



## Procedure PR-PRO-019

### Purchasing

#### 1. SUMMARY

- 1.1. This procedure defines the requirements for evaluation and selection of critical suppliers, purchasing critical materials and services, and monitoring supplier performance.
- 1.2. The receipt and receiving inspection of incoming purchased items is defined in the procedure **Receiving**.
- 1.3. “Critical materials or services” are those materials or services which are incorporated into final product, or which have a direct impact on the company’s product or quality system, or which are otherwise deemed as critical by management.
- 1.4. Office supplies, administrative consumables, furniture, etc. are not critical materials, and therefore not subject to this procedure.
- 1.5. Pure Rail understands it is responsible for the conformity of all products purchased from suppliers, including product from sources defined by the customer.

#### 2. REVISION AND APPROVAL

Rev.	Date	Nature of Changes	Approved By
1	01/01/2016	Original issue.	Kyle Devine
2	06/12/2021	Updated document number and formatting.	Kyle Devine
3	09/02/2022	Clause 4.3 added	Kyle Devine
4	23/02/2022	Clause 4.2 added	Kyle Devine

#### 3. SUPPLIER EVALUATION, SELECTION AND CONTROL

- 3.1. The Directors evaluate new suppliers. This these individuals both the responsibility and authority to approve and disapprove suppliers.
- 3.2. New suppliers are evaluated in accordance with the following criteria:
  - Pricing
  - Availability
  - Reputation / references
  - Location
  - Shipping terms and capabilities
  - Quality system certification status (ISO 9001 or AS9100 certification preferred)
  - Quality of samples received (incl. testing results)
  - On-site audit results
  - Telephone interview results
  - Written survey results



- Customer mandate
- Sole source / OEM status

3.3. Where a customer mandates a special process source, both Pure Rail and any suppliers **must** use the required supplier; this usage may override Pure Rail's approval status rules.

In some cases a formal risk assessment may be conducted as part of the evaluation and selection of a potential supplier, or in order to determine if a problematic supplier should be retained; see **PR-PRO-021 Risk and Opportunity Management**.

3.4. For parts entered into the ERP system, this system will list approved suppliers for the individual part, along with secondary choices of approved suppliers, if applicable.

3.5. In such cases, Purchasing will use this information to select the appropriate supplier.

3.6. Any suppliers removed from the ERP system will be communicated via a companywide e-mail detailing the new supplier and restrictions on trade.

3.7. Purchasing from suppliers is then carried out in accordance with section 4 below.

3.8. Verification of purchased product is carried out in accordance with the **Receiving** procedure.

3.9. Supplier performance is monitored on the basis of the quality of items received. Enter details on how this is logged, trended and reported. For active suppliers, this activity acts as a continuous re-evaluation of the supplier, with the receipt of every purchased item or service.

3.10. During periodic Management Review meetings, supplier performance is reported to top management, in accordance with the procedure **PR-PRO 015 Management Review**. This periodic activity also consists of secondary re-evaluation of suppliers.

#### 4. PURCHASING

4.1. Purchasing is permissible in accordance with the below table.

Position	Authorization Value (\$)
Director	>\$10,000
Operations Manager	\$5,000
Accounts Manager	\$5,000

4.2. The Accounts Manager has authority to make any purchases for the day-to-day running of the business (stationery, uniforms, PPE). Any other purchases must be made via **PR-FRM-039 Purchase Requisition**.

4.3. Purchasing requests must be made using the **PR-FRM-039 Purchase Requisition** and approved by the Director or Operations Manager. The Accounts Manager is to action the purchase once approved and record the purchase details on the **PR-FRM-039 Purchase Requisition** as well as the **PR-REG-013 Purchase Requisition Register**.



- 4.4. If the requestor has indicated a preferred supplier, the Pure Rail Manager will ensure the supplier has been approved in accordance with the section above; if the proposed supplier is not approved, the Pure Rail Manager will either use an approved supplier, or contact the requestor and resolve the issue.
- 4.5. Pure Rail Managers may purchase items directly, without a **PR-FRM-039 Purchase Requisition**.
- 4.6. For some purchases, Pure Rail Managers may elect to submit competitive requests for quotes from potential suppliers before making a purchase.
- 4.7. Purchases may only be made using APPROVED suppliers. Purchases from RESTRICTED suppliers must be made in accordance with the restrictions noted in the ERP.
- 4.8. If a new supplier is to be used, a CONDITIONAL supplier may be used, in accordance with the conditions noted in the ERP.
- 4.9. The Pure Rail Manager shall then generate a **Purchase Order** (PO) via MYOB to the supplier.
- 4.10. Each PO must contain the following information at a minimum:
  - Items to be ordered, identified clearly (typically to include catalog number, part number, etc.)
  - Date of delivery desired
  - Quantity
  - Pricing
- 4.11. In addition, the following information shall be included on the PO if applicable:
  - requirements for approval of product, procedures, processes and equipment
  - requirements for qualification of personnel
  - quality management system requirements
  - the identification and revision status of specifications, drawings, process requirements, inspection/verification instructions and other relevant technical data
  - requirements for design, test, inspection, verification (including production process verification), use of statistical techniques for product acceptance, and related instructions for acceptance by the organization, and as applicable critical items including key characteristics
  - requirements for test specimens (e.g., production method, number, storage conditions) for design approval, inspection/verification, investigation or auditing
  - requirements regarding the need for the supplier to:
    - notify the organization of nonconforming product
    - obtain organization approval for nonconforming product disposition
    - notify the organization of changes in product and/or process, changes of suppliers,



changes of manufacturing facility location and, where required, obtain organization approval

- flow down to the supply chain the applicable requirements including customer requirements

- records retention requirements
- right of access by the organization, their customer and regulatory authorities to the applicable areas of all facilities, at any level of the supply chain, involved in the order and to all applicable records

4.12. The PO shall be reviewed and approved before release to the supplier; this is indicated by the inclusion of the Pure Rail Managers name entered onto the PO.

## 5. PROCEDURE: SUPPLIER CORRECTIVE ACTION REQUESTS

5.1. The Directors maintain a system of **PR-REG-002 Supplier Corrective Action Requests**, or SCARs. This allows for the flow down of corrective action requirements to a supplier when a supplier is found to be responsible for a particular nonconformity.

5.2. Any purchasing agent or manager may submit a **SCAR Form** to a supplier that has shown quality problems or the potential for nonconformity.

5.3. **SCARs** are routed to the supplier's representative for root cause analysis and action planning.

5.4. Failure of a supplier to respond to a **SCAR**, or to respond with an insufficient action plan, may mean adjustment in that supplier's evaluation standing.