Specification	**Precision Hermetic Technology Inc.**	No.	PHTS0011
		Issue No.	Rev. G
		Date	2/23/2023

Supplier Quality Clauses

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1 Doing Business with PHT

1.1 About PHT

PHT is a leading manufacturer for aerospace grade hardware and small connector and header assemblies in southern California. PHT has a significant focus on military and aerospace applications serving a variety of customers with a diverse array of applications including spacecraft, military and commercial aircraft, missile and batteries, communications, cryogenics and medical.

1.2 Purpose of the Supplier Quality Clauses

The purpose of this specification is to communicate PHT's expectations to our suppliers, and the set of tools, processes and systems that are to be used in the manufacture, design and development of parts, products and services supplied to PHT. The implementation of the various tools and procedures described in this specification, will assist our suppliers in the continuous development of their business and manufacturing processes.

1.3 Supplier Responsibilities

It is the responsibility of the supplier to understand and ensure compliance with this specification and the quality manual, procedures, travelers, and work instructions of PHT as related to their scope of work. Work performed by a Supplier's sub-tier/sub-contract Suppliers shall meet PHT's quality, procedures and work instructions as related to their contracted scope of work. It is the Supplier's responsibility to flow-down these requirements to sub-tier/contract Suppliers. The processes and tools in this specification represent the expectations and requirements of PHT and will be driven by customer requirements.

1.4 Conflict Minerals

The U.S. Securities and Exchange Commission ("SEC") published regulations implementing Section 1502 of the Dodd Frank Wall Street Reform and Consumer Protection Act ("Act") governing Conflict Minerals. The Act requires companies to perform due diligence on the source and chain of custody of Conflict Minerals contained in their products. Manufacturers who file certain reports with the SEC must disclose whether products they manufacture, or contract to manufacture, contain conflict minerals that come from sources that support or fund inhumane treatment.

1.5 ITAR Compliance

PHT complies with all applicable federal statutes, executive orders, regulations, and contractual requirements for the safeguarding of controlled technical information in its possession. This includes full and total compliance with export controls and transfer of controlled technology. Under no circumstances shall employees or other persons acting on behalf PHT engage in activities in contravention of U.S. export control laws.

As an ITAR registered company, PHT must verify the status of its employees as well as any visitor to PHT regarding International Traffic in Arms Regulations (ITAR Part 122). According to this regulation and our customers' requirements all employees handling ITAR sensitive product or data must be U.S. Persons (U.S. Citizen or lawful permanent resident). Any person having knowledge of violation or noncompliance with the provisions, or any applicable export control directive shall immediately report the circumstances surrounding the activity. Those found to be in willful, intentional violation of these directives or the provisions shall be subject to disciplinary / legal actions.

1.6 Compliance With Law

Precision Hermetic Technology and any of its covered subcontractors shall abide by the Equal Employment Opportunity Clause in Section 202 of Executive Order 11246, as amended, and the implementing rules and regulation of the Office of Federal Contract Compliance including the requirements of 41CFR§§60-1.4(a), 60-300.5(a) and 60-741.5(a). These regulations prohibit discrimination against qualified individuals on the basis of protected veteran status or disability, prohibit discrimination against all

individuals based on their race, color, religion, sex, sexual orientation, gender identity or national origin, and require affirmative action by covered prime contractors and subcontractors to employ and advance in employment individuals without regard to race, color, religion, sex, sexual orientation, gender identity, national origin, protected veteran status or disability. Likewise, when applicable, Precision Hermetic Technology and/or its covered subcontractors agrees to comply with the provisions of 29 CFR Part 471, Appendix A to Subpart A.

2 Supplier Requirements

All material suppliers shall be minimally compliant to requirements of ISO–9001 or AS9100 and approved in the Supplier system. All new suppliers shall be certified to either ISO-9001, AS9100, ISO13485 if manufacturing parts related to medical applications, or in accordance with PHT-PUR-013. This pertains to those suppliers who directly supply product or services, and special process suppliers, regardless of tier level. Special preference shall be given to plating suppliers that have Nadcap certifications.

● Distributors - Distributors shall have a quality system that conforms to specific ISO / Industry specific guidelines (e.g., AS 9120). PHT reserves the option to audit the distributor prior to final approval.

● Calibration Suppliers / Testing Houses (if applicable) - Calibration suppliers shall have a quality system that conforms to A2LA, ISO 17025 (Guide 25).

● Raw Material Suppliers (if applicable) - Raw material suppliers shall have a quality system that conforms to relevant industry quality standards, and airworthiness regulatory requirements, as required.

● All other suppliers shall have a quality system that conforms to ISO 9001 or AS 9100, latest revision. Conformity to the above quality standards must be evidenced by either: third-party certification; or an audit conducted by the supplier quality engineering function.

● PHT supplier shall permit access by representatives of PHT, PHT customers, and applicable regulatory agencies to the supplier's premises (and the premises of Supplier's subcontractors and supplier(s) for the purpose of evaluating Supplier's facilities, process, goods, quality system and records.

● 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 the costs of such assessments.

2.1 Supplier Confidentiality

Documents furnished by PHT to the Supplier are solely for the purpose of doing business with PHT. These documents shall be controlled by the Supplier and must not be transmitted to others without the written consent and approval of PHT.

2.2 Quality Planning

Suppliers shall follow industry standard Product Quality Planning requirements and Quality planning must be maintained throughout all phases of the product life cycle, from inception to delivery. See section 4.0 of this Specification for more detailed information.

2.3 Sub Tier Supplier Control

The supplier must maintain quality and technical qualifications for sub-tier suppliers/contractors and the products purchased through these sub tier suppliers. PHT reserves the right to specify or approve sub tier suppliers contracted by its suppliers for work performed on PHT material. This includes but is not limited to special process, materials testing services, distributors, and other subcontractors. PHT approval does not relieve the supplier's responsibility for non-conforming products shipped to PHT. Special processes include but are not limited to, Non-Destructive Testing, Heat Treating, Welding, Chemical Processing Plating & Coatings.

● Suppliers shall flow down to its sub-tier contractors, all relevant quality requirements imposed by this specification and other contractual documents, including government-regulatory and Defense requirements.

2.4 Material Identification and Limited Shelf Life

The supplier must establish, document, and communicate to PHT a system for the control and identification of all materials. When acceptance authority media (AAM) are used (e.g., stamps, electronic signatures, passwords), the organization shall establish controls for the media.
A. Seller shall, within organization and its supply chain, ensure that the use of AAM is clearly defined within its Quality Management System (QMS).
B. Seller shall demonstrate evidence of communication to its employees and supply chain; employees and the supply chain shall be accountable for managing the required compliance and conformity.
C. Seller shall maintain compliance to the AAM requirements by assessing its process and supply chain as part of its internal audit activities.

For Materials with limited shelf life, the supplier shall identify each item, package, or container of limited-calendar-life material with manufacture date, storage temperature, special handling conditions and requirements. The identification, including special handling conditions and requirements, shall be recorded on certifications and shipping documents for the material.

2.5 Lot Traceability

Suppliers shall establish a lot traceability system that tracks components from raw material through inspection and test operations, including rework and sub-supplier procedures and finally through shipment to PHT. Suppliers must certify, as part of sample submissions, compliance with current U.S., EU, or other Federal regulations on restricted, toxic, or hazardous substances as specified by PO or contract.

2.6 Problem Solving

All suppliers must establish and maintain documented procedures for implementing a system for corrective and preventive action. See section 6.0 for more detailed information.

2.7 Internal Audits

A supplier must conduct regular internal audits to ensure continued compliance with internal procedures and customer requirements in accordance with the minimal requirements of ISO 9001 / AS 9100, latest revisions. In lieu of certifications, the supplier QMS must show evidence of an internal audit procedure.

2.8 Operator and Inspection Instructions

The supplier must have written operator and inspection instructions for employees who have responsibilities for operation of the process and inspection. In addition, suppliers will prepare, train, and appropriately maintain operator and inspection instructions.

The supplier may use reduced-frequency (sampling) inspection plans only when historical records indicate that a reduction in inspection can be achieved without jeopardizing the level of quality. The supplier shall employ sampling inspection in accordance with nationally accepted / customer required standards as specified by PHT.
- However, if sampling discovers a defect or discrepancy, then 100% inspection of the lot is required.
- The 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 that only material meeting specified requirements have been accepted for production and delivery to PHT. Copies of individual records shall be furnished to PHT upon request.

2.9 Packaging Plan

The supplier must comply with specific packaging instructions as called out in purchase order requirements. Suppliers must follow up as appropriate on additional or unclear packaging requirements to ensure protection against damage in transit.

2.10 Business Changes

Any significant changes in business climate such as acquisitions, divestitures, pending litigation, or any

activity that may change the financial viability of the supplier's organization must be communicated to the PHT purchasing manager representative.

2.11 Communications

All documentation must be communicated in English unless otherwise specified. Suppliers must maintain and have access to an electronic form of communication i.e., the internet/worldwide web. See sections 4.2, 4.3, & 4.10 for detailed information.

2.12 Counterfeit Materials and Parts

In accordance with PHTS014, PHT performs the process and due diligence to prevent the purchase and /or use of Counterfeit Materials and Parts and to meet to the requirements of the AS 5553 - Counterfeit Electronic Parts, Avoidance, Detection, Mitigation, and Disposition. PHT will report counterfeit electronic parts and suspect counterfeit electronic parts to the Contracting Officer and to the Government-Industry Data Exchange Program (GIDEP) in accordance with DFARS 252.246-7007(c)(6). Suppliers must have a program to perform the process and due diligence to prevent the purchase and /or use of Counterfeit Materials and Parts.

2.13 Source Inspection for PHT Suppliers

When invoked via contract/PO, the supplier shall support Source Inspection activities required by PHT, Customer, or Government representatives. The supplier will contact the appropriate party for source inspection upon completion of the product. Product shall not be shipped until source inspection has been completed with appropriate documentation. If the supplier has difficulty in reaching the appropriate source inspector, they shall contact their buyer for support without undue delays.

2.14 Foreign Object Debris/Damage Prevention Program (FOD)

Product suppliers must have a FOD program for the purpose of prevention, detection, and removal of foreign object debris. The program must meet the following requirements as applicable:
- FOD prevention shall be implemented in all applicable areas and FOD training awareness provided.
- Parts must be protected from handling damage in all areas; material handling awareness training must be provided to all employees and handling standards documented.
- Supplier must document all FOD incidents and perform root cause analysis.
- Metrics must be documented if FOD incidents occur.
- If critical FOD areas are noted/ required, Physical Entry Controls must be established with entry requirements visually posted outside each area.

2.15 Certification of Conformance (CoC) or Certificate of Analysis (CoA)

Unless otherwise specified by PO/contract, a supplier must provide adequate certification of conformance for all materials and processes specified on the purchase order or contract, for each shipment. Where available, these may be submitted electronically. Suppliers are responsible for all PO terms and conformity characteristics per the PO/contract accepted, i.e., for suppliers delivering a product which includes sub-contracted or special processes, all such processes must be indicated on the direct supplier's certificate of conformance. The CoC and CoA must be signed and dated by an authorized supplier representative.

This CoC shall include the PHT part number and revision level, purchase order number, quantity of parts in the shipment, date of manufacture and the release authority's signature. This signature must follow AAM signature, stamp or any other way of approval and must be on the CoC. Where CoA's are requested by material specification or other, they also must be signed and dated. Material reports shall accompany all raw material or contact material shipments. Supplier shall supply a current Safety Data Sheet (SDS) for raw material, compounds, and other applicable materials.

Shelf Life / Age-Sensitive materials, General Certificates

A general certification of conformance, where required, shall be used for all parts and materials, unless

otherwise indicated herein. This form shall be used unless otherwise specified by contract/PO. If the supplier also supplies the raw metallic material for machined or stamped components, a copy of the original mill certificate shall be provided.

Special Process Certificates

In addition to the general certification, where an additional special process certification is required, the certificate of conformance shall contain at a minimum:
- PHT part number and revision level
- PHT part description
- Purchase order number
- The process performed
- Lot Size / Quantity
- Specification number and level
- Sample size (optional)
- Applicable process specifications/controls
- Applicable test results
- Serial numbers where applicable to contract

If the job was processed using a Nadcap accredited process, the supplier shall include a statement indicating the job was processed per their Nadcap accreditation and shall include their accreditation number and expiration date.

Raw metallic materials (including forgings and castings) supplied, shall include a copy of the original mill certificate or material test report (certification). Supplier shall submit the name of the test laboratory to PHT Purchasing and Quality departments for review and acceptance by PHT Quality and/or Engineering. Raw material mill certifications may not be altered or have any markings other than check marks from verification of physical and chemical values and/or indication of inspection acceptance. Stamps may be applied by warehouses/distributors to add incidental information such as the PHT PO, weight shipped, etc.
- Suppliers shall include the physical or mechanical properties with heat treat batch lot numbers.
- When required by contract/PO, certification shall show that all materials comply with all Government requirements including country of origin and country where the material is melted.

2.16 Employee Training and Competency

Supplier shall ensure that all employees (full time / part time / temporary) are trained and competent in the job tasks responsible for. Competency proof shall be in the form stated in the suppliers QMS and training records shall be on file and maintained in accordance with PHT's record retention requirements (10 years).

3 Supplier Assessment and Qualification

PHT maintains a supplier selection and sourcing process that evaluates and identifies potential sourcing partners. Suppliers must be capable of meeting the applicable quality, delivery, cost, and continuous improvement requirements. PHT validates these requirements as a part of the supplier selection process through assessment and qualification activities. The PHT supplier assessment and qualification process includes the following:

3.1 Supplier Approval Process

The supplier approval process shall be done in accordance with internal document PHT-PUR-013. This procedure establishes the criteria for the selection, qualification, and approval of suppliers to PHT and applies to all suppliers of externally acquired production and non-production goods and services.

3.2 Supplier Requirements

Quality will perform the quality screening process based on the review of Form PHT-F0020 as part of the Supplier application program:

● Suppliers need to show evidence of registration (from an accredited registrar) to an industry sector quality system, (e.g., ISO 9001 / AS 9100 / Nadcap) to be approved as part of the Supplier application program, or show evidence of a QMS that will be audited by supplier quality engineering (see next section)

3.3 Supplier Assessment

Once the Supplier application screening process is completed and the Supplier is identified as a potential supplier, a Supplier assessment shall be completed to include an on-site and/or desktop-audit or self-assessment if the Supplier is not certified by an accredited registrar.

The Supplier application shall have approval options for “one-time buys”. This shall be for a temporary time only. The part number status option shall show as “one-time pre-approved buy as a pre-production part” when / where required.

All other suppliers shall have an on-site or desktop audit completed in accordance with PHT-PUR-013. These suppliers must complete the self-audit checklist (Form PHT-F0020) and submit with evidence to Quality prior to an on-site audit being conducted.

Suppliers are encouraged to conduct self-assessments to become familiar with PHT’s Quality System expectations. Per customer requirements, PHT may require annual on-site supplier quality assessments. PHT reserves the right to schedule assessments based on factors not limited to risk, performance and/or non-compliance to quality system requirements. The cost associated with audits performed because of risk induced by supplier performance or compliance issues may be charged to the supplier at PHT’s option. Third party quality system registration such as ISO 9000 or AS 9100 may be recognized in lieu of a periodic on-site assessment if PHT deems it appropriate.

For PHT service suppliers:

Upon notification, any service supplier may be required to submit a self-assessment. This assessment must be submitted to PHT's Quality function and be kept current not to exceed 36 months. At PHT’s option, calibration sources / testing houses, may submit A2LA, ISO 17025, or equivalent accreditation in place of a requested survey.

3.4 Assessment Results

In most cases the potential supplier will receive a formal report within 15 business days of the assessment. When system deficiencies are identified, a response time is provided by PHT personnel for the supplier to define corresponding corrective actions. Failure to provide a suitable response in a timely manner is cause for disapproval for further consideration. PHT may discontinue the qualification process at any time.

3.5 Approvals

Types of approvals may be granted:
● Full Approval – requires a minimum score of (95) - enables PHT to award business with a supplier at any time within the capabilities or categories listed on the PHT's AVL.
● Conditional Approval – score between (90 – 95) - enables PHT to award business to a supplier that is pending a corrective action completion/verification from the QSA. A corrective action plan must be submitted and approved by PHT within 30 days. A supplier could obtain conditional approval for several reasons; including an unacceptable QSA score, unacceptable performance and/or risk found.
● Rejected / Un-approved (Probation Suppliers) – a score below 90 - suppliers previously approved who fail to meet quality and product requirements. PHT shall not issue contracts/purchase orders to suppliers who are not approved. They shall be considered as Probationary Suppliers. Once Approval has been established, the supplier will be added to an Approved Vender Listing (AVL). Where directed or where sole source conditions exist, the supplier shall have an approved corrective action plan in place to protect PHT and its customers.

4 Quality Planning and Product Approval

4.1 General Requirements

New Product Development, for suppliers with design responsibility for the product realization process, shall be done in accordance with the requirements of AS 9100, section 8.0 Operation, with specific attention to section 8.3 Design and Development of Products and Services. The supplier must have a documented design review process that defines the structured method and established steps necessary to assure that a product meets customer expectations. The supplier's manufacturing processes must have the capability to consistently meet these requirements. Design Review shall be done at each step of the determined design and development stages. Frequency of follow up, in accordance with project timeline, shall include review of data results and evidence and shall be documented. These requirements shall be flowed down in accordance with AS 9100 section 8.4 Control of Externally Provided Processes, Products, and Services.

Production Process Verification shall be done in accordance with the requirements of AS 9100, section 8.5.1.3. This section defines the general requirements for production part qualification and approval. Additional requirements may apply. Prior to first production shipment, part or component being sourced must be approved for production by the PHT's engineering functions. Approval of parts via the following:
● First Article Inspection (FAI) – FAI is only applicable to PHT suppliers and shall be done in accordance with AS 9102. FAI report requirements are defined by PHT using internal document PHT-QTY-009.

4.2 Record Retention

The supplier must retain quality system records, including all advanced quality planning documents, process guidelines, laboratory test instructions, gauge/test equipment verification, calibration and performance test methods and product and process validation test results. The default requirement for supplier record retention is 10 years unless otherwise specified by Quality. In addition, the supplier must retain quality performance records, including but not limited to control charts, FAI, inspection, and test results. At a minimum, the supplier must retain the records for at least 10 years unless otherwise specified by the procurement function, and make them available for review as required:
● Quality system records (control charts, inspection and test records, audit records) – default is 10 years.
● Quality performance records (production part approvals, purchase orders and amendments, tooling records, customer complaints) - one year after part production is discontinued.

The above records may be required to be retained for longer than 10 years. (The supplier will be notified via PO/contract when this is a requirement). The supplier agrees to transmit to PHT, those records kept in support of the PHT work, if the supplier discontinues business operations.

4.3 Change Management

Once approved, the supplier shall notify PHT of any planned changes to the design, process, or site. Conditions requiring notification and/or partial / full FAI resubmission are listed in the latest edition of the AS 9102 First Article Inspection Requirement.

Drawing and Change Control

PHT Quality shall ensure the suppliers internal document control procedures and forms meet guidelines set forth in AS 9100, sections 7.5 Documented Information and 8.3 Design and Development of Products and Services. The supplier's quality system must ensure that the latest engineering drawings and specifications are available at the manufacturing, test, or inspection location.
● For written procedure(s) there should be an indicated method utilized for receipt, review, or distribution of all changes and the method of recalling and disposing of an obsolete item. A review process must be established in the quality system to confirm that applicable drawings and specifications are at the latest revision level with the issuing source.

NOTE: Material suppliers are required to obtain documentation of PHT's approval prior to implementing any change. Conditions requiring PHT notification include, but are not limited to the following:

- Change of raw material used to produce PHT parts
- New or modified production tooling or manufacturing equipment
- Production parts produced at a new facility
- Product or process changes (internal or externally by sub-suppliers)
- Change of raw material suppliers or sub-supplier for outside services (heat treat, plating, etc.)
- Change in test/inspection methods (techniques)
- Change in engineering drawings or specifications
- Production suspended / stopped for 12 months or more

4.4 Operations

The supplier shall have work practices, tools, and analytical techniques describing the Operation Process and specifically Advanced Quality Planning, and shall follow the requirements as found, in section 8 of the AS 9100 requirements. There are specific supplier procedures and forms that support the use of critical quality tools. The most important tools are listed below:

- Technical and Specification Reviews (required)
- Design Failure Mode and Effects Analysis (DFMEA) (preferred but not required)
- Process Failure Mode and Effects Analysis (PFMEA) (preferred risk assessment tool)
- Control Plan / Quality Inspection Plan (required)
- MSA Studies (Measurement Systems Analysis) and Capability of Measuring and Test Equipment (not required, may be requested if repeat fail modes)
- Process Capability (AS 9103 Variation Management of Key Characteristics) (preferred)
- Full Dimensional Layout (AS 9102 First Article Inspection Requirement) (required)

4.5 Performance Test Requirements

Suppliers shall conduct performance testing to confirm that current production meets design requirements. Testing is to be conducted in accordance with the established control plan, and / or qualification plan / QIP / QPL. Performance test failures are cause for a supplier to stop production immediately, pending analysis of the process and corrective action. Immediately notify PHT quality and procurement representatives of any test failure and suspend shipments and identify suspect shipped lots.

4.6 Measurement System Analysis for Key Characteristics

The Supplier shall perform Measurement System Analysis (MSA) studies for all gages used to measure key product characteristics as defined by the design record (drawings and specifications). These shall be done in accordance with PHT-QTY-006, Control of Monitoring and Measuring Equipment. The supplier's measurement and calibration methods must be agreed to by PHT quality representatives to ensure consistent qualification of parts.

4.7 Process Capability requirements for Key Characteristics

Key Characteristics require process capability analyses at new product launch and when product or process changes affect these characteristics. Additional periodic capability analyses may be required. If no key characteristics are identified, the Supplier should evaluate and identify product and/or process characteristics that can be used to ensure process capability. This shall be reviewed and agreed to by PHT representatives to ensure alignment and process quality. Initial process studies shall be summarized with the following capability or performance indices: Cp/Cpk and shall be in accordance with AS 9103 Variation Management of Key Characteristics.

PHT minimum requirements for short-term capability and stability are an Index > 1.67 and minimum requirements for long-term capability and stability are an index >1.33. If acceptance criteria are not satisfied, Supplier shall contact PHT with a corrective action plan and a modified Control Plan providing for 100% inspection. Variation reduction efforts shall continue until the acceptance criteria are met, or until approval is obtained from PHT.

Note: 100% inspection methodologies are subject to review and concurrence by PHT. For special cases where the annual usage volumes do not meet the guidelines for a thorough process capability assessment, requirements shall be defined by PHT. Suppliers should reference the latest version of AS 9103 Variation of Key Characteristics.

Aerospace suppliers shall implement a process conforming to AS 9103 Variation Management for Key Characteristics identified on design records. SPC data, including Cp and Cpk for key characteristics shall be identified in the control plan / QIP, and may be required with each shipment at the discretion of PHT.

4.8 First Article Inspection (FAI)

FAI is applicable to PHT suppliers. First Articles shall be performed by the supplier in accordance with AS 9102 First Article Inspection and AS 9103 Variation Management of Key Characteristics. Specific commodity-based part requirements may apply, and these shall be done in accordance with additional flow down requirements as defined in purchase orders in support of AS 9102 requirements.

FAI Full or partial will be required when any of the following occurs:
1. A change in the design characteristics fit, form, or function of the parts
2. A change in manufacturing source(s), process(es), inspection method(s), location of manufacture, tooling, or materials that can potentially affect fit, form, or function
3. A change in numerical control program or translation to another media
4. A natural or man-made event, which may adversely affect the manufacturing process
5. An implementation of corrective action required to complete a previous FAI
6. A lapse in production for two years shall require an update for any characteristics that may be impacted by inactivity. This lapse is from the completion of last production operation to the restart of production.

FAI Report Status:
FAI Report package is to be submitted to the Quality / Engineering function or buyer for package content review. Packaged documentation may include the follow documents:
- process capability reports for quantity and production requirements,
- gage studies (Gage R&R)
- Cpk data for all key characteristics
- Control Plan / QIP review
- PFMEA
- applicable forms as required in AS 9102 Appendix A.
- depending on the change other documents may be required

New Supplier on Board Requirements (New Part):
- All requirements as defined in PHT-QTY-013 must have been met and supplier approved in SSU.
- FAI Report in accordance with AS 9102 Procedure for First Article Inspection and Qualification of Parts / AS 9103 Variation Management of Key Characteristics when applicable PHT requirements are defined.

Existing Supplier on Board Requirements (New Part)
- Review of supplier certification status in the SSU shall be done by the Quality Manager to ensure status is current. Upon concurrence, where additional evidence of new process is required only a process audit needs to be conducted in accordance with PHT-QTY-013 for PHT.
- FAI Report in accordance with AS 9102 Procedure for First Article Inspection and Qualification of Parts / AS 9103 Variation Management of Key Characteristics when applicable PHT requirements are defined.
- Existing suppliers on board may be exempt for first article / production when adding by similarity, a part family previously approved by PHT representative.
- Existing suppliers on board may be exempt on certain testing / requirements that were approved / tested previously where documented evidence is on file (i.e., color & elongation if same resin used).

FAI Status:
The following are the status indicators for a FAI report package submitted by a supplier:

● Approved: Indicates that the product meets all requirements and authorizes supplier to ship production quantities of the product. Note: Supplier is not authorized to ship product until product is approved by PHT. Approval is defined as a customer approved and signed AS 9102 Form#1.
● Conditional Approval: Permits supplier to ship product on a limited time and/or piece quantity basis. Note: Interim approval expires after -30 days from the time FAI report is dispositioned. A FAI report resubmission is required by the supplier, along with a corrective action, to obtain a status of approved. Additional guidelines on product containment should be reviewed in the latest edition of the AS 9100 standard. After 30 days, if a new FAI report has not been received, parts will be rejected.
● Rejection: Indicates that the FAI report documentation and/or product does not meet PHT's requirements for approval. Appropriate action shall be taken by the supplier to correct the deficiency and FAI report re-submission is required. Note: Supplier is not authorized to ship product. New production run must be re-submitted and approved by PHT. Failure to comply with this may lead to a Corrective Action being issued against the supplier and fees may be levied.

4.9 Production Part Supply Process

PHT Facility Incoming Inspection Process
● PHT incoming Inspection shall be performed on all legacy and newly approved supplier parts in accordance with Local procedure for Inspection and Testing.
● ECN Parts – shall be handled in accordance with: PHT-ENG-019 Development Component APQP.
● SAR Parts – SAR (Stock-As-Received) parts shall be handled in accordance with: PHT-OPS-016 Material Preservation.
● Acceptance Sampling Plans – Incoming receiving inspection plan for approved supplier parts must be based on PHTS0012 Sampling Plan. AQL must be in accordance with: ANSI/ASQC Z1.4 – Sampling Procedures & Tables for Inspection by Attributes.

4.10 Notice of Escape (NOE)

A Notice of Escape is required from a supplier when it is discovered by the supplier that they unknowingly shipped product that does not meet the requirements of an FAI approved part. A NOE is submitted within the first 24 hours of discovery of the problem to PHT of concern. The supplier shall identify all suspected lot identification information to include minimally (lot identifier /date codes / quantities, etc.) and traceable to P.O.'s in the NOE along with all contact information. Suppliers form shall be acceptable if it meets these requirements. Suppliers are required to implement an immediate CA plan with a timeline. The plan shall be submitted to the PHT quality manager and the purchasing manager.

5 Cost of Poor Quality

All costs incurred by PHT associated with the failure of a supplier to meet PHT's quality requirements will be charged back to the responsible supplier. The following list of examples are for COPQ (Cost of Poor Quality) charges and is not limited to:

Receiving Process
● Sorting
● Rework
● Line disruption
● Premium freight, and return freight to replace original lot defects
● Cost of increased inspection
● Premium product cost paid to support production
● Excess inventory
● Misidentified parts
● Shipping documentation errors
● Customs fees

In-Process Fallout

- Downtime
- Overtime
- Line speed reduction
- Additional manpower
- Line changes due to material availability
- Equipment breakage
- Associated material losses
- Outside processing required
- Premium product cost paid to support production
- Rework-labor, tooling, and fixturing
- Customs fees

Customer Issues
- Rework at customer premises, travel, manpower
- Replacement of material at customer
- Premium freight
- Reimbursement of all charges from customer
- Costs of Internal containment actions
- Added inspection, certification of product, etc.
- Warranty costs
- Customs fees

Calculations of hourly costs related to above will be determined with the accounting function and the supplier shall be notified by the Purchasing or Sales representatives. Any costs related to sorting / rework will be calculated, and an estimation will be provided to the supplier before such activities take place to approve such actions.

6 Non-Conformity and Corrective Action

All suppliers for PHT must establish and maintain documented procedures for implementing a system for Non-Conformity and Corrective Action with problem-solving methods. This shall be used when a nonconformance to specification or requirements occurs.

Any corrective or preventive action taken to eliminate the causes of actual or potential non-conformities shall be appropriate to the magnitude of problems and commensurate with the risks encountered. The supplier shall implement and record any changes to the documented procedures resulting from corrective and preventive action. When supplier non-conformances are identified within PHT and are determined to be significant in nature, a complaint notice will be initiated. The checklist (PHTF0014) below outlines the 8-D problem solving process:
- D1- Define concern, organize and plan
- D2- Describe opportunity / problem
- D3 – Containment the problem
- D4 – Identify and Verify Root Cause
- D5 – Develop Corrective Action Plan
- D6 – Disposition
- D7 – Prevent Recurrence
- D8 – Implement and verify corrective action

Note: Suppliers should be cautious to avoid root causes of “operator error” and instead look deeper for underlying factors. If operator error is truly the cause, error-proofing actions must be employed to prevent recurrence; retraining is insufficient.

For product that has been found or suspected discrepant prior to shipment, requests for deviation approval for repair or to be “used as is”, must be submitted to PHT for approval. In addition, material must be held

at supplier's address pending receipt of PHT approval, prior to further processing and/or shipment.

For products identified or suspected as nonconforming returned from the customer's facility; performance testing; and/or the field, the analysis must determine the cause(s) of the nonconformance. Failure to respond to a corrective action request may result in penalties up to and including suspension and/or removal from the PHT Approved Vendor List (AVL). Parts or products removed from the normal process flow must be positively segregated and clearly marked in accordance with the requirements section 8.7 Control of Nonconforming Outputs in AS 9100.

7 Supplier Development

Supplier development activities at PHT involve working closely with key suppliers to achieve the following supplier results:

- Process control improvement
- Quality system improvement
- Product quality improvement
- Delivery performance improvement
- Cost reduction
- Supply Chain effectiveness improvement
- Lead time improvement
- Productivity improvement
- Capacity increases
- Supply Chain optimization

Supplier development activity varies within PHT. The selection criteria for this activity includes, initiating and performing supplier development activities, and should include the following activities:

- Cross-functional teaming
- Project Selection
- Supplier Selection
- Pre-Audit – if evidence indicates clear shortfalls in systems or processes that could present risk to PHT
- Post Audit
- Analysis of Benefits

Management involvement from the supplier is vital to the success of the supplier development project. PHT selects suppliers for development who present the best opportunity for improvement and the greatest potential impact. Suppliers may be selected for based on the following factors:

- Strategic growth suppliers
- Provider of critical parts
- Risk revenue partner
- Key to manufacturing flow
- Performance issues

Suppliers selected for development must have a willingness to change and improve and show evidence of internal continuous improvements efforts. Suppliers should have capability and systems such as:

- Approved quality system
- Material scheduling
- Cost tracking, etc.

8 Supplier Performance

PHT recognizes supplier quality achievement on a regular basis using measured results and takes the appropriate action regarding, expanded business or de-sourcing based on these results. Several types of meetings may be held with suppliers including a Supplier Performance Review of the supplier. The quality review consists of:

● Quality, cost, delivery metrics tracked for strategic suppliers
● Supplier Scorecard – quarterly evaluation scoring summary
● Annual Review Items: quality, cost, delivery performance to goals, improvement opportunities, cost savings and value add opportunities, QMS certifications, and outstanding action items
● Supplier review records will be maintained by PHT
● Thresholds for supplier performance shall be defined annually by PHT Purchasing in accordance with PHT-PUR-013. Targets will be flowed down to the supplier by the purchasing team.
● Supplier risk assessment

Suppliers who do not meet PHT performance expectations may be selected to participate in a Supplier Review meeting which could last up to 6 months. This process is designed to drive / assist suppliers in identifying the systemic / management issues that are impacting quality and delivery, along with a plan to achieve goals.

The planned outcome of the Review Meeting is a mutually agreed to step plan with realistic goals and targets that the supplier monitors to close the gap on quality and delivery metrics. Criteria for entry and exit will be shared by PHT.

9 Continuous Improvement

PHT supports and requires Continuous Improvement internal and externally and requires all suppliers to pursue Continuous Improvement initiatives. These initiatives should be carried out in accordance with PHT-SYS-003 Corrective Action and Opportunity for Improvement.

10 Definitions

Control Plan / QIP (Quality Inspection Plan) - Written description of the system for controlling processes that produce products for PHT. Suppliers must establish a control plan / QIP for each new product and address all significant and key characteristics, process parameters and performance tests.

Process Change - Change in a process that could alter its capability to meet design requirements or durability of a product. This includes:
(1) New, different, relocated, or rehabilitated production machinery/equipment.
(2) Change in subcontracted products or services including the engineering-approved alternate materials.
(3) Changes to rework methods. Process change includes changes in the sequence of operations and chemical compounds such as adhesives, sealers, lubricants, etc., which are parts of the product.

Key Product Characteristics - Characteristics designated in the Design Record (drawings and specifications) that, with reasonable anticipated variation, could significantly affect a product's safety or compliance with applicable standards or regulations and/or is likely to significantly affect customer satisfaction with a product. Key Characteristics may be described by engineering as 'critical' or 'significant' and may be designated with defined symbols on product drawings, engineering, and quality specifications (see AS 9103 Variation Management of Key Characteristics).

Quality System Assessment (QSA) - Multi-part questionnaire used by an auditing team during an on-site visit to verify a supplier's effective implementation of a quality system.

11. REVISION HISTORY

Rev.	Description of Change	Originator / Date
F	Reformatted document adding Table of Contents. Updated sections 1 - 4. Added sections 5 - 11. (Access SimpleTrak Archives for previous revisions)	Paul Baylard / 7/6/2022
G	Add Section 1.6 Compliance With Law	Paul Baylard / 2/23/2023