

SUPPLIER QUALITY REQUIREMENTS

1 Scope

NERC Precision Engineering Ltd is committed to building and maintaining an effective supply chain through the clear and unambiguous communication of requirements and provision of quality products and services.

This document details the requirements for any suppliers of goods or services intended for incorporation with NERC Products or services, including (but not limited to):

- Suppliers of goods used to create NERC Precision Engineering deliverables i.e. raw materials, bought-out parts or consumables.
- Suppliers of sub-contract operations to support NERC Precision Engineering deliverables i.e. machining, forming, brazing, treatments, testing.
- Suppliers of services to support the creation of NERC Precision Engineering deliverables i.e. calibration service providers, tooling suppliers

Permission to deviate from the requirements in this document is at the discretion of NERC Precision Engineering.

2 Applicability

This document is an integral part of a binding contract between NERC Precision Engineering and its' Suppliers when it is referenced on NERC Precision Engineering Purchase Orders.

Should there be any conflict between the requirements outlined within this document and those specified on a Purchase Order, the purchasing conditions shall prevail. Any queries as to applicability must be resolved with a NERC Precision Engineering representative prior to supply of the procured product/service.

These requirements also apply to the supplier's external providers and sub-tier suppliers and shall be flowed down as necessary.

3 Terms & Definitions

For the purposes of this process, the following definitions apply:

Term	Definition
CofC	Certificate of Conformity
FAI	First Article Inspection
FAIR	First Article Inspection Report
FOD	Foreign Object Debris
LTA	Long-Term Agreement
NCR	Non-Conformance Report
NDA	Non-Disclosure Agreement

Term	Definition
OTD	On-Time Delivery
PO	Purchase Order
QMS	Quality Management System
RFQ	Request for Quote

4 Supplier Approval Requirements

Goods and services shall only be procured from appropriately approved sources.

Suppliers are expected to maintain, and be able to provide evidence of, a management system that conforms to the requirements of one or more of the following:

- A minimum of ISO-9001 for aerospace related goods and services
- Customer specific quality approval (where required)
- Approval specific to the goods or services (i.e. ISO/IEC17025, NADCAP)

Where requested, the supplier shall provide evidence of conformance through provision of an approval certificate or other agreed means.

9100 series certifications shall be registered in the IAQG OASIS Database. ISO9001 certification and results of ISO9001 assessments shall be provided on request.

Objective evidence of Certification Body (CB) audit reports and any associated findings shall be retained. Suppliers shall notify NERC Precision Engineering in writing when its' certification is suspended or withdrawn, or the accredited status of the CB utilised has been withdrawn.

Where Customer specific approval is a condition, this will be flowed down on the NERC Precision Engineering Purchase Order, this requirement also applies to the supplier's sub-tier suppliers and external providers.

In case of conflict between NERC Precision Engineering's requirements and those of the End Customer, the End Customer conditions shall apply.

5 Notification of Changes

The supplier shall send timely notification to NERC Precision Engineering of any changes that may impact their approval status. Such changes may include, but are not limited to:

1. Relocation of Company premises
2. Changes to Company Ownership
3. Changes to key Company Personnel (including Managing Director, Quality Manager, Leadership Team personnel, and any project/contract specific personnel)
4. Quality Management System changes (including organisation structure, management activities or scope of approval granted by external certification bodies)

5. Substantial reduction in number and/or experience of staff
6. Processes, products or services affecting NERC Precision Engineering deliverables including issues with, or changes to sub-tier supply chain

6 Right of Access

Access shall, with reasonable notice, be granted to representatives of NERC Precision Engineering, their Customer and/or Regulatory Authorities to inspect or otherwise assess facilities, activities and documentation as appropriate to the product or service provided. This right of access shall apply throughout the supply chain.

Verification or validation activities are not generally undertaken at the supplier premises, however, if it should be required by NERC Precision Engineering, their Customer and/or Regulatory Authorities, access will be granted with reasonable notice. The supplier will provide samples or test specimens to NERC Precision Engineering, their Customer or Regulatory Authorities as required.

7 Facilities – Infrastructure & Work Environment

Infrastructure:

The Supplier shall determine, provide, and maintain the infrastructure necessary for the operation of its processes and to achieve conformity of products and services.

Infrastructure can include:

- buildings and associated utilities
- equipment, including hardware and software
- transportation resources
- information and communication technology

Environment:

The Supplier shall determine, provide, and maintain the environment necessary for the operation of its processes and to achieve conformity of products and services.

8 Resources

AS9100/ISO9001 series requirements apply as applicable.

The Supplier shall determine and provide resources needed for the establishment, implementation, maintenance and continual improvement of the QMS. The Supplier shall consider:

- The capabilities of, and constraints on, existing internal resources
- What needs to be obtained from external providers

All personnel undertaking work related to NERC Precision Engineering deliverables must be made aware of, as applicable:

- Their contribution to product or service conformity
- Their contribution to product safety
- The importance of ethical behaviour

The Supplier shall determine and provide the persons necessary for the effective implementation of its QMS and for the operation and control of its processes. Appropriate records shall be maintained to support the education, qualification, training, and competence of personnel working within their organisation.

9 Supplier Monitoring & Performance

NERC Precision Engineering's Suppliers & Sub-Contractors are approved by one or more of the following methods:

- Supplier Evaluation Form (Desktop Audit)
- Supplier Audit/Onsite Review
- Customer specified

An evaluation of a potential new supplier, or re-assessment of an existing supplier against a specific customer and/or order requirement shall be initiated by using **NVP-5 New Supplier Process**

Suppliers will be monitored, as a minimum, in respect of delivery and quality performance.

Suppliers are expected to achieve maintain performance levels as below:

- Supplier otd – supplier delivery date against supplier planned delivery date – target 90% on time
- Supplier rft – quantity of supplier rejects raised pcm – target 0 supplier rejects pcm

Supplier performance will be monitored on a monthly basis and reports will be issued to Suppliers to provide feedback on their performance against the communicated required performance levels where considered necessary.

Any non-conforming product/materials delivered to NERC Precision Engineering will be rejected back to the supplier with a Reject Note.

Suppliers shall complete Reject Note responses within 30 calendar days; including a root cause analysis and details of the robust and sustainable corrective and preventive actions implemented to resolve the issue and prevent recurrence.

If a declining trend is apparent with either a supplier's delivery or quality performance, NERC Precision Engineering may instigate a supplier review to establish root causes and corrective actions. Supplier Audits/ Surveillance Visits may be undertaken periodically to confirm compliance.

Poor supplier performance may result in removal from the Approved supplier register.

10 Order Requirements

Requirements for the product or service to be provided will be notified by RFQ and/or Order including, where applicable, relevant specific technical data (e.g. specifications, drawings, process requirements and work instructions).

The supplier will ensure that information is made available to relevant personnel and any queries are resolved prior to commitment to supply. The supplier is required to complete a review of order requirements prior to acceptance of the order.

All relevant information and requirements shall be further flowed down to the lower-level supply chain as required. The supplier is responsible for the compliance of their supply chain.

Any additional requirements for the control, test, inspection, approval, and release of products/services will be detailed on the purchase order or related documentation. This includes any special requirements, critical items, or key characteristics.

The supplier shall ensure that the information is complete and unambiguous; any queries must be resolved prior to commencing work.

11 Sub-Tier Suppliers

The supplier is responsible for all sub-tier supplier activities and must ensure that all relevant order requirements have been adequately flowed-down. Suppliers will flow down all relevant requirements detailed on the NERC Precision Engineering Purchase Order, within this document, or from relevant Customer specifications to their sub-tier suppliers and external providers as applicable. If Customer approved sources are specified within the purchase order, then the Customer requirements shall prevail.

12 Counterfeit Prevention

Suppliers must implement, and control processes appropriate to the organisation and the product, for the prevention of counterfeit or suspect counterfeit parts/materials use and inclusion in product delivered to NERC Precision Engineering. in place for the prevention of counterfeit parts/material in line with AS9100/ISO9001 requirements.

Counterfeit prevention processes shall consider:

- training of appropriate persons in the awareness and prevention of counterfeit parts/material
- application of a parts/material obsolescence monitoring program
- controls for acquiring externally provided product from original or authorised manufacturers, authorised distributors, or other approved sources
- requirements for assuring traceability of parts/material and components to their original or authorised manufacturers
- verification and test methodologies to detect counterfeit parts/materials
- monitoring of counterfeit parts/material reporting from external sources

If there is any suspicion that received parts and/or material could be counterfeit or “bogus” they are to be immediately quarantined in a locked location and identified appropriately. The suspected counterfeit parts/

material shall then be immediately reported to NERC Precision Engineering.

To eliminate the risk of parts being re-distributed into the Supply Chain Counterfeit items shall not be returned to the Supplier.

- A Reject Note/Product NCR shall be raised that explains the nature of the concern and the corresponding actions and issued to the Sub-Tier Supplier.
- Responses to the Counterfeit related Reject Note/Product NCR shall be analysed by relevant Management personnel to understand the level of risk and exposure within the Supply Chain.
- All subsequent deliveries from the Sub-Tier Supplier are to be suspended pending the investigation results.
- It is recommended that all Stores, Quality, and Purchasing personnel shall receive Counterfeit Parts awareness training periodically.

13 Obsolescence Management

Suppliers shall ensure that pro-active obsolescence management is implemented, controlled, and monitored within the lifecycle of the product. This shall be an integral part of the design, development, manufacturing, production, and production support processes relating to the part.

14 Identification & Traceability

All material/parts shall be part marked and identified in accordance with Customer drawing requirements.

Records should enable traceability to all materials and sub-components used in products and should enable traceability of all equipment and tooling used during manufacturing and inspection activities.

15 Foreign Object Damage (FOD) Prevention

The Supplier shall plan, implement, and control processes, appropriate to the organisation and the product and/or service, for the prevention, detection and removal of foreign objects debris (FOD) from products, components, articles and assemblies delivered to and services provided to NERC Precision Engineering.

A good FOD Prevention Program may include the '8 Primary Elements', listed below:

- Program Management
- Operations
- Area Designation
- Training and Personnel Access
- Product Protection
- Housekeeping and Clean-As-You-Go
- Consumables, Hardware, and Personal Items - Accountability and Control
- Tool Accountability and Control

16 Non-Conforming Product/Service

The supplier shall notify NERC Precision Engineering of any non-conforming processes, products, or services within their facility and within their supply chain relating to a NERC Precision Engineering order. Approval

shall be obtained for the disposition of any non-conforming items.

If non-conforming product is identified after delivery to NERC Precision Engineering this must be notified within 24 hours of the issue being identified.

17 Production & Service Provision

For manufacturing and sub-contract suppliers, during the manufacturing process, production documentation shall remain with the product at all times. Production documentation shall include reference to the following information:

- Production job number
- Customer order number
- Part number & part description
- Batch quantity
- Drawing revision
- Objective evidence of production status

18 Packaging & Preservation of Product

All items shall be preserved, packed and shipped according to the Purchase Order requirements.

The type of packaging used shall be defined by the Supplier taking into due consideration the environmental and shipping stresses that can affect parts during shipping, transportation, and warehouse handling. Internal packaging and conditioning should be adequate to ensure the proper storage life for the parts. In the case of a sealed package, the external marking shall indicate all the data related to the part (identification, shelf life, curing date etc).

Do not use materials that can cause deterioration/corrosion during storage and/or delivery to NERC Precision Engineering and/or their Customers.

Any shelf-life requirements or restrictions related to the products/materials shall be stated on the Supplier's Certificates of Conformity (CofCs).

19 Delivery Documentation

In order to declare the conformity of each part delivered to NERC Precision Engineering, a Certificate of Conformity (CofC) shall be provided at each delivery.

Each CofC shall have a unique identification and shall have a statement of compliance which is issued, by an authorised Supplier representative, declaring that the delivered part/material complies to the purchase order and technical data requirements (for example - Part number, drawing revision etc).

Material suppliers shall supply Material Test Certificates and Delivery CofCs with all deliveries to NERC

Precision Engineering.

All suppliers/sub-contractors of manufactured and bought-out parts shall supply a Certificate of Conformity (CofCs) with all deliveries to NERC Precision Engineering.

All suppliers providing special processes shall provide CofCs detailing the processes completed and confirming compliance to Purchase Order requirements.

The CofC shall include:

- Name and address of the Supplier
- NERC Precision Engineering Purchase Order number
- P/N and description (as defined on the Purchase Order)
- Quantity
- Drawing issue (revision) and, when applicable, unincorporated drawing change document reference
- Serial Number(s) / Batch Number(s) – where applicable
- Any reference to test or inspection report, within Remarks or Comments section
- FAI reference (where applicable)
- The material heat treatment condition – where applicable

Manufacturing suppliers shall submit a First Article Inspection Report (FAIR) with the first delivery of an ordered part number, where required as part of the purchase order.

- FAI requirements imposed are those defined within AS9102.

20 REACH Regulations & Environmental Aspects

Any product or packaging delivered to NERC Precision Engineering should be free of any Substances of Very High Concern (SVHC) listed in the "Candidate List" issued by European Community Chemical Agency (ECHA) as per the European Community Regulation (EC) n. 1907/2006 (REACH).

21 Control of Documented Information

Suppliers shall control the retention, storage, retrieval and disposal of documented information whether in hard copy, optical or electronic media in accordance with ISO9001:2015 or AS9100:2016 requirements (as applicable).

Documentation shall be available within a 24-hour period unless a longer period is justifiable.

Where records are held on electronic media, consideration of the retention times and accessibility of the records should take into account the rate of degradation of electronic media and the availability of the devices and software needed to access the records.

Where the records are stored on electronic media, the Supplier shall also ensure that a periodic back-up is prepared and kept up to date and that the computer programs used have characteristics of protection and

not alterability of the contained information. Back-up discs shall be stored in a different location from that containing the working discs.

22 Conflict Minerals

The term "Conflict Minerals" describes 4 elements – Tin, Tantalum, Tungsten and Gold, and is commonly referred to as 3TG. If the income derived from the trading of these minerals is used to finance armed conflict in the Democratic Republic of Congo (DRC) and surrounding countries (DRC region), they are classified as "Conflict Minerals". Illegal mining trade is the biggest source of revenue for militias.

Suppliers are asked to source more responsibly and prevent Conflict Minerals from entering global markets by undertaking appropriate due diligence on their supply chain.

23 Modern Slavery & Trafficking

NERC Precision Engineering is committed to the principles of the Modern Slavery Act 2015 and the abolition of modern slavery and human trafficking.

As an equal opportunities employer, NERC Precision Engineering is committed to creating and ensuring a non-discriminatory and respectful working environment for our staff; wanting all staff to feel confident that exposure of wrongdoing will not cause risk to themselves.

NERC Precision Engineering's recruitment and people management processes are designed to ensure that all prospective employees are legally entitled to work in the UK and to safeguard employees from any abuse or coercion. NERC Precision Engineering do not enter into business with any organisation, in the UK or abroad, which knowingly supports or is found to be involved in slavery, servitude and forced or compulsory labour.

NERC Precision Engineering's policies in relation to the Modern Slavery Act 2015 include:

- Code of Conduct
- Code of Ethics Policy
- Whistleblowing Policy
- Bullying and Harassment Policy
- Diversity and Inclusion Policy
- Recruitment and Selection Policy

NERC Precision Engineering expect that its' suppliers also commit to the principles of the Modern Slavery Act 2015 and implement appropriate policies within their Businesses.

Suggested ways of embedding these policies can include:

- provide awareness training to staff on the Modern Slavery Act 2015 and informing them of the appropriate action to take if they suspect a case of slavery or human trafficking
- ensure that consideration of the modern slavery risks and prevention are added to the supplier's policy review process as an employer and procurer of goods and services

- make sure suppliers' procurement strategies and contract terms and conditions include references to modern slavery and human trafficking
- take action to embed a zero-tolerance policy towards modern slavery
- ensure that staff involved in procurement, or the recruitment and deployment of workers receive training on modern slavery and ethical employment practices

24 Ethical Behaviour

NERC has established a Code of Ethics Policy which aims to provide its' employees with guidelines on ethical principles and morals to work to whilst operating as a Business entity.

The Code of Ethics Policy applies to everyone that NERC employs or has business relations with, including individual people such as employees, apprentices, volunteers, individuals on work experience, and also Business entities such as suppliers, contractors, and consultants.

Professional ethics are a set of principles that guide the behaviour of people in a Business context. They are essential to maintaining the legality of Business and a healthy workplace.

NERC has based its' Code of Ethics on common ethical principles and morales, including:

- **Respect for Others** - Treat people as you want to be treated, with Dignity, Respect and Equality.
- **Integrity & Honesty** - Tell the truth and avoid any wrongdoing to the best of your ability.
- **Fairness & Justice** - Make sure you're objective and fair and don't disadvantage others.
- **Lawfulness** - Know and follow the law – always.
- **Competence & Accountability** - Work hard and be responsible for your work.
- **Teamwork** - Collaborate and ask for help.

Individuals are expected to "do the right thing" and always behave and conduct themselves to a high standard, even when no one is watching. Individuals are expected to take responsibility for their actions.

Behaviours not tolerated under this NERC Code of Ethics Policy include, but are not limited to:

- Violence of any kind, harassment or victimisation of others
- Malicious, deceitful or petty conduct
- Theft or fraudulent activities
- Voluntary conflicts of interest
- Exploitation of others, their hard work and/or their mistakes
- Discrimination and/or favouritism