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Supplier Quality Manual

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2 INTRODUCTION

ARS recognizes the very important role our Suppliers have in the value we offer our customers. As an extension of our own operations, we rely on our Suppliers to provide material, products, and services that meet all of the requirements of ARS contracts, applicable specifications, and the quality management requirements outlined herein. The general requirements outlined here do not supersede conflicting requirements in the ARS contract, or drawing, including applicable engineering specifications and process specifications, or applicable long-term agreement(s).

3 PURPOSE AND SCOPE

The purpose of this Supplier Quality Manual is to communicate and elaborate upon ARS expectations and requirements to all potential and existing external suppliers to ARS; with a focus on quality and product reliability. These requirements extend from supplier qualification, to new product development, to serial production, and to service. This includes, without limitation, suppliers of raw materials, components, Original Equipment Manufacturers (OEM), contract manufactures of finished devices, assemblies, and services suppliers associated with our products and services. These expectations and requirements are influenced by ARS' quality, statutory, regulatory, product, processes and customer requirements to ensure quality products.

This Supplier Quality Manual (SQM) provides further explanation and guidance regarding requirements as set forth in existing agreements, purchase orders, drawings and specifications between ARS and our suppliers. It does not replace or alter any existing contracts, purchase orders, drawings or specifications.

4 OUR QUALITY POLICY

ARS strives for, and is committed to, supporting and improving our Business Management System (BMS) while fully complying with legal requirements. We will work to understand process inputs and monitor and measure our process outputs to evaluate effectiveness. Our Management team is committed to using this information to continually improve the BMS

ARS is Customer Focused – we will deliver quality, defect free products and services; fully supporting the process from development stages through prototype and serial production. We will meet Customer Expectations and Requirements.

As part of the Rheinmetall Group, ARS will work hard to be recognized as the "Technology Group" supplying cutting-edge technologies that foster security and mobility in identified strategic marketplaces."

5 SUPPLIER EXPECTATIONS

ARS expects its supply base to have a quality management system in place that complies with ISO 9001 as a minimum; or as defined by specific purchase order and/or contract. A core component in any quality system must be the knowledge, monitoring and continual improvement of key processes. These efforts toward continual improvement and Lean Initiatives must result in improved product / process quality, delivery, and overall efficiency and effectiveness that will result in price reductions and the cost of doing business. Flow down requirements are on every Purchase Order.

5.1 CONTRACTUAL FLOW DOWN/TERMS AND CONDITIONS

The following is not a complete list of ARS Terms & Conditions of a purchase order but rather defines additional requirements surrounding a supplier's Quality Management System and legal and ethical responsibilities required to be a supplier to ARS. A copy of ARS's Supplier Code of Conduct may be downloaded at https://www.rheinmetall.com/en/company/purchasing/purchasing-group#anchor-supplier-code-of-conduct

Inspection and Acceptance

All Products shall be subject to final inspection and acceptance by Buyer at Buyer's destination. Payment for any Product under the Order shall not constitute acceptance thereof. Acceptance of any Product shall not alter or affect Seller's warranties with respect to such Product whether expressly contained herein or implied by law. Buyer may, at its option, either hold rejected Products for Seller's instructions at Seller's risk, or return such Products to Seller at Seller's expense and risk for, at Buyer's option, credit, or return of the purchase price, correction or replacement. No replacement of rejected Products shall be made by Seller unless specified by Buyer in writing. Acceptance of all or any part of the Products shall not bind Buyer to accept any future shipments, nor be deemed to be a waiver of Buyer's right to either cancel unbuilt product or to return any portion of accepted product that is deemed suspect or defective. Non-conforming product due to improper boxing, crating, or packaging shall be remedied at Seller's expense. Such rights shall be in addition to any other remedies provided by law.

Compliance with Laws

Seller shall comply, and each Product shall be compliant, with all applicable federal, state and municipal statues, laws, ordinances and regulations with respect to the Products and/or Seller's performance pursuant to the Order, including, without limitation, the Occupational Safety and Health Act, the Fair Labor Standards, Title VII of the Civil Rights Act, the Age Discrimination in Employment Act, and the Americans with Disabilities Act. At Buyer's request, Seller shall provide appropriate certifications of compliance.

No Change Clause.

Suppliers shall make no change in design, materials, manufacturing location, manufacturing process, or sources of supply, after Buyer's acceptance of the First Article Inspection / PPAP documents. .

Counterfeit Parts Prevention

The Supplier shall ensure that only new and authentic materials are used in material delivered to the Buyer. The Seller may only purchase directly from original manufacturers, manufacturer authorized distributors, franchised distributors, or authorized aftermarket manufacturers. The Supplier shall establish and maintain a Counterfeit Parts / Material Prevention and Control Plan using AS5553 (Ref. elements of Section 4) and/or AS6174 (Ref. elements of Section 3) as a guideline to ensure that counterfeit product is not delivered to Buyer. The purpose of the plan shall be to develop a robust process to prevent the delivery of counterfeit commodities. A counterfeit or suspect counterfeit item is defined as meeting any one of the following criteria:

- Substitution or unauthorized copies of a product or it's agreed upon baseline configuration.
- A product in which the materials used, or the designed performance of the product, has changed without notice.
- A substandard component misrepresented by the Supplier.

Without delay, upon retrieval of information on suspect counterfeit parts, the Seller shall inform Buyer's Purchasing and Quality, in writing, with a proposed corrective action for review and acceptance by Buyer. This

requirement shall be communicated within the Supplier's supply chain for any product which will be delivered to Buyer.

Conflict Minerals Disclosure

Seller shall ensure the security of their supply chain. To support the responsible sourcing of minerals within our supply chain, Sellers are, with regards to certain minerals; Tin, Tantalum, Tungsten and Gold (including their derivatives) originating in the Democratic Republic of the Congo or its surrounding countries, expected to have in place a supply chain policy and processes to undertake:

- A reasonable inquiry into the country of origin of Qualifying Minerals incorporated into products it provides Buyer.
- Due diligence (with reference to OECD/CFSI guidance or similar) of its supply chain, as necessary, to determine if Qualifying Minerals sourced from the Covered Countries directly or indirectly support unlawful conflict there.
- Risk assessment and mitigation actions necessary to implement the country of origin inquiry and due diligence procedures.

OECD = Organization for Economic Co-operation and Development

CFSI = Conflict-Free Sourcing Initiative

Right of Access

During the performance of this contract, Buyer and Authorized government or Customer representatives reserve the right of access to audit and/or review the manufacturing, inspection, and quality control processes for verification and analysis. The Seller or organization that furnishes the item or service shall provide reasonable facilities for the identified representative to perform said duties. Notification shall be provided to the Seller in advance such activities. Every effort will be made to provide at least 5 business days advanced notice.

Supply Chain Security

If the material requested on this Purchase Order is not a Commercial "Off The Shelf" (COTS) item with a significant civil impact in the marketplace and is considered to be designed or modified (to include dual use items) for a military application, the Seller shall not purchase or include any non-COTS items originating from countries restricted by International Traffic in Arms Regulations, 22 CFR 126.1 "Prohibited exports, imports, and sales to or from certain countries."

ITAR Control

Documentation and other information provided by Buyer to Seller in connection with this order may contain technical data, the use of which is restricted by the U.S. Arms Export Control Act. Such technical data may not be transferred to any foreign person in the United States or abroad, except as authorized by the U.S. Department of State or the International Traffic in Arms Regulations (ITAR.) Buyer will mark documents as required to identify whether U.S. export regulations apply.

Obsolescence

The Seller’s obsolescence management shall include processes and other resources necessary for delivery of the product. The supplier shall actively monitor the market and immediately notify Buyer, in writing, of any current and potential obsolescence's issues. For obsolete product, the supplier shall, in writing, either propose a second source, or an alternative/similar product that performs the same function. If the supplier identifies that a redesign is required, the supplier shall also include a request for Engineering Design Change. These changes shall require Buyer’s Customer and/or USG approval prior to implementation. Last Time Buy (LTB) status for parts and/or the product shall be reported to Buyer on a quarterly basis.

Record Retention

All records pertaining to the execution of this contract shall be retained by the Seller for a period of no less than 10 years.

PROHIBITION OF ACQUISITION OF USML ITEMS FROM CHINA

Any supplies or services covered by the United States Munitions List that are delivered under this contract may not be acquired, directly or indirectly, from a Communist Chinese military company.

"United States Munitions List" means the munitions list of the International Traffic in Arms Regulation in 22 CFR Part 121.

"Communist Chinese military company" means any entity that is—

(1) A part of the commercial or defense industrial base of the People's Republic of China; or

(2) Owned or controlled by, or affiliated with, an element of the Government or armed forces of the People's Republic of China.

First Article Inspections (FAI)

FAI is required on all new production runs, changes to facilities/equipment, manufacturing process, including any changes to special processes, and any lapses in production over 1 year. Upon agreement with ARS, a partial (Delta) FAI may be performed on characteristics that change as a result of an ARS or customer approved configuration change.

External Providers will make no changes to the FAI process without formal, written approval from ARS.

It is ARS' preference to use SAE AS9102 forms if possible. Other forms may be used provided they contain at a minimum:

1. **Part Number Accountability Page**
   - ARS P/N and Rev
   - ARS PO#
   - Supplier Name and Location
   - Detail of Assembly FAI
   - Full or Partial FAI
   - FAI Complete/FAI Not Complete
   - Reviewed by and/or Approved by (supplier)
   - Customer Approval (ARS)

2. **Product Accountability Page – Materials, Special Processes and Functional Testing**
   - ARS P/N
   - Material or Process Name
   - Specification Number
   - Supplier
   - Certificate of Conformance Number
   - Final Acceptance Test (FAT)

3. **Characteristic Accountability Page**
   - The characteristic number
   - The characteristic and tolerance
   - The actual value measured
   - Measuring equipment use

Explanation of non-conforming characteristics

Ballooned drawing corresponding to Characteristic Accountability Page

Customer Furnished Material and Equipment (CFM/CFE)

As applicable, the supplier is responsible for suitable handling, storage and relocation of Customer Furnished Material (CFM) and Equipment (CFE). This includes assuring that applicable security regulations are met. An inventory list shall be kept updated and presented upon request. Disposal of any CFM/CFE cannot take place without prior written approval from ARS.

Limited Shelf Life Items

Product with limited shelf life shall have a minimum of 2/3 of the manufacturer's stated shelf life remaining at time of delivery to ARS, except with prior written approval from ARS Purchasing or Quality. Expired product shall never be supplied under any circumstances

It is the suppliers' responsibility to ensure a clear understanding of standard contractual flow downs originating from our customers and ARS Terms and Conditions prior to acceptance of the purchase order.

5.2 SUPPLIER CLASSIFICATION

ARS has 4 Supplier Categories:

1. Design Responsible – Suppliers who are considered the Designer of the component identified for purchase.
2. Build to Print – Suppliers who produce to ARS/Customer drawing and specifications.
3. "Off the Shelf" (COTS) – Suppliers of materials which are available in the commercial marketplace without any design inputs from ARS and of any of their Design Responsible Suppliers.
4. Services – Supplier contracted to perform tasks or other services.

5.3 SUPPLIER EVALUATION AND APPROVAL

The ARS Supplier Approval Team assures that the supplier's Quality Management System (QMS) and the supporting processes are able to consistently provide products and services which meets ARS' quality and regulatory/statutory requirements. ARS has processes in place to assure initial selection, evaluation of capabilities, approval and monitoring of Suppliers.

ARS's Supplier Approval Team will jointly determine the need for and the method of evaluating existing and prospective suppliers taking into consideration:

- The end use of the material/services to be procure
- Specific contractual requirements
- Customer evaluation/approval of the supplier

Suppliers shall be placed on the Approved Supplier List (ASL) upon approval. Suppliers shall be removed from the ASL based on unsatisfactory performance in one or more categories.

Suppliers shall support the requirement to a complete a Supplier Quality Compliance Matrix (SQCM) should it become a flow down requirement from ARS' customer. The SQCM will contain a statement for each requirement in the SQAR, with a reference to the process, procedure or document that ensures compliance to the requirement. Any noncompliance or partial compliance requires a justification.

Qualification process for new suppliers include Process inputs as defined in ARS' BMS procedure.

When selecting a supplier, existing ARS Purchasing Partner(s)/Supplier(s) shall be given preference if deemed capable of providing the requested product or service and remain in good standing from a performance standpoint.

ARS Process Inputs: New supplier

1. Form 607: Non-disclosure Agreement (For categories 1, 2, & 4)
2. Form 609: Vendor Qualifications Form – Part 1 (For all categories)
3. Supplier W9 (for US companies) (For all categories)
4. Background Screening via Dept. of Commerce Screening List (For all categories)
5. ITAR Registration Letter (For categories 1, 2)
6. Kongsberg Compliance Matrix to P-Doc (For categories 1, 2, & 4)
7. Compliance Due Diligence Workflow (For all categories)
8. Form 610: Vendor Qualifications Form – Part 2 (as required)
9. JCP Registration (For categories 1,2)

Suppliers will also be provided a copy of the Rheinmetall Business Partner Policy.

SUPPLIER MONITORING

The adequacy of existing suppliers shall be evaluated using one or more of the following methods:

a) Review and approval of recently conducted supplier audit

b) Monthly review of Quality and On Time Delivery Performance

c) Independent testing on supplied product

d) Supplier Scorecards

SUPPLIER RATING SYSTEM

All Key suppliers are rated using quantitative data and evaluated monthly using supplier scorecards. The following describes the different supplier status levels and the required status criteria.

A = >90% Overall Score – Approved, Excellent. No action required.
B = 80% - 89% - Overall Score – Approved Under Performing. Acceptable but monitor.
C = 70% – 79% - Conditional Approval. Notify in writing, weigh risk of allowing to bid on new business.
D = 60% - 69% - Disapproved. Issue SCAR. No new orders until SCAR is accepted.
E = 50% - 59% - Disapproved. Issue SCAR. No new orders until SCAR is accepted. Consider as 2nd Source if possible.
F= <50 % Overall Score. – Disapproved. Actively look for replacement.
Inactive: Five (5) or more years of no activity
Approved - Excellent: Supplier meets combined expectations for Quality, Delivery, and other requirements deemed important to ARS.
Approved – Under Performing: Supplier is not meeting combined expectations for Quality, Delivery, and other supplier rating areas but has not impacted their ability to receive new purchase orders.
Conditional: Supplier needs to be notified in writing that expectations are not being met. ARS Quality Delegate needs to review performance and determine remedial action if necessary. Management will weigh risk of allowing supplier to be permitted to bid on any new ARS part numbers until status returns to approved.
Disapproved: Supplier receives no new orders. Customer directed suppliers are excluded from this process. ARS sales team shall notify a customer when their supplier reaches disapproved status. ARS Supply Chain team may need to find new source(s) for all part numbers.

Inactive: Suppliers receives no new orders and require requalification as defined per PRO 8.1 Qualification Process for External Providers.

5.4 SUPPLIER CORRECTIVE ACTION REQUESTS

SCAR AND CORRECTIVE ACTION AND PREVENTIVE ACTION (CAPA)

ARS may issue a Supplier Corrective Action Request (SCAR) to the supplier to address quality defects. The supplier should collaborate with ARS to determine the division of responsibility for implementation of the CAPA depending upon the nature of the quality problem and resolution.

Conditions such as the following may trigger a request for Supplier Corrective Action:

a) Repeat failure
b) Field failure
c) Safety related failure
d) Supplier not meeting delivery rating metric
e) Supplier not meeting quality rating metric
f) Quality escape
g) Submission of nonconforming First Article Inspectiobn

Suppliers are required to respond to corrective action requests within 30 days of the issue date.
Suppliers that don't comply will be subject to being placed on conditional status at 30 days overdue then disapproved status at 60 days overdue

5.5 MONITORING AND MEASURING

The Supplier shall determine the monitoring and measurement to be undertaken and the monitoring and measuring devices needed to provide evidence of conformity of product to determine requirements. As a minimum, where necessary to ensure valid results, measuring equipment shall:

a) be calibrated or verified at specified intervals, or prior to use, against measurement standards traceable to international or national measurement standards; where no such standards exist, the basis used for calibration or verification shall be recorded; and
b) be identified to enable the calibration status to be determined.

5.6 SUB-TIER SUPPLIER CONTROLS

Suppliers are responsible for the management of their sub-tier suppliers and the related supply chains to ensure that raw materials and components used in the manufacture of ARS products, parts or provision of services meet ARS specifications and comply with ARS requirements. As such, suppliers shall apply appropriate controls to ensure that their suppliers comply and are capable of meeting specified requirements. Suppliers are required to manage both directed and non-directed sub-tier suppliers and to maintain part qualification and quality for products purchased through them.

5.7 AS9100 Requirements

As a company operating under AS9100 guidelines, ARS is required to flow down the requirements in clause 8.4.3. If there are any questions on the supplier's ability to meet any of the requirements in this section, please contact the ARS Buyer for assistance.

AS9100D, clause 8.4.3 Information for External Providers

The organization shall ensure the adequacy of requirements prior to their communication to the external provider.

The organization shall communicate to external providers its requirements for:

a. the processes, products, and services to be provided *including the identification of relevant technical data (e.g., specifications, drawings, process requirements, work instructions);*

b. the approval of:

1. products and services;
2. methods, processes, and equipment;
3. the release of products and services;

c. competence, including any required qualification of persons;

d. the external providers' interactions with the organization;

e. control and monitoring of the external providers' performance to be applied by the organization;

f. verification or validation activities that the organization, or its customer, intends to perform at the external providers' premises***;***

g. design and development control;

h. special requirements, critical items, or key characteristics;

i. test, inspection, and verification (including production process verification);

j. the use of statistical techniques for product acceptance and related instructions for acceptance by the organization;

k. the need to:

− implement a quality management system;

− use customer-designated or approved external providers, including process sources (e.g., special processes);

− notify the organization of nonconforming processes, products, or services and obtain approval for their disposition;

− prevent the use of counterfeit parts (see 8.1.4);

− notify the organization of changes to processes, products, or services, including changes of their external providers or location of manufacture, and obtain the organization's approval;

− flow down to external providers applicable requirements including customer requirements;

− provide test specimens for design approval, inspection/verification, investigation, or auditing;

− retain documented information, including retention periods and disposition requirements;

l. the right of access by the organization, their customer, and regulatory authorities to the applicable areas of facilities and to applicable documented information, at any level of the supply chain;

m. ensuring that persons are aware of:

− their contribution to product or service conformity;

− their contribution to product safety;

− the importance of ethical behavior.

5.8 DOCUMENT CONTROL

The supplier shall establish, maintain and document procedures to control all Quality Management System documentation and all data generated under the Quality Management System. The supplier shall have only the current revisions of documents available at all appropriate locations.

- CONTROL OF RECORDS

When creating and maintaining records the supplier shall ensure clear, complete and accurate information is recorded. Upon request, documents, which provide evidence that product, parts or services, conform to requirements. Specifications should be retrievable for review by ARS or any regulatory body within a reasonable timeframe.

- RETENTION

A record retention policy should also be in place to ensure records are maintained in accordance with standards, regulations and agreements. Record retention should abide all applicable laws, regulations, standards and agreements.