

Document No: SM-01

Supplier Quality & Procurement  
Requirements (SQPM)

## Supplier Quality &amp; Procurement Manual

- **Quality Policy**
  - At Avtron Power Solutions, LLC we strive to be a World Class provider of Load Banks to ensure critical power is available when the world needs it.
  - We are committed to:
    - Our Values:
      - One Team
      - Accountability
      - Continuous Improvement
      - Fun
      - Data Driven
    - Complying with all applicable requirements
- **Avtron Mission**
  - Amplify customer centric culture to propel innovation and drive worldwide growth.
- **Avtron Values**
  - One Team
    - ONE TEAM means working together, winning together
  - Accountability
    - ACCOUNTABILITY means taking responsibility for actions and results
  - Fun
    - FUN means celebrating wins, recognizing accomplishments
  - Continuous Improvement
    - CONTINUOUS IMPROVEMENT means committing to becoming better as individuals and as a team
  - Data Driven
    - DATA DRIVEN means decisions based on analysis, not emotion or bias

## Supplier Quality &amp; Procurement Manual

## 1. Introduction

This Supplier Quality and Procurement Manual (SQPM) is intended to define the requirements for Avtron Suppliers. The requirements, responsibilities and expectations defined herein apply to Suppliers of materials, products, or services, intended to be used in or on a customer-deliverable product.

Avtron Power Solutions, LLC adheres to the requirements of ISO 9001 as their fundamental Quality Management System (QMS) standard. Suppliers with current registration to ISO 9001, or a recognized equivalent, will be preferred potential suppliers to Avtron.

This document shall apply in its entirety to each purchase order as defined above. The requirements apply to all items, including those normally supplied under a Federal Acquisition Regulation (FAR).

## 2. Purpose

Our commitment to customer satisfaction and quality improvement must be shared by all Avtron suppliers. Avtron selects suppliers that complement the Avtron Global supply chain. It is our intent to purchase from suppliers who consistently meet expectations for quality, delivery, value, and service. Together we will maintain effective quality management systems to remain competitive in today's marketplace.

Therefore, the purpose of this SQPM is to communicate to our suppliers the tools, processes and systems that are to be used in the manufacture, design and development of parts, products and/or services supplied or provided to Avtron. This manual documents the minimum requirements for all our suppliers.

## 3. Supplier Expectations

Avtron's goal is to work with supplier to deliver the best quality, value and service at the most competitive cost. To achieve this goal, we monitor and measure supplier performance routinely across several factors.

Avtron's targets and performance expectations include:

- ZERO Quality Defects – Number of defects discovered
- 100% On Time Delivery – Number of days early/late
- Supplier-caused disruptions on our Production Floor
- Timely responsiveness to issues

### 3.1 Supplier Code of Conduct

Suppliers shall ensure operations are being performed in a manner that is appropriate, as it applies to their ethical, legal, environmental, and social responsibilities. Below is a listing of the basic requirements:

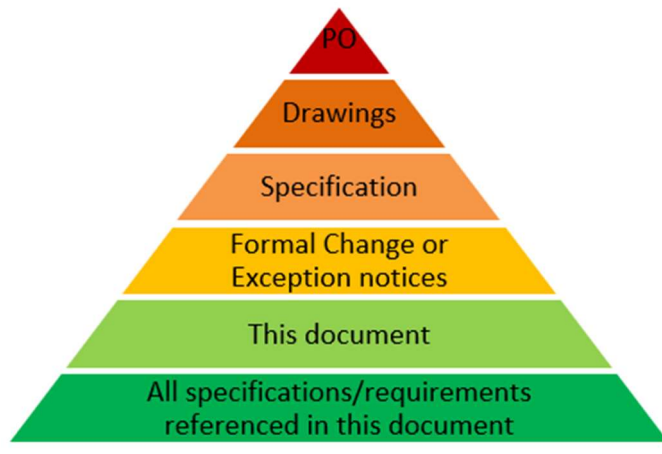
- Compliance with Local Laws and Regulations: Suppliers must adhere to the laws and regulations in the locality in which they reside. This includes all local, state, and federal laws/regulations in the country of origin.
- Compliance with Environmental Material Requirements (EMR): Suppliers must adhere to the in-scope regulations regarding hazardous substances including but not limited to: Restriction of Hazardous Substances Directive (RoHS), Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), and California Proposition 65. All in-scope requirements will be relayed to the Supplier during the quoting process.
- Compliance with Environmental, Health, and Safety Laws: The Supplier must maintain and operate its manufacturing/production facilities and processes in accordance with local, state, and federal laws/regulations in the country of origin. At no time shall any Avtron person be exposed to hazardous materials or unsafe conditions as a result of Supplier shipments to a Avtron location, or while visiting a Supplier's location. For items with inherent hazards, safety notices must be clearly visible. As applicable, documented safety handling and protection information must be provided.
- Product Safety: In all instances where a product is manufactured to a new design, for a new system, or for a new application, it is important that Supplier and Avtron allocate responsibility for assuring that all performance, endurance, maintenance, safety and warning requirements are met. It is preferred that this allocation of responsibility be in writing.
- Non-Discrimination: Suppliers shall not discriminate against race, color, sex, religion, age, physical disability, political affiliation, or other defining characteristics as prohibited by local, state, and federal laws/regulations in the country of origin.

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- Labor
  - Child Labor: Suppliers shall employ workers of minimum legal age in accordance with local, state, and federal laws/regulations in the country of origin. Child labor laws must be followed.
  - Forced/Indentured Labor: Suppliers shall not practice the use of forced or indentured labor.
  - Work Hours/Days: Suppliers shall not exceed the daily and weekly working hours as permitted by local, state, and federal laws/regulations in the country of origin.
  - Wages and Benefits: Suppliers shall compensate workers in accordance with local, state, and federal laws/regulations in the country of origin. This includes minimum legal wage, overtime wages, and benefits (required by law).
- Ethics: Evidence of corruption, bribes, improper advantage, or any other form of illegal practice by the Supplier or associated operations shall terminate all relations with Avtron.
- Code of Conduct and Policy Enforcement: This policy applies to Suppliers and their sub-tier sources. It is the responsibility of the Supplier to verify and monitor compliance of this code at their operations and sub-tier source operations.

### 4. Order of Precedence for Technical Documents

In the event of a conflict in requirements between technical documents, the following order of precedence shall prevail:



- a. Purchase Order
- b. Drawing (or blueprint)
- c. Specification(s)
- d. ECNs/Formal Change Notice or Exceptions (in writing)
- e. This document
- f. All specifications/requirements referenced in this document or contractual document.

The configuration requirements specified in the PO will contain applicable drawings, associated revision levels and supplemental drawing data. Supplier is responsible for determining specification revision levels are current.

It is the supplier's responsibility to contact Avtron Supply Chain or Quality representative for clarification and interpretation, if there are conflicts in documentation.

### 5. Scope of Procedure

This Manual applies to all current and new suppliers who provide raw materials, purchased parts, components and services that are incorporated into the final products manufactured and/or assembled by Avtron.

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The supplier has the responsibility to deliver quality purchased parts and services on time, and that conform to the requirements of:

1. The Customer Drawing
2. The Purchase Order
3. Specified Standards
4. Avtron Terms and Conditions

### 6. Proprietary/Confidential Information

Avtron shall only disclose proprietary information to suppliers on a need-to-know basis in accordance with an established confidential relationship via a signed, active Non-Disclosure Agreement (NDA). Similarly, Avtron will protect supplier's intellectual property and enter into supplier-generated NDA's where required.

All documentation provided to our Supplier with regards to Purchase Orders or request for quotes are to be considered proprietary information. Suppliers shall, in turn, take the utmost care in protecting all proprietary information. This includes notification to Avtron prior to the transfer of proprietary information to a third party, where in Avtron will make the decision to initiate an NDA with them as well. All originals and copies of proprietary data must be properly destroyed or must be returned to the originating source when they are no longer needed.

### 7. Supplied Drawing Format

In most cases, an Adobe, PDF file of the two-dimensional layout will be provided for the Supplier to use in Quoting. If it is necessary that drawing be provided in a different format (other than an Adobe PDF file), or if you have any questions regarding this issue, please feel free to contact your Avtron Supply Chain Representative.

### 8. Quality Management System (QMS)

Avtron adheres to the requirements of ISO 9001 as their fundamental Quality Management System standard.

Suppliers must have current registration to ISO 9001, or a recognized equivalent, to be considered a "Preferred Supplier" to Avtron. Prior to the placement of new business, a supplier selection review will be conducted to determine if the proposed or existing suppliers can produce product which meet the expectations and specifications of Avtron. Additional requirements to be considered an Avtron supplier are outlined in Section 24.0.

The establishment of a Supplier QMS is intended to assure that material provided to Avtron conforms to the contracted requirements, drawings and/or specifications. All materials shall be processed, controlled, inspected and tested in accordance with the requirements set forth in the Purchasing Documentation, including the Drawing, when applicable, Customer Standards and Purchase Order Terms and Conditions, including all reference contained therein. Suppliers that do not have an ISO 9001 3<sup>rd</sup> party certification should be working toward that goal and be capable of demonstrating the effectiveness of their existing QMS.

### 9. Evaluating New & Existing Suppliers

#### 9.1 New Suppliers

A new supplier is defined as a company that Avtron has not previously dealt with. New suppliers may be subject to an on-site evaluation/audit, at the supplier's facility, to determine the supplier's capability to meet the needs of our customers. All new suppliers must be qualified, and approved in the Avtron Procurement System, prior to the awarding of new business.

The prospective new supplier may be asked to complete Avtron's Supplier Assessment form in lieu of and/or in addition to an on-site review. The supplier will complete the assessment and provide any necessary supporting documents to the Avtron Supplier Quality Engineer.

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A third-party quality system registration, such as ISO-9000, AS-9100 or ISO-13485, may be recognized in lieu of a periodic on-site assessment, but, may be program specific.

### 9.2 Existing Suppliers

The Avtron Supplier Quality Team may conduct process reviews and/or audits when production problems occur that affects Product Quality, Delivery Schedule or when additional Processes or "Special Processes" are being considered for the existing supplier's facility. Avtron reserves the right to conduct periodic reviews of the supplier's processes to assure that previous systems are being maintained.

### 9.3 Preferred Suppliers

To be considered an Avtron preferred supplier, a company must exhibit they are capable and willing to meet or exceed all requirements as outlined below:

1. Technology: Supplier commits to maintain or improve its technology, industry position and competitiveness.
2. Quality: Supplier commits to meet or exceed Avtron's quality requirements as defined in this supplier quality requirements manual.
3. Lead-time: Supplier commits to deliver goods and/or services on-time pursuant to Avtron's requirements as set forth in any purchase order.
4. Delivery quantity: Supplier commits to meeting Avtron's expectations regarding delivery quantities pursuant to all POs and/or Long Term Agreements.
5. Price: Supplier commits to maintain or improve its competitiveness with respect to pricing; and
6. Innovation/Continuous Improvement in all of the above: Supplier commits to work with Avtron to reduce cost, improve quality and reliability, to continuously improve technology and to help Avtron increase sales.

All preferred suppliers will be scored and measured using Avtron's standard supplier scorecard template as outlined in section 35.0. The scorecard program rates suppliers on their cost, quality, delivery, and responsiveness as it related to their support of Avtron business.

## 10. Right of Access

Upon reasonable notice, Avtron reserves the right to audit a Supplier's quality system. Procedures, material, inspection methods, test equipment and usage, techniques, facilities, personnel, performance, and documentation at a supplier's manufacturing and support locations may be subject to periodic review/evaluation by Avtron's Quality, Engineering and Purchasing Personnel. The Right of Access extends to Avtron's systems and/or customer and regulatory agency representatives to review and verify Products, Processes, Procedures, and/or "Special" Processes. The Right of Access also applies to Supplier's subcontract partners.

## 11. Source Inspection

The items and supporting quality documentation covered by the purchase order may be subject to Customer inspection and/or witnessing of tests prior to shipment. Avtron reserves the right to invoke source inspection any time throughout the performance of this contract at no cost to Avtron. To accommodate Avtron source inspection representatives, supplier shall make facilities, equipment, inspection records, and assistance readily available.

When Customer Source Inspection is specified on the Purchase Order the supplier is required to provide a minimum of five (5) working day advance notification of requests for source inspection. Requests for source inspection must be submitted to the Avtron Purchasing Representative or to the Supplier Quality Engineer. Failure to notify Avtron of a source inspection **cancellation** within 48 hours, prior to the scheduled event, may result in a charge to the supplier for costs incurred.

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Source inspection documentation must accompany every shipment when invoked. Unauthorized shipment of product without the required Customer source inspection may result in a withholding of invoice payment and shall be cause for rejection.

Source inspection shall not replace supplier inspection and does not preclude subsequent rejection upon receipt by Avtron or relieve a supplier of its responsibility for furnishing an acceptable end item. Suppliers should have their inspection reports and documentation available when the Avtron Supplier Quality Engineer arrives.

### 12. Approving Parts for Production

Avtron will review and approve a First Article Inspection (FAI), when applicable. This approval will be considered an approval for production of parts.

### 13. First Article Inspection (FAI)

FAI requires that all characteristics for a part be checked and verified prior to full production and receipt of part into the Avtron facility. First Article Inspection is performed by the Supplier in accordance with the Avtron drawing and FAI Type, specified on the Purchase order. This information can be found in the Quality Clauses or included with the Purchase Order depending on the Avtron site of initiation. Some FAI's may require that Avtron Purchasing, Sourcing and/or Quality Representatives be present.

First Article Inspections are required for the following:

- FAI is a contractual requirement,
- There is a change to the physical characteristics or material makeup of the part,
- There is a change to the manufacturing process,
- There is a change in supplier or sub-supplier,
- There is a change in manufacturing location, (Operations approval required)
- The part has not been manufactured or purchased in more than one year.

### 14. First Article Inspection Package Requirements for a Supplier

The supplier should submit the following package to Avtron when a FAI is contractually required for a quantity of 1 unless otherwise defined utilizing US910 / US9102-style FAI format or supplier equivalent, that, at a minimum aligns with the following:

- a. A ballooned / numbered drawing identifying all characteristics on the drawing (this includes all dimensional callouts as well as all other notes and requirements including those identified on associated drawings and / or QAPs). Not: the drawing utilized must be what is contractually purchased from the customer. No external supplier drawings shall be used, unless approved by Avtron.
- b. A ballooned purchase order or contractual documentation outlining requirements.
- c. A formal report verifying each requirement ballooned on the drawings with variable data, when applicable. This report shall contain the part and revision number, the part description, and be numbered per the ballooned drawing(s) and contain the specified requirement, all specified tolerances, and actual variable or attribute data as applicable.
- d. Test reports, Certificate of conformance, Certificate of Analysis or any other objective evidence to demonstrate that characteristics such as performance specifications, materials, finishes, NDT, etc. have been tested and confirmed.
  1. Any Engineering Change Proposals (ECP) or Approve Request for Variance (RFV) in lieu of meeting contractual requirements, if applicable.
  2. Cover page with Customer, Par Number, Revision, final Approval signatures as deemed required by Quality and/or Engineering.

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## 15. Request for Quote - RFQ

- Upon receipt of an Avtron RFQ, potential suppliers should prepare and submit a document package with their quote. Quote package should include a written acknowledgement that the technical documents provided by Avtron are understood and deliverable (i.e. Supplier Quality Documents, drawings, packaging, labelling, RFQ No., etc.).
- Any questions that the supplier has concerning the RFQ, should be resolved prior to quote submission. The best source for assistance, with this process, is the Supply Chain Representative that requested the quotation.
- Avtron encourages the development and growth of qualified small disadvantaged, handicapped, veteran-owned, HUB-Zone, minority-owned, and woman-owned businesses by actively seeking out, aiding in their qualification as sources, soliciting bids/quotes and placing orders for products and services with such businesses consistent with efficient and economic performance of the Company.
- At Avtron's discretion for material and/or services that are expected to exceed \$1,000, Avtron will request price quotes from two or more eligible suppliers where feasible (see exception below) and will issue a purchase order to the supplier offering the best combination of quality, service, and price.
  - Obtaining quotes from multiple sources is not a requirement in certain unique situations where quoting would result in no apparent benefit to the company. Examples of this may be where there is only one source, where the customer specifies a particular supplier, where the corporation has already negotiated a Long-Term Agreement (LTA) or a national contract.
- When Avtron is requesting a quotation, complete information will be provided, which may include:
  - Annual quantity forecasted
  - Description
  - Delivery requirements
  - Drawings
  - Specifications
  - Any special conditions

## 16. Certifications

Avtron Suppliers are required to submit Certifications, with each shipment. The most common Certifications are described below. *Specific Quality clauses may also be called out on the purchase order, depending on the Avtron site.*

### 16.1 Certificate of Compliance

Certificate of Conformance (CoC): a document dated and signed by the responsible company representative from the provider stating that the parts were manufactured in compliance with all drawing and specification requirements and that records of such conformance are available upon request. The CoC must contain, at a minimum, the following information:

1. Avtron PO number and Line
2. Avtron Part Number and revision level (as stated on the PO)
3. Supplier Part Number and revision level (if applicable)
4. Traceability information (i.e. serial numbers, lot number, batch number, etc.) where applicable
5. Quantity Shipped
6. Name of approved lower-tier supplier and descriptions of service provided (if applicable)
7. All applicable specifications listed, if not stated on the drawings or specification sheet
8. Shelf Life / Expiration Date (as applicable, and
9. Responsible company representative acceptance signature and date

## 16.2 Certificate of Analysis

Certificate of Analysis (CoA): A laboratory or otherwise test report dated and signed by the responsible representative providing actual results of testing or examination validating that specified requirements have been met. Material Certification is a document provided by the Material provider that state material Size and Actual test results for Chemical and Physical Properties for any Raw Material ordered, or, for the Material used to manufacture the supplied product(s). Certification of Analysis must include (or be annotated with) the following:

1. Avtron PO number and Line
2. Avtron Part Number and revision level (as stated on the PO)
3. Supplier Part Number and revision level (if applicable)
4. Traceability information (i.e. serial numbers, lot number, batch number, etc.) where applicable
5. Quantity Shipped
6. Name of approved lower-tier supplier and descriptions of service provided (if applicable)
7. Test report/results, name and address of the tester or independent laboratory, and date and run time (if applicable), and
8. Responsible company representative acceptance signature and date

## 17. Special Processes

Supplier shall provide certifications for all special processes and non-destructive test results performed with each shipment. The certificate shall identify the processor, process used, controlling specification & revision, and the results of test or measurement performed. Supplier used shall be a Avtron and/or end customer approved source for said Processes. These include operations subject to process controls such as coating, joining, heat treating, cleaning, non-destructive test, plating, painting, etc. The Supplier shall be approved as per above to perform specific required Special Processes or use Special Process vendors acceptable. Please contact Avtron Supply Chain or Quality.

## 18. Shelf-Life Certification

When Avtron purchases materials that are susceptible to degradation over time, Shelf-Life Certification may be required. The Shelf-Life Certification is dependent on the Supplier maintain the proper environment to store the susceptible materials, to prevent premature degradation. A method for ensuring that the susceptible material has the remaining shelf life, when received, is required.

Shelf-Life Certification will (at a minimum) contain the following information:

- Material Description including Material Type, Grade, and/or Material Specification
- Manufacturers Name and Address
- Manufacturing Date, Lot Date or Cure Date
- OEM's Specified Usable Life Period
- Remaining Shelf Life
- Expiration date clearly indicated

## 19. Nonconforming Material

### 19.1 Nonconforming Material Containment

Suspected Nonconforming material should be segregated from acceptable product, identified in a suitable manner, and quarantined by the supplier. The supplier is responsible for ensuring containment and proper procedures to avoid cross contamination.

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## 19.2 Nonconforming Material Notification

The supplier must immediately notify the Avtron Supplier Quality Engineering and Purchasing Departments if it is discovered that nonconforming material may have shipped to any Avtron facility. Immediate notification should be made by telephone followed by written documentation of the problem. Notification should include, and Identify: Part Number, Quantity, Shipping Date(s), Lot Identification, and any other information that will assist Avtron in locating and containing the Nonconforming Material. All requests for waivers or deviations from specified requirements must be submitted in writing to Avtron's Supply Chain Representative prior to delivery of product to Avtron. All requests must include the reason for the request, duration of the request, and must be approved by Avtron prior to shipment of the product.

## 19.3 Visual Acceptance

Avtron does, on occasion, utilize components that are considered, by our Customers, as "Appearance Items". These items are visible to the customer and must be "Defect Free". Visual Inspection features include sharp edges, burrs, chips, dents, scratches, color variance, discoloration, racks, porosity and other like conditions which may be considered by Avtron to be nonconformities. Visual Acceptance is subject to the material types and processes, in relation to accepted industry standards and customer requirements. Questions or Concerns about Visual Acceptance should be addressed to your Supply Chain Representative or Quality Engineer, prior to shipment to Avtron.

## 20. Supplier Corrective Action Requests - SCAR

Avtron will notify the Supplier of a nonconformance with a Supplier Corrective Action Request (SCAR). A Supplier Corrective Action Request can be issued as a result of a receiving inspection rejection, defective parts found in stock, or defective parts found during our assembly process.

Supplier Corrective Action Requests will normally be transmitted electronically, with an electronic receipt being requested. Pictures and/or other supporting documentation will be provided to the supplier, if available. The supplier shall provide Avtron with an initial SCAR for containment actions within 48 hours and a formal full SCAR response **within 10 working days** of receipt of such request.

In the event the supplier is unable to respond within the allotted time frame, the supplier shall submit a request for extension which shall include the reason for the extension request and the time needed to complete the corrective action report. The request for extension should be submitted to the issuing party.

## 21. Return Material Authorization

When Avtron identifies nonconforming material provided by a supplier, Avtron will request a return material authorization (RMA) number from the supplier. In cases where supplier is unable to provide a RMA number, Avtron will use an internally assigned number and provide that with the return to the supplier. Upon receipt of the RMA number and/or approval to return material, Avtron will debit the suppliers account for the cost of the defective product. Upon rework/repair or replacement, the material shall be returned to Avtron utilizing a separate Return Purchase Order for the purpose of traceability. The supplier shall then invoice Avtron against the Return Purchase Order for proper payment.

When all objective evidence has been provided of receipt of a non-conforming product, the supplier has 5 days to provide Return Material Authorization (RMA) or Avtron reserves the right to return. Avtron will debit the suppliers account for the cost of the defective product.

## 22. Chemicals, and Other Hazardous Materials

Safety Data Sheet (SDS) are required with each shipment of liquids, solvents, powders, gases or other materials that have a SDS assigned for the product. This includes Raw Materials that may contain or produce hazardous elements during processing. All material, classified as hazardous by local, state or central government regulations, will be identified, documented, handled, packaged, and shipped as required by applicable laws, rules and regulations. All product, materials or services provided to Avtron shall satisfy current governmental regulations applicable to the country of sale as well as the country of manufacture. Governmental regulations typically include, but are not restricted to:

- Toxic and Hazardous Materials

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- Environmental Impact
- Banned and Regulated substances (International Material Data System – IMDS)

Additional assistance can be obtained by contacting the Avtron Systems Environmental/Safety Manager.

## 23. Packaging, Labelling & Preservation Requirements

### 23.1 Packaging and Labelling

- Suppliers are responsible to ensure packaging is sufficient to protect material from shipping damage (nicks, dings, scratches, etc.)
- Packaging must eliminate metal to metal.
- Suppliers will adhere to all Avtron or Customer requirements for packaging of product to Avtron to ensure that the parts are fit for use at delivery.
- Packaging and Labelling requirements may be developed and agreed upon prior to delivery of material.
- Suppliers are responsible for necessary label content requirements to maximize effective traceability. Avtron expects suppliers to define and maintain lot traceability with all supplied parts.
- Unless specified, recycled boxes or other suitable shipping containers may be used. The supplier must ensure that no prior identification labels remain on the container that may conflict with the actual contents.
- Shipping documents and product labelling should provide for clear identification of contents, including purchase order number, part numbers, revisions, and serial numbers. The use of unique identifiers on product labelling, such as bar coding, is encouraged for all shipments to Avtron. Documents (packing list, SDS, inspection sheets, etc.) attached to the outside of the container must be attached to allow damage-free removal.
- All product shipped shall be free of FOD (Foreign Object Debris & Damage).

### 23.2 Preservation of Product

Reasonable precautions shall be taken to ensure that parts, products, components & materials are not damaged during handling or storage at the supplier's premises. This will include, as applicable, but is not limited to the following:

- **ESD Protection (Electrostatic discharge)**  
Avtron suppliers are required to provide ESD protection (per established standards or ANSI ESD/S2020) and packaging identification to ESD sensitive product, while it is being produced and in custody of the supplier. Accompanying paperwork must be outside the ESD protective packaging. All electrostatic discharge (ESD) sensitive products must be wrapped in ESD protective bubble wrap or ESD protective bags prior to boxing. Apply identification label to the outside of the package.
- **Moisture Sensitive Parts**  
Supplier is responsible to provide Protection of Moisture Sensitive Component per established standards.
- **Temperature Sensitive Material**  
The Seller must identify each shipment of temperature sensitive material with the manufacturing date, storage temperature and recommended shelf life, in addition to the normal identification requirements of Name, Type, Size, Lot Clause, and Quantity. Identification and special handling conditions must be recorded on the shipping document. Shipments consisting of multiple containers shall have each container identified appropriately. All documentation should be placed in the first container. All necessary documentation should be marked "Packing Slip, certifications, test reports, etc. enclosed." Special packaging requirements may apply as specified by special packing instructions (SPI) on the PO or Engineering requirements.

## 24. Additional Supplier Quality Requirements

### 24.1 Material Identification and Traceability

Supplier must maintain lot or batch control and identification through all stages of production, packaging and delivery. This must include subcontracted operations. Multiple cavity injection molded product must have cavity identification.

The supplier will practice lot control in a manner consistent with good manufacturing practices. This shall include, but not be limited to, identification of lot number and production date, with timely rotation of materials and goods. The practice of FIFO (first in/first out) must be applied. The supplier will systematically trace the parts delivered to Avtron to facilitate in the identification of a product in the event of a nonconformance in a production run in similar product or dates. This should have the ability to trace to material subcontracted by the supplier. This traceability will be to the level of sub-assembly parts used in the suppliers' processes and final product.

All parts shipments need to include the following:

1. Part Number
2. Description
3. Purchase Order
4. Quantity
5. Lot Number/Heat Number

For suppliers who have the capability to produce bar code labels, this is the preferred method of identification.

### 24.2 Incoming Inspections

Suppliers are responsible for the conformance of any parts received by a sub-tier supplier. As dictated by the Suppliers Quality Management System, compliance must be verified prior to performing release of components/material for further processing or assembly. This inspection is to include verification that there are no damages or non-conformances. Suppliers must verify that any required certifications, test reports and sub-tier FAIs are included.

### 24.3 In-Process Inspection

The supplier must maintain appropriate process control and pre-delivery inspection to assure that all products provided Avtron meets contractual requirements.

### 24.4 Part/Component Cleanliness and Foreign Object Debris & Damage (FOD)

The supplier shall furnish parts/components free of mill scale, rust, carbon deposit, weld spatter or any surface contaminant that will be detrimental to the item's appearance or functional appearance (i.e. contamination that is detrimental to the adhesion of coatings). Any part not meeting this criterion is subject to return to supplier for immediate correction.

### 24.5 Counterfeit Part prevention

To prevent the inadvertent use of counterfeit parts and materials all fasteners and/or electrical, electronic and electro-mechanical parts shall be from the Original Component Manufacturer (OCM)/Original Equipment Manufacturer (OEM), or their franchised dealer or an authorized distributor chain. Parts shall not be used or reclaimed and misrepresented as new. Parts shall not be acquired from independent distributors or brokers unless specifically authorized in writing by the buyer. Supplier shall flow down this requirement to all sub-tier suppliers. Suspect counterfeit or counterfeit parts will not be returned nor reimbursed. Supplier will immediately notify Avtron with all pertinent facts if supplier becomes aware, or suspects, that it has furnished suspected-counterfeit items. Supplier shall, at its expense, promptly replace any suspect counterfeit or counterfeit parts with new parts conforming to the requirements of the purchase order.

## 25. Use of Customer Designated Sub-suppliers

The use of customer designated subcontractors does not relieve the supplier of the responsibility of ensuring the quality of subcontracted parts, materials and services.

The Supplier has full responsibility for any sub-contracted process, and will have final approvals or inspection in place, to assure all sub-contracted components conform to the specifications identified on the Avtron Drawings, Associated References, and Purchase Order requirements. Suppliers must be able to provide objective evidence of their Quality System flow down of requirements for their sub-tier suppliers upon request.

**Note:** Any damage, nonconformance's or paperwork discrepancies, identified on Avtron Supplied Items (Customer Supplied Material) requires notification to Avtron within three working days of discovery by contacting your Avtron Supply Chain Representative identified on the applicable purchase order. Avtron will determine what action is required.

## 26. Avtron Supplied Tooling

Supplier shall house, care for, preserve, repair or, if necessary, replace Customer Owned Tooling when jointly deemed necessary by Avtron and Supplier. Supplier is expected to always maintain Avtron tooling in good working condition. Supplier shall notify Avtron of any necessary repairs and or required updates to customer owned tooling to ensure no disruption to supply occurs at any time. The Customer Owned Tooling is on loan to the Supplier by Avtron and must be returned to Avtron or an Avtron designee immediately upon request. **Note: This statement may be Subject to Contractual Agreements.**

## 27. Calibration Requirements

All Inspection Measuring & Testing Equipment used by the Supplier during in-process and final inspection shall be calibrated to the national standard in accordance with A2LA ISO/IES 17025 certification and maintaining traceability to NIST standards (note: the scope of certification must include the gauges/instrumentation being calibrated).

## 28. Specific Requirements

### 28.1 Sampling Plans

Where applicable the supplier shall adhere to the AQL defined by the technical data package. The order of precedence shall be:

- a. Contract
- b. Performance Specification
- c. Drawing
- d. Quality Assurance Representative or Quality Assurance Procedure

If no AQL is defined by the TDP, the following shall apply:

Critical = 100% Inspection

Major = 1.0 AQL

Minor = 4.0 AQL

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Note: Reference to AQL is only to be used for determining sample size. Supplier shall, in all instances where lot sampling is utilized, inspect characteristics in accordance with the following inspection plan:

Lot Size	.65	1.0	1.5	2.5	4.0	6.5	10	S2N
2-8	ALL	ALL	ALL	5	3	2	2	2
9-15	ALL	13	8	5	3	2	2	2
16-25	20	13	8	5	5	5	3	3
51-90	20	13	8	7	6	5	4	3
91-150	20	13	12	11	7	6	5	3
151-280	20	20	19	13	10	7	6	3
281-500	47	29	21	16	11	9	7	3
501-1200	47	34	27	19	15	11	8	3
1200-3200	53	42	35	23	18	13	9	3
3201-10000	68	50	38	29	22	15	9	9
10001-35000	77	60	46	35	29	15	9	9
35001-150000	96	74	56	40	29	15	9	9
150001-500000	119	90	64	40	29	15	9	9
5000001&OVER	143	102	64	40	29	15	9	9

Note: Accept lot on 0 (zero) defects                      Reject lot on 1 (one) or more defects)

The following situations shall not utilize with C=0 Plan:

1. Visual weld inspection
2. Non-destructive examination
3. Frequency-based testing such as sample/quantity or sample/time period
4. Fastener quality assurance requirements

Where the AQL is not identified in the TDP, the sampling plans shall be in accordance with the C=0 unless approved by Avtron. C=0 sampling shall be applied to all lots presented for final acceptance. Non-standard sampling plans must be approved in writing by the Avtron Quality Representative prior to use Statistical Process Control (SPC).

Avtron encourages and supports suppliers who are implementing or executing a sampling system using statistical process control techniques. Such statistical data must be comprehensive enough to adequately document quality conformance. Use of SPC in lieu of sampling must be approved in writing by Avtron prior to implementation.

## 29. Control of Records

The Supplier shall have a system to maintain and store records.

- a. Records shall remain legible and easily retrievable.
- b. Records are stored in a suitable environment to prevent damage, deterioration, or loss.
- c. Records are available to customers or regulatory authorities.
- d. Records shall be maintained for a minimum of ten (10) years after completion of the Avtron contract or as specified in the Purchase Order (PO).

## 30. No Change Policy

Supplier shall not make a change in design, materials, or processes specifically controlled by the Product drawing or specification without prior written notification to, and written approval from the Avtron Engineering and/or Quality Representative. Supplier shall have a formal method of approved changes. Seller shall notify Avtron buyer of any change in his design, materials, or processes not controlled by the buyer's drawing or specification prior to manufacturing the changed articles.

**Part obsolescence – Suppliers are responsible to contact Avtron immediately for any obsolescence on product/parts or components.**

## 31. Shipping Requirements

Avtron reserves the right to specific Avtron preferred carriers as well as mandate suppliers to include freight in the landed piece price of material. Suppliers are responsible for proper transportation in order to meet agreed delivery dates. All missed shipments must be expedited the same day at the Supplier's expense. Country of Origin Statements must be supplied for each product part number supplied to Avtron.

## 32. On-Time Delivery

100% on-time delivery is a requirement for all Avtron suppliers. Suppliers will adhere to all specified delivery times and shipping methods. Contact the Avtron Receiving Department for optimal receiving hours. Failure to meet delivery requirements will reflect on the supplier's "On Time Delivery Rating"

## 33. Delivery Requirements

The Supplier will adhere to formally accepted shipment dates as specified on the Purchase Order. The acceptable window for deliveries is identified on the Terms & Conditions included with the Purchase Order.

## 34. Excess Freight Charges

Authorization for premium or nonstandard freight expenses must be obtained prior to shipment. If the supplier receives no prior authorization, all costs for freight will be the supplier's responsibility. Premium freight is defined as any expedited shipments above and beyond the agreed upon shipping frequency and is not limited to airfreight. If we incur excess freight charges due to the fault of the supplier, the supplier will be responsible for these excess charges. The supplier is responsible for the freight when multiple shipments are required due to your inability to meet our production schedule.

## 35. Supplier Scorecard Program

100% on-time delivery is a requirement for all Avtron suppliers. Suppliers will adhere to all specified delivery times and shipping methods. Contact the Avtron Receiving Department for optimal receiving hours. Failure to meet delivery requirements will reflect on the supplier's "On Time Delivery Rating"

### 35.1 Introduction:

Avtron realizes that our vendors are not simply suppliers from whom goods and services are procured. Rather, our suppliers are valued business partners with expertise, assets, and capabilities that may create competitive advantage for Avtron and Avtron customers. We understand the value of shared success and effective interactions with our suppliers across functional groups and business units. It is our intention and commitment to manage these interactions as a relationship, rather than as a series of functional transactions. In this way, Avtron and our supply base can maximize the value created through our relationships with preferred suppliers.

Avtron is committed to helping our suppliers be successful. We want to leverage our suppliers' best ideas and most talented people by developing the highest level of trust. To do so, Avtron will strive to work with our preferred suppliers effectively and productively while sharing information and resources with suppliers to achieve more than either party could do independently.

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Avtron’s supplier scorecard program has been developed to be a system of measurement-supported accountability: “Here’s what we expect, and we are committed to working with you to help you meet our expectations, and we will strive to do so in a way that is sustainable for both our suppliers and Avtron.”

Our supplier metrics are a combination of both operational and procedural measures. This involves looking both at *what* we are doing together, as well as *how* we are interacting. The purpose of these metrics is to 1) provide accurate information to drive productive conversations, and 2) to raise important questions concerning not only fundamental supplier performance, but to facilitate the resolution of problems and to provide warning of potential issues in our supply chain. It is our intent to enhance supplier performance as an overall strategy toward healthier supplier-partner relationships and a premier supply chain.

### 35.2 Frequency of Supplier Performance Monitoring:

Avtron will review scorecards with our preferred suppliers and “at risk” suppliers on a quarterly basis. Avtron may administer supplier scorecard reviews via teleconference and on-site visits. Suppliers may receive their scorecard review via e-mail if scores have not changed substantially from the previous quarter.

### 35.3 Supplier Performance Indicators

Avtron’s supplier evaluation program results in an overall composite supplier score consisting of five key performance indicator components and weightings. The composite supplier score ranges from 0 to 100. The individual performance indicators with their initial weightings are shown in Table 1 below. Each of these indicators will be explained in further detail.

**Table 1: Key Supplier Performance Indicators**

Key Performance Indicator	Weighting
Quality	30 Points
Delivery	30 Points
Cost/Price	25 Points
Growth & Development	15 Points
<b>Composite Score</b>	<b>100 Points</b>

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**35.3.1 Quality Indicator:**

The quality metric is 30% of the total composite score and is composed of four subcomponents. These subcomponents and their weightings are shown in Table 2 below.

**Table 2: Quality Indicator Subcomponents**

Indicator	Weighting
# of SCARs issued	10 Points
# of Non-Conformance Incidents	5 Points
Supplier Defective PPM	10 Points
Respond to SCARs within 10 days	5 Points

**# of SCARs Issued:**

This subcomponent of the Quality metric accounts for 10 of the total 30 points available in the Quality category. Essentially, if Avtron is required to issue a SCAR to suppliers for repetitive and/or quality issues adversely impacting Avtron's revenue or Avtron Customer's revenue, points are allocated according to the scale in Table 3.

**Table 3: SCARs Issued Scale**

No. of SCARs Issued	Points Earned
0 SCARs	10
1 SCAR	5
2 or More	0

**# of Non-Conformances Issued:**

This subcomponent of the Quality metric accounts for 5 of the total 30 points available in the Quality category. Essentially, if Avtron is required to issue a non-conformance to suppliers for quality issues, to include requests for deviation from Avtron Engineering or Avtron customers, points are allocated according to the scale in Table 4.

**Table 4: Non-Conformances Issued Scale**

No. of Non-Conformances Issued	Points Earned
0	5
2 or less	3
3 or more	0

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**Supplier Defective PPM:**

The first indicator of defective PPM is a straightforward measure of parts received in the evaluation period vs. parts rejected in the same period, where those rejections are supplier quality related. The rejected parts total is a sum of parts rejected either at receiving, on one of our production lines, or at our customer. Our internal systems capture the various origins of rejected components throughout product realization and delivery, and these totals are passed through to the quality metric and then normalized to parts per million.

For this calculation, a “part” is defined as the purchasing unit. If our PO to the supplier is in unites of “EACH”, then 1 part is 1 piece. If our PO is in “YARDS”, then 1 part is 1 yard, etc. Under this formula, it is possible to accumulate more rejected parts than shipped parts within a period. In these cases, the defective PPM will be stated as 1,000,000.

It is neither Avtron's policy, no desire to sort nonconforming vendor components in-house. It is our policy to confirm the nature and accuracy of the rejection, and then arrange, with the supplier, to return the entire quantity of most recently received components of nonconforming material, and then to receive in conforming material with which we can resume production. In practice, there are cases where we must sort rejected supplied material to keep our operations running. Suppliers will always be notified of such events and will be charged back for the labor required to correct the quality spill.

In addition, it is not our policy to ask vendors to come into our facilities to sort or rework their nonconforming materials. However, there are cases where this is unavoidable due to production constraints.

**NOTE: If a nonconforming shipment was sorted by Avtron in-house, and only some parts were found to be defective, Avtron will use only the rejected quantity of parts in calculating the defective PPM. If an entire shipment of material was returned to the supplier, it is incumbent upon the supplier to inform Avtron of the final quantity of defective parts. If the supplier does not communicate to Avtron in this regard, the entire rejected quantity will be counted as defective.**

Points earned for the available 10 points in this part of the quality metric are assigned via the PPM scale shows in Table 5 below.

**Table 5: Defective PPM Point Scale**

Defective PPM Range	Points Earned
<700	10
<1000	5
>1000	0

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**Responsiveness to SCARs:**

The subcomponent of the Quality metric accounts for the final 5 points of the total 25 points available in the Quality category. Avtron will measure a supplier’s responsiveness to SCARs as outlined in Table 6 below.

**Table 6: SCAR Response Point Scale**

Supplier SCAR Response Rate	Points Earned
Responds within 10 days	5
Responds within 15 days	3
Responds > 15 days	0

**35.3.2 Delivery Indicator:**

The delivery metric is 30% of the total composite score and is a direct calculation of on-time delivery in full by PO line. 30 points is earned via on-time delivery (OTD). OTD is measured to Avtron’s internal systems statistical delivery date. For the scorecard delivery metric calculation, 1) on-time is defined as a shipment that is delivered on, or up to 5 business days prior to the promise date, and 2) partial deliveries are essentially ignored. All PO lines must be received on or 5 days prior to the promised delivery date to be considered on-time, in full.

Points earned for the available 25 points in the OTD delivery metric are assigned via the scale shown in Table 7 below.

**Table 7: OTD Point Scale**

% OTD	Points Earned
>98	30
90 – 97.9	15
<90	0

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**35.3.3 Cost Indicator:**

The cost/price metric is 25% of the total composite score, and is scored based on the supplier’s purchase price index (PPI). Avtron uses this metric to rate our suppliers’ pricing competitiveness. In order to do this, Avtron will compare the suppliers prior year average cost with current year average costs for each individual component purchased in the specific timeframe. PPI is the output of this comparison and is reported out in basis points: 1.0 meaning no increase at all, .99 meaning a 1% decrease in cost and 1.01 meaning a 1% price increase.

Points earned for the available 25 points in the cost metric are assigned via the scale shown in Table 9 below.

**Table 9: Competitive Pricing – PPI Point Scale**

Competitive Pricing	Points Earned
PPI <.99	25
PPI .99 – 1.01	15
PPI >1.01	0

**35.4 Growth and Development**

As stated earlier, our supplier metrics are a combination of both operational and procedural measures. This involves looking at *what* we are doing together, as well as *how* we are interacting.

The Risk & Growth metric is 15% of a supplier’s composite score, and it is a system used to provide feedback into how we are interacting. In order to assess the quality of our relationships, Avtron is using an internal feedback system of 6 questions to provide insight into the responsiveness and engagement of our supply base. The six questions used to score this metric are as follows:

1. PO Acknowledgement (5 points)
  - a. 5 points if acknowledge in 7 days
  - b. 3 points if acknowledged in < 10 days
  - c. 0 points if acknowledged in > 10 days
2. RFQ Responsiveness (5 points)
  - a. 5 points if acknowledge in 7 days
  - b. 3 points if acknowledged in < 10 days
  - c. 0 points if acknowledged in > 10 days
3. Meeting Avtron minimum Payment Terms (5 points)
  - a. 5 points if willing to meet Net 90 payment terms
  - b. 3 points if aware and working toward meeting Net 90 payment terms
  - c. 0 points if unwilling to meet Net 90 payment terms
4. Engagement in New Product Development (NPD) or actively offering cost down solutions (Yes/No)
5. Long Term Agreement (LTA), Stocking Agreement (SA), Vendor Managed Inventory (VMI), Kanban, or consignment in place? (Yes/No)
6. Easy to do business with? (Yes/No)

Each question in this survey provides us with insight into the supplier relationship and responsiveness, as well as areas that may need to be addressed based on company goals. Questions 1-3 are scored to total 15 points available for this indicator. We do analyze the survey responses to determine if the different Avtron functional teams view our relationships with suppliers differently, but no special weighting is granted to any internal team.

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Points earned for the available 15 points in Growth and Development metric are assigned via the scale shown in Table 10 below.

**Table 10: Growth and Development Point Scale**

Growth and Development	Points Earned
PO acknowledged within 7 days	0-3-5
RFQ response within 7 days	0-3-5
Payment Terms	0-3-5
Engagement in NPD/active initiatives to reduce costs	Yes/No
LTA/SA/VMI in place?	Yes/No
Easy to do business with?	Yes/No

**35.5 Supplier Rating Categories:**

As noted above, the result of the individual indicator scores in quality, delivery, cost & growth and development is a supplier composite score. Based on this composite score, suppliers are placed into one of four rating categories as show in Table 11 below.

**Table 11: Supplier Rating Categories**

Rating Range	
<b>Blue // Preferred</b>	95-100
<b>Green // Approved</b>	80-94
<b>Yellow // Conditionally Approved</b>	65-79
<b>Red // Need Improvement</b>	<65

**35.5.1 Preferred Category:**

Suppliers achieving preferred status will be categorized as partners with which Avtron wishes to grow business. All preferred suppliers will be considered first for new product development and sourcing opportunities.

**35.5.2 Approved Category:**

Suppliers achieving an “Approved” rating remain in good standing with Avtron. These suppliers provide a high degree of satisfaction with respect to the key performance indicators and are high valued Avtron partners. It is Avtron’s desire to have all suppliers reach, and sustain this performance level, at a minimum.

**35.5.3 Conditionally Approved Category:**

When a supplier’s composite score falls into the “Conditionally Approved” category, a representative of Avtron’s Supply Chain or Quality team may issue the vendor a SCAR (Supplier Corrective Action Request) asking them to determine root

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cause and submit a corrective action plan to address the composite score issues. These corrective actions should be targeted specifically at the issues surround the low composite score.

SCARs will be issued via email to supplier representatives and should be submitted back to the issuer via email. Timing for the response is within 10 calendar days of issuance. Avtron will review the SCAR response, monitor supplier performance in the next rating period, and based on supplier performance, take additional actions as necessary.

In addition to a SCAR, the supplier may be asked to complete Avtron’s Supplier Assessment form. This form will be to survey the supplier’s understanding of root cause and corrective actions they’re taking to raise their composite supplier scorecard score to 80 or above.

### 35.5.4 Needs Improvement Category:

Should a supplier’s composite score fall into the “Needs Improvement” category, a representative of Avtron’s Supply Chain or Quality team may issue the vendor a SCAR (Supplier Corrective Action Request) asking them to determine root cause and submit a corrective action plan to address the composite score issues. These corrective actions should be targeted specifically at the issues surround the low composite score.

SCARs will be issued via email to supplier representatives and should be submitted back to Avtron’s supplier quality engineer via email as well. Timing for the response is within 10 days of issuance. Avtron will review the SCAR response and monitor supplier performance in the next rating period.

In addition to a SCAR, the supplier may be asked to complete Avtron’s Supplier Assessment form. This form will be to survey the supplier’s understanding of root cause and corrective actions they’re taking to raise their composite supplier scorecard score to 80 or above.

In addition to the SCAR and Supplier Assessment form, Avtron may require one, or all, of the following:

- 1) Complete & submit supplier self-assessment survey
- 2) Be asked to participate in regular supplier performance review forums with Avtron
- 3) Be subject to an on-site supplier quality assessment
- 4) Additional actions as necessary

Avtron wishes to give all our supplier partners the opportunity to correct any, and all, performance issues. We seek to facilitate the resolution of problems as applicable, and to enhance supplier performance as an overall strategy toward healthier customer-supplier relationships.

Copies: Supply Chain Teams Channel and [www.avtronpower.com](http://www.avtronpower.com) website

### Change History

Version	Change Detail	Date	Originator	SOP Owner	Quality
Initial	Global Supplier Quality & Procurement Requirements Manual	4/22/2026	A Youngberg/ L Glascoe	L Glascoe	CLE: J Schultz REY: T Romero UK: T Discombe