

Supplier shall comply with all local, state, federal, and international laws, rules, and regulations affecting the price, production, sale, or delivery of the materials or services under MMI's Purchase Order and supplier shall indemnify and hold MMI harmless from and against any liability, expense, or loss, including attorney fees, resulting from supplier's failure to do so.

### **SQM-35.0 Liability**

Supplier shall indemnify and hold MMI and its officers, agents, servants and employees, or any of them, harmless from any loss, damage, liability or expense, including attorneys fees, for: (1) any breach of any representation, warranty, covenant, or agreement herein, in the Order, or in any related agreement, and (2) on account of 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 its obligations or otherwise under the Order. Supplier shall defend, at its own expense, any suits or other proceedings brought against MMI 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. MMI 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 MMI from failure to accept deliveries hereunder when such failure is due to the acts of God or the elements, fire, war, the 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-36.0 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. MMI is committed to meeting all legislative and regulatory requirements that seek to eliminate conflict minerals from the supply chain. MMI's policy is not to purchase conflict minerals, materials or products using metals made from conflict minerals. MMI expects its suppliers and their suppliers to acquire minerals only from responsible sources.