



# **SUPPLIER FLOW DOWN GUIDELINES**

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## Forward

This supplier / Subcontractor Requirements Instruction forms an integral part of Milspares' Management System Documentation. It was developed to better define the methods used by Milspares to flow contract requirements to suppliers / subcontractors.

### 1. Introduction

#### 1.1 Purpose

The purpose of this guideline is to provide for and establish purchasing, shipping and Quality requirements for Purchase Orders issued to all suppliers / subcontractors. Suppliers / subcontractors shall comply with all purchase order requirements and flow down all applicable requirements to their sub-tier suppliers / subcontractors.

Milspares Limited strives to consistently provide the highest quality service possible with efficient on-time deliveries for our customers. In order to maintain a mutually beneficial relationship, we ask our suppliers and subcontractors to interact with us towards this goal by ensuring they are aware of their contribution to product or service conformity and product safety.

Milspares requires our suppliers and subcontractors to be familiar with and understand any requirements relevant to their work.

#### 1.2 Scope

This Supplier/Subcontractor Requirements Instruction applies to Milspares' approved suppliers/subcontractors listed on Milspares' Approved Supplier/Subcontractor list unless otherwise specified by contract.

### 2. References

AS / EN / ISO 9001 Standards

### 3. Definitions

For the purpose of this guideline, the following definitions apply:

Purchase Order (PO): A legal binding contract used to request a supplier or subcontractor to supply a product or service in return for payment.

Supplier: An organisation that provides products, services or materials. A supplier may be considered a distributor, parts house or manufacturer of an item (OEM).

Subcontractor: An organisation providing manufacturing, fabrication or processing of services used on products for Milspares' customers. A

subcontractor would provide capabilities or services not currently available at Milspares.

## **4. Requirements – Processes, Products and Services**

### **4.1 Business System Requirements**

The ultimate objective of this guideline is to aid in developing robust strategic partnerships and interaction with external providers and key suppliers by creating a cost-efficient procurement process, through the elimination of redundant handling and inspection activities. Milspares recognises that each business relationship, to be worthwhile, must be mutually beneficial. In order to accomplish this, we ask that these requirements be understood throughout your Organisation and flowed down to sub-tier suppliers as appropriate. Your continued support as Milspares' approved supplier/subcontractor is appreciated and essential for our mutual success.

The following Purchase Order requirements apply to all suppliers, subcontractors, sub-tier suppliers and POs:

- Any work performed (either products or services) by your Company for Milspares must be covered by a PO issued by the Milspares Purchasing Agent as shown on the PO.
- Milspares requires that all POs be acknowledged, as evidence, by the signature of an authorised agent and returned to the Milspares Purchasing Agent as shown on the PO.
- POs are offered according to the Terms and Conditions therein. Any additional Terms and Conditions submitted with your sales acknowledgement are considered by Milspares to be deviation from the original contract, to which we hereby object unless otherwise approved in writing.

### **4.2 Shipping and Handling Requirements**

#### **4.2.1 Packaging Requirements**

All packaging must be of sufficient strength and design to protect parts and materials from damage or deterioration throughout the handling and transportation process. Packaging must comply with all Government and regulatory requirements where applicable.

#### **4.2.2 Delivery Requirements**

All orders must be shipped to arrive on the date specified in the PO. The following delivery requirements apply to all suppliers, subcontractors, sub-tier suppliers and POs:

Items received after the date specified on the PO will be considered late unless agreed upon in writing via fax, email or PO change and will be reflected in Milspares' supplier performance monitoring procedure.

If specified by Milspares' Purchasing, suppliers/subcontractors must use the carrier specified. Deviation from this requirement will result in all charges for such deviation being billed back to the supplier/subcontractor.

### **4.3 Quality Requirements**

#### **4.3.1 General Quality Requirements**

General requirements are in addition to those set forth in any other contracted document. Compliance with these requirements does not reduce the supplier's/subcontractor(s) responsibility for furnishing materials and/or services, which fully comply with all applicable drawing and specification requirements, nor does it guarantee acceptance of materials. In the event that materials or services are found to be non-conforming and cannot be demonstrated by the supplier/subcontractor to be in conformance with the PO requirements, Milspares has the right to reject them.

Competency: It is expected that suppliers / subcontractors will have determined the necessary competence of personnel under their control. They will ensure that those who have responsibilities affecting product and service conformity and the Quality processes, procedures and methods within their organisation are competent on the basis of applicable education, qualifications, training, skills and experience.

The following Quality requirements apply to all suppliers/subcontractors:

- Quality System: When subcontracted services are needed, Milspares will seek out organisations that have an approved Third-Party Certification (AS / EN / ISO 9001 etc.) or have a second party assessment programme. New subcontractors that are not certified to a Third-Party Certification must develop a Quality System that satisfies the Supplier Evaluation Report (Audit) requirements. Milspares shall use only those sources that can positively demonstrate through an accepted Quality Management System and a system of verification testing that their services or processing will meet the requirements of our customer's order (including any special processes). Under this type of 'Approval' Milspares shall require objective evidence of their certification and may require the completion of a 'Desk Audit' Questionnaire or an on-site audit as required. Milspares discourages the use of subcontractors who do not have a second or Third-Party approval but will use a source if they are able to demonstrate a robust Quality Management System when audited under this procedure.

Inspections: The supplier/subcontractor shall establish and maintain an inspection and verification system including use of statistical techniques for product acceptance in compliance with AS / EN/ ISO 9001 or as otherwise approved by Milspares Management Representative. New subcontractors that are not certified to a Third-

Party Certification will be expected to employ an inspection and verification system for product acceptance that satisfies the Supplier Evaluation Report (Audit) requirements.

Subcontractors: No goods to be produced or delivered under this order shall be procured or services to be subcontracted out by the seller from a Third Party in completed or substantially completed form without Milspares' and/or its customer's written consent. When a seller is approved to use sub-tier suppliers, all applicable requirements shall be flowed down under this order.

Disclosure: No new release, advertisement, or other disclosure relating to this order shall be made without Milspares' and/or its customer's prior written consent. Further, subcontractor(s) shall keep confidential all designs, processes, drawings, specification, reports, data and other technical or proprietary information and the features of all parts, equipment, tools, gauges, patterns and other items, furnished or disclosed to the subcontractor by Milspares in connection with this contract, unless otherwise provided herein or authorised by Milspares in writing. The subcontractor shall use information and items and the features thereof only in the performance of this contract. Upon completion or termination of this order, the subcontractor shall return all such information and items to Milspares or make such other disposition thereof as may be directed or approved by Milspares.

Responsibility of Property: Unless otherwise specified, upon delivery to Milspares by the subcontractor of any materials, parts, data or other property provided by Milspares for fulfilment of this order, the subcontractor assumes the risk of and shall be responsible for any loss thereof or damage thereof.

The following quality requirements apply to all suppliers, subcontractors, sub-tier suppliers and POs:

Certificate of Conformance / Test Reports: Upon release of products/services, the supplier/subcontractor shall supply with each shipment a legible and reproducible copy of the Certificate(s) of Conformance certifying the conformance of the product(s) or service(s) and if applicable, relevant test reports or authorised release certificate(s) applicable to the Purchase Order.

Control of Records/Documented information: The supplier/subcontractor shall control, maintain and retain records/documented information/records of product origin, conformity and shipment in accordance not only with Milspares' requirements but statutory and regulatory requirements also. Those records shall include but are not limited to non-conformance / test and inspection / traceability / shelf life condition / retention

periods/disposition requirements. Where records are stored electronically these shall be secured against all methods of alteration or change.

Supplier/Subcontractor Corrective Action: When requested by Milspares, the supplier/subcontractor shall provide a statement of corrective action on a failure of supplier/subcontractor's product or Quality System. Documentation for rejected articles resubmitted for approval shall reference the Milspares rejection document.

Prevention of Suspected Unapproved Parts, Unapproved and Counterfeit Parts: The supplier / subcontractor is expected to plan, implement and control appropriate processes which will identify and thus prevent the release or use of unapproved and suspected unapproved or counterfeit parts into the supply chain.

Notification of non-conforming processes, products or services: Should the supplier/subcontractor become aware of a nonconformity that may affect delivered products, the supplier/subcontractor shall notify Milspares within 24 hours. The supplier/subcontractor shall report to Milspares the details regarding delivered items that may affect or potentially affect product reliability or safety. Notification shall include a clear and concise description of the non-conformance which includes as necessary, the parts affected, customer/supplier part numbers, serial numbers, lot numbers, quantity and date of delivery. The supplier/subcontractor shall obtain documented approval for nonconforming product disposition.

Changes in processes, products or services: The supplier/subcontractor shall notify the organization of changes in product and/or process, changes of manufacturing facility location, change of suppliers and where required, shall obtain organization approval.

Right of Access: Milspares and/or Milspares' customer(s), Regulatory Authorities and/or Government representatives will have the right of access to applicable areas to survey facilities and review all processes, subcontractors' details, procedures, documents and records related to work performed for Milspares.

Static Sensitive Materials: The following requirements apply to materials, devices or assemblies capable of being degraded, damaged or destroyed by static electrical charges or discharges. At all times these shall be preserved and packaged in such a manner as to preclude their exposure to the generation of discharge of the static electrical potential. Packaging shall be clearly marked to indicate the contents are subject to damage or degradation by static electricity.



Shelf life and Temperature Sensitive Materials: The supplier/subcontractor shall identify all materials which have definite characteristics of quality degradation with age or environment. The supplier/subcontractor shall provide this information with or directly on the material container or article. This identification shall indicate when the use date was initiated and the date at which the useful life will be expended.

When environment is a factor in determining useful life, the identification shall include the storage conditions required to achieve the stated life. A minimum of 75% of the applicable material shelf life shall remain upon receipt of the material by Milspares or the material will be rejected.

Traceability: The supplier/subcontractor must provide positive traceability of manufactured parts through the use of lot/batch or serial numbers.

#### **4.3.2 Specific Quality and Customer Requirements**

In addition to the Quality requirements mentioned in section 4.3.1, the supplier/subcontractor shall be responsible for flowing down to external providers all/any specific and applicable customer requirements noted on the PO.

#### **4.4 Supplier/Subcontractor Development**

Milspares' Suppliers/Subcontractors are approved and classified according to product acceptance history, support and performance.

Approved suppliers/subcontractors have earned Milspares' confidence in their product quality and performance, resulting in reduced product verification requirements, rapid product acceptance and receipt and a much greater potential for future business. However, Milspares will continue to control and monitor quality and performance as the organisation desires to develop long-term mutually beneficial relationships with all of its external providers.

### **5. Ethical Behaviour**

Modern slavery, including, forced labour and human trafficking and servitude is a global issue and affects every country, sector and industry. It represents some of the most despicable forms of human rights abuse in society. Milspares Ltd has a zero-tolerance approach to modern slavery within its organisation, its operations and its supply chain. We are committed to acting ethically and with integrity in all business operations and relationships.

The Company is committed to operating all activities within the spirit and letter of all laws and regulations affecting its businesses and employees. Employees must exercise the highest level of integrity, ethics and objectivity in their actions and relationships which may impact upon the Company, its customers and suppliers.

Milspares is dedicated to protecting human rights. We are a committed equal opportunity employer and will abide by all fair labour practices. We endeavour to ensure that our activities do not directly or indirectly violate human rights in any way.

The company would expect its suppliers, customers and contacts to proactively adopt those same obligations and commitments set out above.