SUPPLIER QUALITY MANUAL

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1.0 PURPOSE

1.1 This Supplier Quality Manual provides an overview of the Supplier Management utilized by KMWE Malaysia Sdn. Bhd. and KMWE Precision Sdn. Bhd. (herein referred to as KMWE) further to establishing the methods to assure that purchased product/service conforms to specified requirements.

2.0 SCOPE

2.1 Suppliers are responsible to include their suppliers especially temporary labor agencies in matters pertaining to this manual.

2.2 Italicized selections in this *"color"* is selectively applied to Medical Devices and/or Aerospace Products.

3.0 REFERENCE

Nil

4.0 DEFINITION

Nil

5.0 RESPONSIBILITIES

5.1 If a supplier has any questions or concerns regarding the content of this Supplier Quality Manual, they should contact KMWE's SCM/SQE.

5.2 Supplier shall visit KMWE website to review if changes have been made to Supplier Quality Manual requirements whenever a new Purchase Order (PO) is received.

5.3 Suppliers are responsible for meeting the requirements of this manual. Failure to meet these requirements may result in the loss of existing and/or future KMWE business.

5.4 Suppliers are expected to comply with documented material/technical specific requirements.

5.5 Suppliers are responsible for notifying KMWE's SCM/SQE immediately for any potential safety/quality/delivery issue.

5.6 Suppliers shall conduct audits/inspections to ensure their compliance with this manual and applicable legal requirement. If a supplier identifies areas of non-compliance, the supplier agrees to notify the KMWE's SCM/SQE as to its plans to remedy any such non-compliance.

6.0 PROCEDURE

6.1 Communication Language

6.1.1 English language is expected for all KMWE suppliers' communication and information provided to KMWE.

6.2 Suppliers need to comply to the following:

6.2.1 competence including any required qualification of persons;

6.2.2 the suppliers' interactions with KMWE, e.g. supplier shall establish communication matrix with KMWE;

6.2.3 control and monitoring of the suppliers' performance to be applied by the organization, e.g. supplier shall understand and meet KMWE's requirements on their product quality and on time delivery;

6.2.4 verification or validation activities that KMWE or its customer, intends to perform at the suppliers' premises, e.g. any request for source inspection by KMWE, KMWE's customer or government inspection at supplier's facilities shall be arranged;

6.2.5 design and development control (applicable to aerospace product only);

6.2.6 special requirements, critical items or key characteristics, e.g. supplier shall define key characteristics (applicable to aerospace product only);

6.2.7 test, inspections and verification (including production process verification), e.g. supplier shall fulfil/conform to all KMWE requirements;

6.2.8 the use of statistical techniques for product acceptance and related instructions for acceptance by the supplier;

6.2.9 implement a Quality Management System;

6.2.10 use customer-designated or approved suppliers, including process sources (e.g., special processes);

6.2.11 notify KMWE of nonconforming processes, products or services and obtain approval for their disposition (applicable to aerospace product only);

6.2.12 prevent the use of counterfeit parts at their best knowledge (applicable to aerospace product only);

6.2.13 "Copy Exact" is a transfer methodology to ensure consistent yield, output and results at any factory making the same products. It is a change control process that provides for advance notification and/or approval prior to making a change;

6.2.14 notify KMWE of changes and obtain KMWE's approval prior of changes:

6.2.14.1 raw materials (deviation from the specification);

6.2.14.2 usage of new or modified tooling (with the exception of wear tools) for series production;

6.2.14.3 agreed test/inspection methods;

6.2.14.4 deviations from the quality of manufactured products;

6.2.14.5 processes, products or services including changes of supplier or location of manufacture.

6.2.15 flow down to sub-tier supplier applicable requirements including KMWE requirements;

6.2.16 provide test specimens for design approval, inspection/verification, investigation, or auditing (applicable to aerospace product only);

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

6.2.18 ensuring that persons are aware of (applicable to aerospace product only):

6.2.18.1 their contribution to product or service conformity;

6.2.18.2 their contribution to product safety;

6.2.18.3 the importance of ethical behavior.

6.2.19 notify KMWE more than 24 months lapse in production (applicable to aerospace product only);

6.2.20 KMWE, their customer and regulatory may choose to audit/inspect the supplier or sub-tier supplier's manufacturing and Quality Management System;

6.2.21 supplier may be asked to participate in Supplier Development Program (SDP) that are intended for developing improvement plans. These activities may be included in post supplier performance evaluation activities, post on-site audit findings;

6.2.22 initial samples of First Article Inspection (FAI), Process Control Plan (PCP) and *Failure Mode & Effect Analysis (FMEA)* shall be submitted by the supplier. They shall manufacture product at all times under a series conditions, e.g. with the tools, systems and test equipment required for series production. That may only take place after approval of the initial FAI;

6.2.23 supplier may not engage any sub-tier supplier without the prior written authorization of KMWE;

6.2.24 to ensure that the product to be shipped conforms to KMWE's physical, dimensional and visual requirements, supplier shall perform final inspection;

6.2.25 if sample inspection is utilized, sampling plans shall utilize a zero-acceptance number (C=0) with 1.0% AQL. Sample inspection that

reveals a defective characteristic will require 100% screening for that characteristic;

6.2.26 where defect levels exceed the committed quality specifications or rates and upon KMWE's request, the supplier shall provide on-site support to perform sorting, root cause/failure analysis and corrective action reporting;

6.2.27 the CAR or 8D shall be sent to KMWE no longer than 10 working days after the CAR or 8D was issued to supplier (containment action is to be completed within one (1) working day);

6.2.28 costs incurred by KMWE that are attributed to poor supplier product quality may be charged back to the supplier;

6.2.29 for suppliers with chronic or repetitive quality issues, KMWE reserve the right to impose additional containment measures at supplier's expense to ensure conforming product is received at KMWE;

6.2.30 products that are not in conformance with the specifications, supplier shall:

6.2.30.1 provide credit note for rejected products;

6.2.30.2 replace the products within the seven (7) working days once received notification from SCM/SQE;

6.2.30.3 rework within five (5) working days once received rejected products;

6.2.31 supplier must immediately notify SCM if supplier is likely to be unable to meet a replacement delivery date; previously rejected product that has been screened, reworked or otherwise by the supplier, shall be identified as such in the shipping documentation by referencing to the original rejection documentation (NCR number). The supplier shall indicate if material was screened, reworked or replaced. Reworked product shall be identified and segregated from new product. Failure to comply to this requirement will result in return of the product at the supplier's expenses;

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6.2.32 the supplier shall plan and carry out production and service provision under controlled conditions. Controlled conditions shall include, as applicable, the safeguarding for the prevention, detection and removal of foreign objects. The supplier shall establish and maintain an appropriate Foreign Object Detection (FOD) and prevention process in accordance with best industry standards (applicable to aerospace product only);

6.2.33 supplier shall validate for special processes where the results of processes cannot be fully verified by subsequent monitoring or measurement and as a consequence, deficiencies may become apparent only after the product is in use, or the service has been delivered, the processes are carried out by suppliers to ensure that the specified requirements are met;

6.3 Documented Information

6.3.1 The documented information may be supplied in any form, either verbally or in writing. Documented information including drawings, specifications, data, methods and other documents defining products/processes shall be treated confidentially.

6.3.2 Inspection documents shall be submitted to KMWE with each shipment using the format provided by KMWE.

6.3.3 Certificate of Conformance (C of C) shall be submitted to KMWE along with FAIR. The following information shall be included:

- Supplier name and address;
- Statement that products conform to the purchase order requirements;
- P.O number;
- Original Manufacturer' name and part number (when the supplier is not the manufacturer);
- Date and authorized signature of quality representative or company official;
- Manufacture date;
- Material Heat Number, Chemical Composition, Mechanical Properties (applicable for raw material only).

6.3.4 Certificate of Analysis/Test Report/Mill Certificate/Material Data Sheet shall include with each shipment of the raw materials that

states the lot of material furnished has been tested and found to be in compliance with the applicable material specification.

6.3.5 Supplier shall furnish Technical Data Sheet (TDS) and Safety Data Sheet (SDS) for all materials shipped to KMWE upon request.

6.3.6 Retain documented information, including retention period and disposition requirements; documented information shall be retained for 20 years, under circumstances supplier is unable to retain the documented information supplier shall return the documented information to KMWE for retention purpose.

6.4 Identification of Good and Traceability

6.4.1 Deliveries shall be labelled according to the order or specification in such a manner that products can be clearly identified at all times. Traceability to the production documents must be guaranteed.

6.5 Packaging

6.5.1 The supplier is responsible for the packaging to assure the proper condition and quality upon delivery to KMWE. Products must arrive at KMWE without damage, corrosion and/or contamination.

6.5.2 Each part number supplied shall be only in a single size container and/or package.

6.6 Supplier Scorecard

6.6.1 Suppliers' performance will be emailed to the suppliers by SCM for those with rating B or C.

6.6.2 The supplier performance is measured based on two categories: quality incidents and on-time delivery. Suppliers are expected to meet the following:

6.6.2.1 suppliers who maintain an overall rating of "A" are considered acceptable;

6.6.2.2 suppliers who have an overall rating of "B" are considered marginal and may not be awarded with new business. Supplier must provide improvement plan, KMWE may elect to shift business to other

suppliers if improvement plan is not improved the rating;

6.6.2.3 suppliers who have an overall rating of "C" may be considered unacceptable. Supplier must provide improvement plan. Supplier to be disqualified if remain in "C" status for any two quarters in a year.

6.7 **Business and Regulatory**

6.7.1 All suppliers are expected to comply fully with all local, regional, national, states and guidelines that have the force and effect of law. This includes laws and regulations relating to environmental, occupational health & safety and labor practices.

6.7.2 KMWE may request evidence routinely to demonstrate legal compliance. KMWE also may request evidence or assurances showing that supply lines practice ethical sourcing. These include but are not limited to proof that our supply chain does not involve indentured or child labor and that materials are free of content sourced from conflict areas.

6.7.3 Example of the regulations and ethical business practices; however, compliance is not limited to these: Restriction of Hazardous Substances (RoHS), Registration Evaluation Authorization and Restriction of Chemicals (REACH), Responsible Minerals Initiative (RMI), Responsible Minerals Assurance Process (RMAP), Responsible Business Alliance (RBA), Fair Trade Practices, International Labor Organization's (ILO), United States Foreign Corrupt Practices Act (FCPA)/UK Bribery Act, Customs-Trade Partnership Against Terrorism (C-TPAT)/Authorized Economic Operator (AEO), International Traffic in Arms Regulations (ITAR), Export Administration Regulations (EAR) and other industry programs/regulatory requirements.

6.8 Supplier shall submit Business Contingency Plans (BCP) (e.g. fire, flood, earthquake, data loss) to reasonably protect KMWE's supply of product in the event that a supplier's facility cannot continue to operate. BCP should be reviewed on a frequent basis to ensure that the contingencies listed are still valid.

7.0 RECORDS

Nil

8.0 APPENDIX

Nil