



## Part 1

### **Manufacturer's/Processor's/ Seller's Quality System**

Material supplied under the terms of this Purchase Order shall conform to contractual requirements, as stated, including flow down and compliance to Part 2, Distributors Quality System;

#### **I) Seller's Responsibility**

- A) Seller shall implement and maintain a Quality Management System certified to ISO 9001 at minimum.
- B) Seller shall notify Systema of changes to processes, products, or services, including changes of their external providers or manufacturing location, and obtain Systema's approval. Any changes in certifications or major audit findings shall be communicated to Systema within a 48-hour period.
- C) Seller shall have Electrostatic Discharge (ESD) Damage Control procedures if applicable.
- D) Seller shall control and monitor their external providers' performance. Seller shall verify or validate the activities that the seller or Systema intends to perform at external providers' premises for approval.
- E) Seller shall flow down to external providers, applicable requirements including Systema requirements. This shall include, but is not limited to:
  - 1) Competence, including any required qualification of persons
  - 2) Use Systema approved external providers, including process (e.g., special processes)
  - 3) Use of statistical techniques for product acceptance and related instructions for acceptance by the seller
- F) Seller shall maintain and, upon request, make available to Buyer, adequate records of compliance such as, but not limited to; measurements, tests, mill test reports, special process certifications (material and process certs) and other objective evidence stated in PO notes to assure that the materials used in the manufacture of product supplied, meet all applicable specifications and quality requirements of this PO. If stated in the purchase order notes, these records shall also be submitted with the product, and product shall not be considered delivered until these records have been submitted and accepted.
- G) Seller shall ensure that all commercial off-the-shelf (COTS) component parts furnished to satisfy this purchase order are from an Original Equipment Manufacturer/Original Component Manufacturer, (OEM/OCM) authorized, franchised distributor for the items. Seller shall flow down the requirements stated in sections IV through VIII to their COTS suppliers.
- H) Validation test reports shall be made available to Systema or submitted as a deliverable item per this PO. Copies shall be supplied to the Buyer upon request. Systema reserves the right to witness validation testing and shall be notified at least 10 working days prior to test.
- I) All records pertaining to the delivered product shall be stored as a hard copy and/or electronically in such a way as to protect them from damage, loss, deterioration or unintended distribution. Records shall be retained for 10 years minimum unless the purchase order

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specifically states otherwise. After the retention period expires, records pertaining to Systema product shall be destroyed and disposed of by an appropriate method that prohibits the retrieval of that information.

- J) Manufactured tools and equipment, gauges, manufacturing/test equipment, and software programs utilized to meet the requirements of this purchase order shall be maintained per PC-1007 Accountable Tooling, Production Equipment, and Software. If Accountable Tooling is created as a line item on the purchase order, it shall be identified and maintained per PC-1007. This also applies to Systema supplied tooling.
- K) The seller shall maintain a calibration system for all tooling used to verify product. The Supplier's calibration system shall meet ISO 17025 standards.
- L) Manufacturers shall establish and maintain an effective Foreign Object Damage (FOD) Prevention Program to reduce FOD. Reference NAS412. The seller's program shall utilize effective FOD prevention practices. The program shall be based on the sensitivity of the design of the products as well as the amount of FOD being generated due to potential manufacturing methods in cross-contamination. Written procedures or policies developed by the manufacturer shall be subject to review and audit by the buyer and/or government representative, and subject to disapproval when the manufacturer's procedures or policies do not accomplish their objectives.

**II) Inspection/Surveillance**

- A) The seller shall allow Systema representatives, Systema's customers, regulatory agents, and authorized government representatives (if a government contract is involved) the right to enter a Seller's plant(s) and shall flow this requirement down to the Seller's suppliers at every tier that may be engaged in work relating to this purchase order. This shall be permitted at reasonable times, for the purpose of surveillance/inspection of the Seller's (and Seller's suppliers) processes, controls, quality records, and systems, as well as supplies/services procured under this purchase order. Acceptance of Seller's processes and controls will not constitute acceptance of the supplies/services being procured.

**III) Non-Conforming Product:**

- A) When the Seller's quality personnel determine that the product/services to be submitted for Buyer's acceptance depart from the specified requirements of this order and that rework to specifications is not optimal, the items in question shall be identified as discrepant and withheld, pending Systema's disposition. Seller is required to submit detailed descriptions of discrepancies through the Systema buyer for formal disposition instructions immediately after discovery, and not at the time of delivery. Seller does not have the authority to disposition as "repair" or "use-as-is".
- B) Corrective Action – The supplier shall agree to respond to correction action requests issued by the buyer in a timely manner. This time period shall be no more than 30 days unless approved by the buyer. Supplier shall maintain its own internal corrective action system and have a process for initiating corrective actions at the request of the buyer or on the supplier's own accord.

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## Part 2

### **Distributor's/ Seller's Quality System for Commercial off-the-shelf (COTS) e.g., Fasteners, EEE (Electrical, Electronic, Electromechanical), Bearings, Springs, O-Rings, Pins, Etc.**

The Seller shall comply with the following quality system requirements and flow down the above requirements, Sections I – III to their OEM/OCM's. These requirements are basic to Systema supplier's and sub-tier supplier's counterfeit avoidance and mitigation control, and conflict minerals control. Counterfeit avoidance and conflict minerals mitigation measures are only applicable to product susceptible to risk. It is up to the Supplier to understand risk associated with its product as a Seller and is not released from liability if the product is later found to be counterfeit, fraudulent, or in violation of SEC rules (Dodd-Frank Section 1502).

#### **IV) Procurement System Controls shall require Seller to:**

- A) Develop and maintain an approved and/or qualified Distributer or OEM/OCM list.
- B) Define and stipulate (flow down) in Seller's purchase order to the Distributer/ OEM/OCM applicable Buyer and/or Military, Aerospace, Engineering, or Federal specifications and related requirements.
- C) Certify or provide certifications that trace all materials and/or parts furnished to Buyer to an authorized distributor or OEM/OCM.
- D) The Seller shall participate in the Government Industry Data Exchange Program (GIDEP) monitoring and acting on GIDEP reports which affect product delivered to the Buyer. When suspect or confirmed counterfeit item(s) associated with this purchase order are discovered, the Seller shall issue a GIDEP report and shall ensure suspect counterfeit items are not delivered to Buyer. Seller shall immediately notify Buyer of the pertinent facts if Seller becomes aware or suspects that items delivered in accordance with the Buyer purchase order are, or contain, suspect or confirmed counterfeit items. When requested by Buyer, Seller shall provide OCM/OEM documentation that authenticates traceability of the affected items to the applicable OCM/OEM. Seller shall provide evidence of the Seller's risk mitigation process to the Buyer upon request.
- E) Maintain due diligence in determining the sources of conflict minerals as required by the SEC through the Dodd-Frank Wall Street Reform and Consumer Protection Act, Section 1502. Product containing conflict minerals from the DRC region manufactured after January 31, 2013, shall be disclosed to Systema prior to shipment, and proof of reporting to the SEC must be submitted to Systema Purchasing prior to shipment.

#### **V) Supplier Controls shall require Seller to:**

- A) Require the Distributer/ OEM/OCM to submit inspection/test data of material purchased when required by this accepted purchase order and/or,
- B) Require material certification(s) to be maintained on file and furnished to the Buyer on request per Sec VI. D.

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- C) Determine the adequacy and qualifications of the Distributor/OEM/OCM.
- D) Have an effective non-conforming (NC) product control and corrective action system.
- E) Assure corrective action on Buyer reported deficiencies whether at the Seller or at the Distributor/ OEM/OCM.

**VI) Receiving Controls shall require Seller to:**

- A) Identify received material and maintain traceability to Manufacturer's part number, lot number, and date code of all electronic and electrical parts, raw material, mechanical machined parts, semiconductor devices, integrated circuits, and passive electrical components.
- B) The Seller shall verify the procurement source and associated certifying paperwork. Appropriate incoming inspection test methods shall be used to detect potential counterfeit fasteners or materials.
- C) Identify and segregate NC or suspected counterfeit/fraudulent material when received.
- D) Seller shall maintain all records of material test (physical and chemical) reports and process certification records that verify conformance with the applicable specification or drawing requirements. All such data shall be maintained for a minimum period of ten (10) years unless otherwise specified on the accepted purchase order and made available for inspection or supplied to the Buyer upon request.

**VII) Stock Room Controls shall require Seller to:**

- A) Practice the "first in first out" principle of stock control.
- B) Identify the quality status of material (accepted).
- C) Provide for and maintain adequate control of all materials in its stockroom.
- D) Identify and prevent commingling.
- E) Have a method of removing obsolete and unacceptable supplies.
- F) Maintain shelf-life control over all materials where applicable.

**VIII) Shipment Controls shall require Seller to:**

- A) Provide the proper handling, identification, and packaging of material shipped to Buyer.
  - 1) Explosive shall be shipped per CFR 49.
  - 2) Electrostatic Discharge (ESD) devices shall be packaged ANSI/ESD S541, and/or per contractual requirements.
  - 3) Products shall be packaged in a manner that prevents contact or cross contamination with another during normal handling & transportation to prevent damage.
- B) Include the required paperwork/records for product verification at Buyer's facility.

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### Revision History

Revision	Date	Author	Change
A	4/6/2011	Peter Hayden	Re-release
B	4/28/2011	Peter Hayden	Revise I) A 3. Record retention to 10 years, was at least 10 years. Added requirement to destroy records and dispose after period is over.
8/14/12		Peter Hayden	Changed “buyer” to Systemima representative, added Systemima customer and regulatory agency to Section II A. Revised Sec VI D to better describe the record maintenance requirements from Systemima customers.
2/15/13		Peter Hayden	Added section III, B Corrective Actions. Set all sections in proper sequence, I – VIII.
10/15/13		Peter Hayden	Revised all sections to better define counterfeit avoidance controls required at suppliers and be more consistent with quality flow down requirements from Systemima customers. Added GIDEP req.
3/11/15		Peter Hayden	Added section IV E. Conflict mineral statement. Added compliance to part 2 in part 1 opening statement. Added compliance to Dodd-Frank in part 2 opening statement.
9/28/16		Peter Hayden	Added paragraph G in part 1 section I page 1 for FOD requirements.
3/22/22		Prabat Limbu	Added ESD, supplier flow down to external providers’, ISO 17025 to section I. Removed ISO 9000, ISO 10012, and data being maintained for a minimum of ten years unless completion of all deliveries. Added explosive and ESD shipping control.
03/07/2023		Prabat Limbu	Update logo.
11/1/2023		Neil Wheeler	Update section I.A. to require ISO 9001 certification at minimum.
11/01/2025		Prabat Limbu	Update Part 2 section VIII for product packaging and handling

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