

## Purchase Order Terms & Quality Clauses

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These Terms and Quality Clauses apply to every purchase order issued by KBE Pty Ltd (ACN 098 080 892) trading as Summers Engineering, and by Summers Finishing Pty Ltd (ACN 689 541 893) unless a separate supply agreement signed by both parties says otherwise. They are referenced on the face of each purchase order by document number and revision. The current revision is available on request.

### 1. Definitions

- 1.1 **Buyer** means KBE Pty Ltd (ACN 098 080 892), including where it trades as Summers Engineering, and Summers Finishing Pty Ltd (ACN 689 541 893), as identified on the Order.
- 1.2 **Supplier** means the person or entity to whom the Order is addressed.
- 1.3 **Order** means the purchase order issued by the Buyer, including all documents referenced on it or attached to it.
- 1.4 **Goods** means the goods, materials, parts, assemblies and deliverables described in the Order.
- 1.5 **Services** means the services, processing, treatment, testing, calibration or work described in the Order, including any advice or recommendation given.
- 1.6 **Specification** means the drawings, models, technical data, standards, process specifications and quality requirements identified in or referenced by the Order, at the revision stated.
- 1.7 **Customer** means any customer of the Buyer for whom the Goods or Services are, directly or indirectly, supplied, and includes that customer's own customers and any regulatory or airworthiness authority.
- 1.8 **Price** means the amount stated on the Order.

### 2. Formation and precedence

- 2.1 The Order is an offer by the Buyer to purchase the Goods or Services on these terms. The Supplier accepts the Order by written acknowledgement, by commencing work, or by delivering any part of the Goods or Services, whichever occurs first.
- 2.2 These terms apply to the exclusion of all other terms. Any terms of sale, quotation, acknowledgement, invoice, delivery docket, website terms or click-through terms put forward by the Supplier are of no effect, whether or not the Buyer has signed or acknowledged them, and no conduct of the Buyer constitutes acceptance of them.
- 2.3 Where there is inconsistency, the following order of precedence applies:
  - (a) any separate supply agreement signed by both parties;
  - (b) the face of the Order;
  - (c) the Specification;
  - (d) the Quality Clauses (clauses 20 to 47);
  - (e) the Trade Terms (clauses 1 to 19).
- 2.4 No variation to the Order is binding unless made in writing by an authorised representative of the Buyer's purchasing function. Verbal instructions, emails from personnel

outside that function, and shop-floor requests do not vary the Order.

- 2.5 The Supplier must notify the Buyer in writing at least fourteen (14) days before any change to its name, ABN/ACN, ownership, banking details or registered address. The Buyer is not liable for payment made to superseded banking details where notice has not been given and independently verified.

### 3. Price

- 3.1 The Price is firm and fixed for the duration of the Order and includes all packaging, preservation, marking, documentation, certification, inspection, testing, tooling amortisation, duties and charges, unless expressly stated otherwise on the face of the Order.
- 3.2 The Price is exclusive of GST. The Supplier must issue a valid tax invoice complying with the A New Tax System (Goods and Services Tax) Act 1999 (Cth).
- 3.3 No surcharge, escalation, minimum order charge, currency adjustment or price increase applies unless agreed in writing by the Buyer before the work is performed.
- 3.4 Where the Order is for Services performed on material free issued by the Buyer, the Price is for the Services only and the Buyer retains title to the material at all times.

### 4. Invoicing and payment

- 4.1 The Supplier must invoice after delivery and must quote the Order number, line number, part number, revision and quantity delivered. Invoices not bearing a valid Order number may be returned unpaid.
- 4.2 Payment terms are as stated on the face of the Order. If not stated, payment is due 30 days from the end of the month in which a correct invoice and conforming delivery are received, whichever is later.
- 4.3 Payment is not evidence of acceptance of the Goods or Services and does not limit any right of the Buyer under clause 7, 8 or the Quality Clauses.
- 4.4 The Buyer may set off against any amount payable to the Supplier any amount owed by the Supplier to the Buyer, including rework, sorting, rectification, freight, expediting and chargeback costs recoverable under clause 7.5.
- 4.5 The Supplier may not suspend or withhold delivery, certification, records or free-issued property on account of a payment dispute.

### 5. Delivery

- 5.1 Time is of the essence. The Supplier must deliver the full quantity to the delivery point on the date stated on the Order.
- 5.2 Unless stated otherwise, delivery is DDP (Incoterms 2020) to the address on the Order, during the Buyer's stated receiving hours. Risk in the Goods passes on delivery and acceptance at that point.
- 5.3 The Supplier must notify the Buyer in writing immediately upon becoming aware of any actual or likely delay, with

the cause, the revised date and the recovery plan. Notification does not relieve the Supplier of liability for late delivery.

- 5.4 Over-delivery, under-delivery, early delivery and part-delivery are not accepted without the Buyer's prior written approval. The Buyer may return unapproved excess at the Supplier's cost and risk.
- 5.5 Each delivery must be accompanied by a delivery docket showing the Order number, line number, part number and revision, quantity, batch or lot identification, and must be accompanied by the documentation required under clauses 28 and 46.
- 5.6 If the Supplier fails to deliver on time, the Buyer may (without limiting its other rights) require expedited freight at the Supplier's cost, procure substitute goods or services elsewhere and recover the additional cost, or cancel the affected part of the Order.

## **6. Title, risk and Buyer's property**

- 6.1 Title in the Goods passes to the Buyer on the earlier of delivery or payment. Risk passes on delivery and acceptance.
- 6.2 All material, tooling, fixtures, gauges, drawings, models, technical data and other property supplied by the Buyer, or paid for by the Buyer, remains the property of the Buyer.
- 6.3 The Supplier must, in respect of Buyer's property:
  - (a) hold it as bailee, clearly identify it as the Buyer's property and keep it segregated from its own stock;
  - (b) not use it for any purpose other than performance of the Order;
  - (c) maintain, calibrate and store it appropriately, and insure it for full replacement value;
  - (d) not charge, encumber, pledge or grant any interest in it, and not permit any lien to arise over it;
  - (e) report loss, damage, deterioration or unsuitability to the Buyer in writing immediately; and
  - (f) return it on demand, or on completion, cancellation or termination of the Order.
- 6.4 The Supplier must not assert any lien, right of retention or possessory right over the Goods, the Buyer's property, or any record or certificate relating to them.

## **7. Inspection, acceptance and rejection**

- 7.1 The Buyer may inspect, test and audit the Goods and Services at any stage, including at the Supplier's or its sub-tier's premises (see clause 38).
- 7.2 Inspection, testing, approval of a First Article, payment or acceptance of delivery does not relieve the Supplier of responsibility for conformity, nor waive any right of the Buyer in respect of defects subsequently discovered.
- 7.3 The Buyer may reject Goods or Services that do not conform to the Order, the Specification or the Quality Clauses, including for missing, incomplete or non-compliant documentation.
- 7.4 On rejection the Buyer may, at its option:
  - (a) reject and return at the Supplier's cost and risk;
  - (b) require replacement or re-performance within a time specified by the Buyer;

- (c) require the Supplier to rework on the Buyer's premises at the Supplier's cost, subject to the Buyer's approval and site induction;
- (d) rework, sort or rectify itself or through a third party and recover the cost; or
- (e) cancel the affected part of the Order and recover the Price paid.

- 7.5 The Supplier is liable for all reasonable costs arising from nonconformity, including inspection and sorting, rework and rectification, expedited freight, scrapped Buyer material, re-certification and re-qualification, and any chargeback, corrective action cost, penalty or claim passed to the Buyer by its Customer as a result of the nonconformity.
- 7.6 Goods rejected, scrapped or held for disposition must not be returned to the supply chain and must be disposed of in accordance with clause 25.
- 7.7 The Supplier must not redeliver corrected or previously rejected Goods without disclosing the former rejection or requirement for correction, and must disclose the corrective action taken. Repair, replacement or other correction and redelivery must be completed within the original delivery schedule, or by such later date as the Buyer may reasonably direct.

## **8. Warranty**

- 8.1 The Supplier warrants that the Goods and Services:
  - (a) conform to the Order, the Specification and the Quality Clauses;
  - (b) are free from defects in material, workmanship and design (to the extent the Supplier is responsible for design);
  - (c) are new, genuine, and not counterfeit, refurbished, reclaimed, time-expired or previously used unless expressly ordered as such;
  - (d) are free from any encumbrance and supplied with good title; and
  - (e) comply with all applicable laws and standards.
- 8.2 The warranty period is the longer of twenty-four (24) months from acceptance by the Buyer, any period required by the Buyer's Customer and notified to the Supplier, and any period stated on the Order. The warranty period for repaired or replaced Goods restarts on acceptance of the repair or replacement.
- 8.3 Nothing in the Order excludes, restricts or modifies any guarantee, condition, warranty or right conferred by the Competition and Consumer Act 2010 (Cth) or any other law that cannot lawfully be excluded.
- 8.4 The warranty in clause 8.1 continues to apply to latent defects, and to defects arising from nonconformities that the Supplier did not disclose, without limit of time.

## **9. Changes**

- 9.1 The Buyer may, by written notice, change the quantity, delivery date, delivery point, Specification or packaging. Where such a change materially affects cost or time, the Supplier must notify the Buyer in writing within ten (10) business days with substantiation, and the parties will

agree an equitable adjustment. The Supplier must continue to perform pending agreement.

- 9.2 The Supplier must not make any change of the kind described in clause 24 without the Buyer's prior written approval.

## 10. Termination

- 10.1 **For convenience.** The Buyer may terminate all or part of the Order at any time by written notice. The Buyer's liability is limited to the Price of conforming Goods and Services already delivered and accepted, plus the documented, reasonable and unavoidable cost of work in progress and non-returnable material committed in reliance on the Order, provided the Supplier substantiates those costs and takes all reasonable steps to mitigate. The Buyer may take delivery of that work in progress and material. In no case does the Buyer's liability exceed the Price of the terminated portion of the Order.
- 10.2 **For cause.** The Buyer may terminate immediately by written notice if the Supplier breaches the Order and fails to remedy within ten (10) business days of notice, fails to deliver on time, delivers nonconforming Goods or Services, loses a certification or approval required under clause 21 or clause 23, or breaches clause 12, 14 or 15.
- 10.3 **Insolvency.** The Buyer may terminate immediately if the Supplier becomes insolvent, has a controller, receiver, administrator or liquidator appointed, enters an arrangement with creditors, or ceases or threatens to cease to carry on business.
- 10.4 On termination for cause or insolvency the Supplier must immediately deliver to the Buyer all Buyer's property, all work in progress for which the Buyer has paid, and all records, certificates and technical data relating to the Order.
- 10.5 Termination does not affect accrued rights, and clauses 6, 7, 8, 12, 13, 14, 15, 23 and clauses 25, 37 and 38 survive.

## 11. Liability, indemnity and insurance

- 11.1 The Supplier indemnifies the Buyer against all loss, damage, cost, claim and liability arising from:
- (a) any breach of the Order by the Supplier;
  - (b) any defect in or nonconformity of the Goods or Services;
  - (c) any act, omission, negligence or wilful misconduct of the Supplier, its personnel or sub-tier suppliers;
  - (d) any claim that the Goods or Services infringe a third party's intellectual property rights, other than to the extent the infringement arises solely from the Buyer's Specification; and
  - (e) any injury to, or death of, any person, or damage to property, caused by the Supplier or the Goods.
- 11.2 The Supplier must maintain, with insurers reasonably acceptable to the Buyer:
- (a) public and products liability insurance of not less than \$20 million per occurrence;
  - (b) workers compensation insurance as required by law;
  - (c) professional indemnity insurance of not less than \$10 million, where the Supplier performs design, engineering, testing or certification work; and

(d) insurance over the Buyer's property under clause 6.3(c).

- 11.3 The Supplier must provide certificates of currency on request and must notify the Buyer immediately of cancellation, lapse or material reduction in cover. The existence of insurance does not limit the Supplier's liability.
- 11.4 The Supplier's liability is not limited to the Price of the Order. Nothing in the Order limits the Supplier's liability for personal injury, death, fraud, wilful misconduct, or breach of clause 12 or 14.

## 12. Confidentiality

- 12.1 All drawings, models, specifications, technical data, processes, pricing, customer identities, forecasts and other information disclosed by the Buyer, or generated in performing the Order, is confidential information of the Buyer.
- 12.2 The Supplier must use confidential information only to perform the Order, must not disclose it to any third party (including a sub-tier supplier) without the Buyer's prior written consent and an equivalent written confidentiality obligation, must restrict access to personnel with a need to know, and must return or destroy it on request or on completion of the Order.
- 12.3 The Supplier must not use the Buyer's name, the name of the Buyer's Customer, or any image of the Goods in any advertising, marketing, website, social media, case study, tender or capability statement without the Buyer's prior written consent.
- 12.4 This clause does not displace any separate non-disclosure agreement between the parties, which continues to apply according to its terms.
- 12.5 Where the Supplier receives, creates or has access to personal information on the Buyer's behalf, the Supplier must process and use it only as necessary to perform the Order, must comply with all applicable privacy and data protection law, must not retain it longer than necessary or transfer it to any third party without the Buyer's prior written consent, must provide copies or effect corrections or deletions on request, and must notify the Buyer of any breach affecting that information within twenty-four (24) hours of becoming aware of it.

## 13. Intellectual property

- 13.1 All intellectual property in drawings, models, specifications and technical data supplied by the Buyer remains the property of the Buyer or its Customer. No licence is granted except to perform the Order.
- 13.2 Intellectual property created by the Supplier specifically in performing the Order, including in tooling, fixtures and programs paid for by the Buyer, vests in the Buyer on creation. The Supplier assigns that intellectual property to the Buyer and must do all things necessary to give effect to the assignment.
- 13.3 The Supplier retains its pre-existing intellectual property and grants the Buyer a perpetual, irrevocable, royalty-free licence to use it to the extent necessary to use, maintain, repair and support the Goods.

13.4 The Supplier warrants that the Goods and Services, and their manufacture and use, do not infringe any patent, registered design, copyright, trademark or other right of any third party, except to the extent the infringement arises solely from the Buyer's Specification.

#### **14. Export control, defence security and controlled information**

14.1 The Supplier must comply with all applicable export control and defence trade laws, including the Defence Trade Controls Act 2012 (Cth) and the Defence and Strategic Goods List, the Customs Act 1901 (Cth), and, where applicable, the United States International Traffic in Arms Regulations (ITAR) and Export Administration Regulations (EAR).

14.2 The Supplier must not supply, transfer, disclose or provide access to controlled technology or technical data, including DSGT technology and ITAR-controlled technical data, to any foreign person (including a foreign person within Australia), or to any location outside Australia, without the Buyer's prior written approval and any required permit, licence or authorisation.

14.3 The Supplier must identify to the Buyer, before acceptance of the Order, any export control classification, licence condition or third-party approval applicable to the Goods, Services or associated technical data.

14.4 Where the Order involves classified, security-classified, OFFICIAL: Sensitive, DISP-controlled or Customer-designated controlled information, the Supplier must handle, store, transmit and dispose of that information in accordance with the requirements notified by the Buyer, must hold any membership, clearance or accreditation specified on the Order, and must notify the Buyer immediately of any actual or suspected compromise, loss or unauthorised disclosure.

14.5 The Supplier must notify the Buyer of any cyber security incident, or any exfiltration or loss of Buyer information, immediately on discovery and in any event within seventy-two (72) hours of discovery, and must notify the Buyer of any incident affecting the Supplier's ability to perform the Order.

14.6 The Supplier must comply with any additional security, personnel screening, facility or information-handling requirement flowed down on the face of the Order and must flow those requirements to its sub-tier suppliers.

#### **15. Ethical conduct, modern slavery and work health and safety**

15.1 The Supplier must comply with all applicable laws, including anti-bribery and anti-corruption laws, competition and consumer law, and sanctions laws.

15.2 The Supplier must not offer or give any inducement, gift, hospitality or benefit to any officer, employee or contractor of the Buyer or its Customer intended to influence a business decision.

15.3 The Supplier must take reasonable steps to ensure there is no modern slavery, forced labour, child labour or human trafficking in its operations or supply chain, consistent with the Modern Slavery Act 2018 (Cth), and must provide

information reasonably required for the Buyer's or its Customer's reporting obligations.

15.4 The Supplier must comply with all applicable work health and safety laws and, when on the Buyer's premises, with the Buyer's site rules, induction and directions.

15.5 The Supplier must maintain a means by which its personnel can report unethical behaviour or product safety concerns without fear of reprisal (see also clause 33).

#### **16. Sub-contracting and assignment**

16.1 The Supplier must not assign or novate the Order without the Buyer's prior written consent.

16.2 The Supplier must not subcontract manufacture, processing, inspection or testing of the Goods, in whole or in part, without the Buyer's prior written approval (see clauses 23 and 24). Approval does not relieve the Supplier of responsibility for conformity, and the Supplier remains liable for the acts and omissions of its sub-tier suppliers as if they were its own.

16.3 The Buyer may assign the Order, in whole or part, to a related body corporate.

#### **17. Force majeure**

17.1 Neither party is liable for failure to perform caused by an event beyond its reasonable control, provided that party notifies the other in writing within five (5) business days with the cause and expected duration, and uses all reasonable endeavours to mitigate and resume performance.

17.2 Inability to pay, industrial action confined to the Supplier's own workforce, sub-tier supplier failure and material price movement are not force majeure events.

17.3 If a force majeure event continues for more than thirty (30) days, the Buyer may terminate the affected part of the Order without liability other than for conforming Goods already delivered and accepted.

#### **18. Disputes**

18.1 A party must not commence proceedings (other than for urgent interlocutory relief) unless it has given written notice of the dispute and the parties' senior representatives have met, or attempted in good faith to meet, within twenty (20) business days of that notice.

18.2 The Supplier must continue to perform the Order while a dispute is being resolved.

#### **19. General**

19.1 **Governing law.** The Order is governed by the laws of New South Wales, and the parties submit to the non-exclusive jurisdiction of the courts of that State.

19.2 **Entire agreement.** The Order, these terms and the documents referenced in clause 2.3 are the entire agreement between the parties in respect of its subject matter.

19.3 **Severability.** If any provision is invalid or unenforceable, it is severed and the remaining provisions continue in force.

19.4 **Waiver.** No failure or delay by the Buyer in exercising a right operates as a waiver of it.

- 19.5 **Notices.** Notices must be in writing and sent to the addresses stated on the Order or as subsequently notified.
- 19.6 **Relationship.** Nothing in the Order creates a partnership, joint venture, agency or employment relationship.
- 19.7 **PPSA.** The Supplier must not register a financing statement in respect of the Goods, the Buyer's property or the Order without the Buyer's prior written consent and must remove any such registration on demand.

## KBE Quality Clauses

These requirements support KBE's obligations under AS9100D clause 8.4, including the determination and communication of requirements to external providers under 8.4.3, and flow down requirements received from KBE's Customers.

### 20. Application and flow-down

- 20.1 Clauses 20 to 47 apply to the Order in full unless specific clauses are called out on the face of the Order. Where the Order relates only to goods or services that do not form part of, or affect, product supplied by KBE to its customers, only the clauses called out on the Order apply.
- 20.2 The Supplier must flow down to its sub-tier suppliers all applicable requirements of the Order, these requirements, and any Customer-specific requirements notified by KBE, including the right of access under clause 38 and the record retention obligation under clause 37. The Supplier is responsible for ensuring sub-tier compliance and for verifying conformity of sub-tier product.
- 20.3 Where a Customer-specific requirement is identified on the Order or in an attachment, it takes precedence over the equivalent requirement in these Quality Clauses to the extent of any inconsistency.

### 21. Quality management system

- 21.1 The Supplier must establish, implement and maintain a documented quality management system appropriate to the Goods and Services supplied, as a minimum certified to ISO 9001 by an accredited third-party registrar, or were stated on the Order, certified to AS9100D, AS9110 or AS9120 as applicable.
- 21.2 Where AS9100D certification is required, the Supplier's certification must be listed and maintained in the OASIS database.
- 21.3 Where the Supplier is not third-party certified, it must maintain a documented quality system acceptable to KBE and is subject to survey and approval by KBE under clause 38.
- 21.4 The Supplier must notify KBE in writing within five (5) business days of any suspension, withdrawal, expiry, downgrade, scope reduction or adverse change to its certification or approval status, or of any regulatory, Customer or government action affecting its ability to supply.

### 22. Approved supplier status

- 22.1 The Supplier is approved for the scope of supply recorded on KBE's Approved Supplier List. The Supplier must not

supply outside that scope without KBE's prior written approval.

- 22.2 KBE may survey, audit, re-approve, restrict, suspend or remove the Supplier's approval at any time. Restriction or suspension does not relieve the Supplier of its obligations under open Orders.

### 23. Special processes and designated sources

- 23.1 Special processes — including heat treatment, surface treatment, anodising, plating, chemical conversion coating, painting, welding, brazing, shot peening, non-destructive testing, chemical processing, and materials testing — must be performed only by a source approved by KBE or, where the Order or Specification so requires, designated or approved by KBE's Customer.
- 23.2 Where Nadcap accreditation is required by the Order or Specification, the source must hold and maintain current Nadcap accreditation for the specific process and specification, and the accreditation reference must appear on the Certificate of Conformity.
- 23.3 The Supplier must not change a special process source, process specification or process parameters without approval under clause 24.
- 23.4 Where KBE's Customer designates a source for any process, material or component, the Supplier must use that source. Use of a non-designated source renders the product nonconforming regardless of its technical acceptability.
- 23.5 This clause applies equally where a process is performed by a related body corporate of KBE, including Summers Finishing Pty Ltd. Related-party processing is subject to the same approval, accreditation, certification and record requirements as any third-party source.

### 24. Notification of change

- 24.1 The Supplier must obtain KBE's prior written approval, and where KBE's Customer so requires the approval of that Customer, before implementing any change to:
- (a) product design, where the Supplier is responsible for design;
  - (b) manufacturing process, method, sequence or routing;
  - (c) process specification, parameters or chemistry;
  - (d) tooling, fixtures, programs or gauging that affect form, fit, function or key characteristics;
  - (e) material, material source or material specification;
  - (f) special process source or sub-tier supplier;
  - (g) inspection or test method, equipment or acceptance criteria;
  - (h) manufacturing or processing location; or
  - (i) the quality organisation, procedures or personnel responsible for conformity verification.
- 24.2 Notification must be given at least one hundred and eighty (180) days before the proposed change and must include the nature of the change, the reason, the affected part numbers and Orders, the assessed impact on conformity, and the proposed re-qualification or First Article Inspection plan.

- 24.3 The Supplier must notify KBE within thirty (30) days of any sale, merger, change of control, relocation or transfer of its manufacturing operations.
- 24.4 Changes made without approval entitle KBE to reject all affected product, whether or not it conforms technically, and to recover all resulting costs under clause 7.5.
- 24.5 The Supplier must notify KBE immediately on becoming aware that any item or material supplied under the Order is obsolete, is marked for impending obsolescence, or has an established end-of-production date. Notification must identify the affected parts, the date of obsolescence and end-of-production date, the reason, the pricing and availability of a last-time buy, the supportability terms for that buy, and the Supplier's recommended replacement together with any impact on performance, price, availability and lead time. This obligation continues to the end of the warranty period.

## 25. Nonconforming product and escapes

- 25.1 The Supplier must maintain a documented process for the identification, documentation, segregation, evaluation and disposition of nonconforming material, and must ensure nonconforming material is not used for production or released for delivery.
- 25.2 The Supplier must not disposition nonconforming product as "use-as-is" or "repair" without KBE's prior written authority. Where KBE's Customer or a regulatory authority holds design authority, KBE will obtain that authority before granting approval. Rework to the approved drawing and specification does not require approval but must be recorded.
- 25.3 Any request for concession, deviation, waiver or production permit must be submitted to KBE in writing before shipment, using KBE's form where provided, and must identify the part number and revision, quantity affected, the nonconformity, the root cause, the containment action and the proposed disposition. Approval, if granted, applies only to the quantity and Order stated.
- 25.4 Product shipped under an approved concession must be identified as such on the delivery docket and the Certificate of Conformity and must be separately packaged and labelled.
- 25.5 **Escape notification.** The Supplier must evaluate every nonconformity for its potential to exist in product already produced or delivered. Where nonconforming product may have been delivered to KBE, the Supplier must notify KBE in writing:
- (a) within twenty-four (24) hours where the nonconformity affects, or may affect, product safety, airworthiness, flight safety or a critical item; and
  - (b) within five (5) business days for all other nonconformities.
- 25.6 The escape notification must identify the affected part numbers, revisions, quantities, batch or serial numbers, Order numbers and delivery dates, the nature of the nonconformity, the containment action taken, and the

recommended action for product in KBE's possession or already delivered onward.

- 25.7 Nonconforming, rejected, scrapped or time-expired product must be physically rendered unusable and disposed of so that it cannot re-enter any supply chain. The same applies to any part, material or item that contains, conveys, embodies or is made in accordance with KBE's or its Customer's proprietary information, which must not be sold or otherwise disposed of, as scrap or otherwise, without KBE's prior written authorisation and must be rendered unusable before disposal. KBE may require evidence of disposal or require the product to be returned to KBE.
- 25.8 The Supplier must maintain records of all nonconforming material, dispositions, causes, corrective actions and verification of effectiveness, for the period specified in clause 37.

## 26. Corrective action

- 26.1 The Supplier must respond to every KBE corrective action request (CAR) using a structured problem-solving method (8D, or an equivalent method acceptable to KBE), within the following timeframes unless otherwise stated on the CAR:
- (a) containment and initial response: three (3) business days;
  - (b) root cause analysis and corrective action plan: fifteen (15) business days;
  - (c) evidence of implementation and verification of effectiveness: as agreed, and not more than sixty (60) days.
- 26.2 Corrective action must address the occurrence, the systemic cause, and the escape (why detection failed), and must include a read-across assessment to similar parts, processes and products.
- 26.3 KBE may reject a corrective action response that does not demonstrate verified root cause or effectiveness and may require re-submission at the Supplier's cost.
- 26.4 The Supplier must provide trend data and analysis on returned or rejected items when requested.

## 27. First Article Inspection

- 27.1 Where required by the Order, the Supplier must perform and submit a First Article Inspection (FAI) in accordance with AS9102 (current revision), using forms 1, 2 and 3, prior to or with the first delivery.
- 27.2 A full or partial FAI is required for:
- (a) first production run of a new part number;
  - (b) change of design affecting form, fit or function;
  - (c) change of manufacturing process, method, tooling (where it affects characteristics), material or source;
  - (d) change of manufacturing or processing location;
  - (e) a lapse in production of two (2) years or more; and
  - (f) where required by KBE following a nonconformity or corrective action.
- 27.3 The FAI report must include a ballooned drawing, all characteristic results with actual measured values, material and process certifications, and evidence of any approved concession. Attribute-only reporting ("pass" or

"conforms") is not acceptable for dimensional characteristics.

27.4 Product must not be shipped in advance of FAI approval unless KBE approves in writing.

## **28. Certificate of Conformity**

28.1 Every delivery must be accompanied by a Certificate of Conformity signed or authorised by the Supplier's quality function, containing as a minimum:

- (a) Supplier name, address and, where applicable, certification or accreditation reference;
- (b) KBE Order number and line item;
- (c) part number and drawing or specification revision;
- (d) quantity delivered and quantity rejected or scrapped, if applicable;
- (e) batch, lot, heat, cast or serial number traceability;
- (f) material specification, grade, temper and heat or cast number;
- (g) each process performed, the process specification and revision, and the name of the source performing it;
- (h) reference to any approved concession, deviation or waiver;
- (i) a statement that the product conforms to all requirements of the Order; and
- (j) the name, position, signature and date of the authorising person.

28.2 Certificates must be legible, in English, and must not be altered. Corrections must be made by re-issue, not by amendment of the original.

28.3 Where the Goods originate outside Australia, the Supplier must provide KBE, before first shipment, with a Certificate of Origin identifying the country of origin, the Supplier's name, the Order number and the part number, together with any further documentation KBE reasonably requires, including the export control classification of the Goods and associated technical data.

## **29. Material, traceability and preservation**

29.1 Raw material must be supplied with mill certification to EN 10204 type 3.1 or an equivalent acceptable to KBE, showing chemical and mechanical properties and the heat or cast number.

29.2 The Supplier must maintain traceability from delivered product back to raw material heat or cast number, and forward to all deliveries in which that material was used.

29.3 Material and product must be identified at all stages so that identity, revision status and inspection status are apparent. Loss of identity renders the material nonconforming.

29.4 Age-sensitive and shelf-life-limited material must be marked with manufacture date, expiry date, batch number and storage conditions, and must be delivered with not less than 75% of its shelf life remaining unless otherwise agreed in writing.

## **30. Key characteristics, critical items and special requirements**

30.1 Where the Order or Specification identifies key characteristics, critical items, flight safety parts, fracture critical items or special requirements, the Supplier must identify them in its planning, apply appropriate controls, and provide results for each such characteristic with the delivery.

30.2 Where required by the Order, the Supplier must demonstrate and maintain process capability for key characteristics and report capability indices with the delivery.

30.3 Critical characteristics must be 100% inspected. Sampling of critical characteristics is not permitted.

## **31. Inspection, test and sampling**

31.1 The Supplier must verify that all product conforms to the Order and Specification before delivery.

31.2 Sampling inspection plans require KBE's prior written approval and must be based on a recognised standard with an acceptance number of zero (for example, ANSI/ASQ Z1.4 C=0, or AS13003 where applicable). A sampling plan must not be applied to a characteristic identified under clause 30.

31.3 Where source inspection, Customer source inspection, or government source inspection is specified on the Order, product must not be shipped until released in writing by the designated representative.

31.4 The Supplier must notify KBE at least five (5) business days before product is ready for source inspection.

## **32. Measuring and test equipment**

32.1 Measuring and test equipment used to verify conformity must be calibrated at defined intervals against standards traceable to national or international measurement standards and must be identified with calibration status.

32.2 The Supplier's calibration system must comply with ISO 10012, ANSI/NCCL Z540.3 or an equivalent acceptable to KBE.

32.3 Where equipment is found out of tolerance, the Supplier must assess the validity of previous measurement results and must notify KBE in writing within five (5) business days where delivered product may be affected, following clause 25.5.

## **33. Competence, awareness, product safety and ethical behaviour**

33.1 The Supplier must ensure that personnel performing work affecting conformity are competent and that records of qualification are maintained. Where qualification is specified by standard, personnel must be qualified accordingly, including:

- (a) NDT personnel to NAS 410, ISO 9712 or AINDT, as specified;
- (b) welders and welding operators to the applicable qualification standard;
- (c) operators of special processes as required by the process specification.

33.2 The Supplier must ensure its personnel are aware of:

- (a) their contribution to product or service conformity;
- (b) their contribution to product safety; and
- (c) the importance of ethical behaviour.

33.3 The Supplier must have a means for personnel to raise product safety and ethical concerns without fear of reprisal and must notify KBE of any matter affecting the safety of delivered product.

#### **34. Counterfeit part and material prevention**

34.1 The Supplier must establish and maintain a Counterfeit Prevention and Control Plan using the current revision of AS5553 (electronic parts) or AS6174 (materiel other than electronic parts) as content guidance.

34.2 The Supplier must procure product, and components of product, directly from the Original Component Manufacturer or Original Equipment Manufacturer, or from their authorised or franchised distributor chain, with traceability identifying every intermediary in the supply chain from the manufacturer to the Supplier. A Certificate of Conformance must accompany each shipment. Where an original OCM or OEM certificate is not available, the Supplier must provide complete and compelling evidence that the product is legitimate, including such documentation, testing and inspection as KBE may reasonably request.

34.3 Procurement through an independent distributor or broker not authorised by the OCM or OEM is not permitted. Where a part is subject to diminishing manufacturing sources or obsolescence and no authorised source remains, the Supplier must notify KBE under clause 24.5 and must not proceed without KBE's prior written direction.

34.4 Where full traceability is not obtainable, the Supplier must give written notice to KBE before delivery, with records of the tests and inspections performed and evidence of conformance to acceptance criteria establishing authenticity. Written notice is not required for raw material and standard hardware from independent distributors or brokers, provided commodity-level traceability to the original manufacturer is available.

34.5 The Supplier must notify KBE immediately if it becomes aware, or suspects, that it has furnished counterfeit product, and must quarantine and retain the suspect product pending KBE's instructions. Suspect counterfeit product must not be returned to the supply chain.

34.6 The Supplier, and any of its sub-tier suppliers with access, must participate in the Government-Industry Data Exchange Program (GIDEP), monitor GIDEP reports, and act on any report affecting product supplied to KBE. Where KBE directs, the Supplier must issue a GIDEP alert, and must ensure that no further counterfeit or suspect counterfeit product is delivered to KBE.

#### **35. Foreign Object Damage prevention**

35.1 The Supplier must maintain a Foreign Object Damage prevention program in accordance with AS9146.

35.2 By delivering product, the Supplier certifies that the product and its packaging are free from foreign objects and foreign object damage.

#### **36. Packaging, preservation and handling**

36.1 Product must be packaged to prevent damage, corrosion, contamination and deterioration in transit and storage, and in accordance with any packaging specification called out on the Order.

36.2 Each package must be labelled with the KBE Order number, part number and revision, quantity, and batch, lot or serial identification. Mixed part numbers or mixed batches in a single package are not permitted without identification and segregation.

36.3 Electrostatic sensitive devices must be packaged and handled in accordance with ANSI/ESD S20.20 or equivalent.

36.4 Hazardous material must be delivered with current Safety Data Sheets and must comply with applicable transport, labelling and storage law.

#### **37. Records**

37.1 The Supplier must maintain complete records of manufacturing, process control, process capability (where applicable), inspection, test, calibration, material and process certification, nonconformity and corrective action.

37.2 Records must be retained for not less than ten (10) years after completion of the Order, or for any longer period stated on the Order or required by KBE's Customer or a regulatory authority.

37.3 Records must be legible, retrievable, protected from loss and deterioration, and available in English.

37.4 The Supplier must not destroy records at the end of the retention period without giving KBE ninety (90) days' prior written notice and an opportunity to take delivery of them.

37.5 On cessation of business, sale or transfer of operations, the Supplier must notify KBE and make arrangements acceptable to KBE for the transfer or continued retention of records.

#### **38. Right of access**

38.1 The Supplier must provide, and must obtain from its sub-tier suppliers, right of access for KBE, KBE's Customers, and regulatory and airworthiness authorities to all facilities where work under the Order is being or is scheduled to be performed, and to all applicable records.

38.2 KBE and its Customers may perform in-process inspection, source inspection, audit and system surveillance at the Supplier's and its sub-tier suppliers' facilities as part of verification of conformance to the Order.

38.3 Denial of access may result in suspension or withdrawal of the Supplier's approval and is a breach entitling KBE to terminate under clause 10.2.

38.4 The Supplier must include this right of access in its purchase orders with its sub-tier suppliers.

#### **39. Supplier performance**

39.1 KBE monitors supplier performance on on-time delivery, quality conformance, responsiveness to corrective action, and documentation compliance.

39.2 Performance below KBE's stated thresholds may result in a request for a performance improvement plan, increased inspection at the Supplier's cost, source inspection, suspension of new Orders, or removal from the Approved Supplier List.

39.3 The Supplier must participate in performance reviews and provide supporting data on request.

#### **40. Control of technical data**

40.1 The Supplier must work only to the drawing, model and specification revision stated on the Order, and must have a documented process for controlling revisions and removing obsolete data from use.

40.2 Where the Supplier receives technical data directly from KBE's Customer, it must verify with KBE that the revision is current before use.

40.3 Digital product definition (model-based definition) must be handled in accordance with the requirements stated on the Order.

#### **41. Software and digital product**

41.1 Where the Order includes deliverable software, firmware or embedded code, the Supplier must maintain configuration control, version identification and release records, and must deliver a version description with each release.

#### **42. Statistical process control**

42.1 Where required by the Order, the Supplier must apply statistical process control to identified characteristics, must maintain control charts, and must make the data available to KBE on request. Out-of-control conditions affecting delivered product must be reported under clause 25.5.

#### **43. Design and development control**

43.1 Where the Supplier is responsible for the design or development of any part of the Goods, the Supplier must maintain a documented design and development process addressing planning, inputs, controls, review, verification, validation, outputs and the control of design changes.

43.2 The Supplier must obtain KBE's written approval of the design at the stages identified on the Order, and must not release product to production before that approval.

43.3 The Supplier must notify KBE of any design change, and must not implement a change affecting form, fit, function, interchangeability, weight, material or a key characteristic without KBE's prior written approval under clause 24.

43.4 The Supplier must retain design records, including verification and validation results, for the period specified in clause 37, and must make them available to KBE, KBE's Customers and regulatory authorities on request.

#### **44. Test specimens**

44.1 Where required by the Order, the Supplier must provide test specimens for design approval, inspection, verification, investigation, qualification or audit.

44.2 Test specimens must be produced from the same material, by the same process and on the same equipment as the delivered product, must be identified with the applicable

batch, heat or lot, and must be accompanied by the records identified on the Order.

44.3 The Supplier must retain, or make available, sufficient material from the production batch to permit further testing where the Order or the Specification so requires.

#### **45. Defense Priorities and Allocations System (DPAS)**

45.1 Where a DPAS rating appears on the face of the Order, the Order is a rated order certified for United States national defense, emergency preparedness or energy program use, and the Supplier must follow all requirements of the Defense Priorities and Allocations System regulation (15 CFR part 700). Acknowledgement of the Order constitutes acceptance of the rating and of the obligation to flow the rating down to sub-tier orders.

#### **46. Deliverable documentation package**

46.1 Unless otherwise stated on the Order, the following must accompany each delivery:

- (a) delivery docket per clause 5.5;
- (b) Certificate of Conformity per clause 28;
- (c) material certification per clause 29.1;
- (d) special process certifications per clause 23, identifying each source and accreditation;
- (e) inspection results for key and critical characteristics per clause 30;
- (f) FAI report where required by clause 27;
- (g) approved concession documentation where applicable per clause 25.4; and
- (h) Safety Data Sheets where applicable per clause 36.4.
- (i) Certificate of Origin where the Goods originate outside Australia, per clause 28.3.

47. Delivery without the required documentation is a nonconforming delivery. KBE may reject the delivery, withhold payment, or hold the product in quarantine at the Supplier's risk until documentation is provided.