

**STANDARD OPERATING PROCEDURE****KMWE MALAYSIA / KMWE PRECISION / KMWE CHINA**

TITLE: SUPPLIER QUALITY MANUAL

Document No.	SOP-PC-02	Effective Date	06-Mar-23
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SUPPLIER QUALITY MANUAL

	Name	Signature	Department	Date
Prepared	: Ng Poh Yin	Signed in "Master Copy"	SCM	06-Mar-23
Reviewed & Approved	: Tan Hooi Siam	Signed in "Master Copy"	TQM	06-Mar-23



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REVISION HISTORY: -

Revision	Reason of Changes	Revised By	Effective Date
00	New released	Christie	1-Jan-17
01	Added "applicable to aerospace product only" to Clauses 6.2.8, 6.2.9.4, 6.2.9.7, 6.5	Christie	1-Oct-17
02	Added examples/explanation for Clauses 6.2.2, 6.2.3, 6.2.4, 6.2.6, 6.2.7	Christie	13-Nov-17
03	<ul style="list-style-type: none"> Added Clause 5.2 - Suppliers are expected to comply with documented material/technical specific requirements Added Clause 5.3 - Suppliers are responsible for notifying the KMWE SCM/SQE immediately for any potential Safety/Quality issue Revised Clause 6.2.5 - design and development control (applicable to aerospace product only) Revised Clause 6.2.9.3 - notify the KMWE of nonconforming processes, products or services and obtain approval for their disposition (applicable to aerospace product only) Revised Clause 6.2.9.4 - prevent the use of counterfeit parts at their best knowledge (applicable to aerospace product only) Revised Clause 6.4 - Ensuring that persons are aware of (applicable to aerospace product only): Added Clause 6.6 - KMWE may choose to audit the Supplier or sub-tier Supplier's manufacturing and Quality Systems. To ensure compliance to Quality Requirements, KMWE is expected to have access to observe and inspect Supplier's: Facility, Quality System and Processes. Added Clause 6.7 - A 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 Added Clause 6.9 - 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 Revised Clause 6.12.2 - Certificate of Conformance (C of C) shall be submitted to KMWE with along with FAI. The following information shall be included Title changed for Clause 6.15 from Environmental, Safety and Health Regulations to Business and Regulatory Added Clause 6.15.1 - 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. In addition, Suppliers must require their suppliers including temporary labor agencies to do the same Added Clause 6.15.2 - Suppliers shall conduct audits and inspections to ensure their compliance with this Manual and applicable legal requirements. If a supplier identifies areas of non-compliance, the supplier agrees to notify the KMWE SCM/SQE as to its plans to remedy any such non-compliance 	Christie	17-Jul-18



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	<ul style="list-style-type: none"> Added Clause 6.15.3 - KMWE may request evidence routinely to demonstrate legal compliance. We 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 Added Clause 6.15.4 - 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), Conflict Minerals (Dodd-Frank Section 1502), Responsible Business Alliance (RBA), Fair Trade Practices, and other industry programs 		
04	<ul style="list-style-type: none"> Added Clause 1.2 -This Supplier Quality Manual replaces and supersedes all previous revisions Added Clause 4.1 - In this document, the terms "shall" and "must" mean that the described action is mandatory. "Should" means that the described action is necessary and expected with some flexibility allowed in the method of compliance. "May" means that the described action is permissible or discretionary Added Clause 4.2 - Conflict minerals: Minerals mined in conditions of armed conflict and human rights abuses, and which are sold or traded by armed groups Revised Clause 5.2 - Suppliers shall visit KMWE website to review if changes have been made to Supplier Quality Manual requirements whenever a new Purchase Order (PO) is received. The latest valid revision of the current Supplier Quality Manual and other relevant documents are available online on the home page: http://www.kmwe.com under the tab "who we are- ongoing improvement" Revised Clause 6.2 - Suppliers need to shall comply to the following: Revised Clause 6.2.12 - maintain an effective Prevention and Control of Counterfeit Parts program using AS6174 and other applicable prevention and control of counterfeit parts program standard/specifications as information and guidelines. If potential latent counterfeit parts are determined, a written notice to KMWE is required within 24 hours of discovery (applicable to aerospace product only); Revised Clause 6.2.20 - KMWE's customer, their customer and certification body, notification body, or regulatory body may authorize to choose to audit/inspect review the supplier or sub-tier supplier's manufacturing process and Quality Management System; Revised Clause 6.2.22 - initial samples of First Article Inspection (FAI), Process Flow Diagram, Process Control Plan (PCP) and Failure Mode & Effect Analysis (FMEA) shall be submitted by the suppliers. They Suppliers shall manufacture product at all times shall constantly manufacture under products under a series conditions, e.g. with the tools, systems and test equipment required for series production. That may shall only take place after approval of the initial FAI; Revised Clause 6.2.23 - supplier suppliers may shall not engage any sub-tier supplier suppliers without the prior written authorization 	Christie	14-Jun-19




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	<ul style="list-style-type: none"> Revised Clause 6.2.24 - suppliers shall perform final inspection to ensure that the product to be shipped conforms to KMWE’s physical, dimensional and visual requirements, supplier shall perform final inspection; Revised Clause 6.2.25 - if sample inspection is utilized, sampling plans shall utilize follow a zero-acceptance number (C=0) with 1.0% AQL. Sample inspection that Revised Clause 6.2.30.2 - replace or rework the products within ten (10) seven (7) working days once received notification from SCM/SQE; Removed Clause 6.2.30.3 - rework within five (5) working days once received rejected products Revised Clause 6.2.33.3 - The supplier suppliers shall establish and maintain an appropriate Foreign Object Detection (FOD) and prevention process in accordance with best industry standards (applicable to aerospace product only); inspection, measuring and testing equipment must be calibrated at specified intervals against standards traceable to national or international standards; 		
05	<ul style="list-style-type: none"> Revised the format of SOP-PC-02 : Supplier Quality Manual Header – Added KMWE China 	Christie	06-Mar-23

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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 establish the methods to assure that purchased product/service conforms to specified requirements.
- 1.2 This Supplier Quality Manual replaces and supersedes all previous revisions.

2.0 SCOPE

- 2.1 Suppliers are responsible to include their suppliers and sub-tier suppliers especially temporary labor agencies in matters pertaining to this Supplier Quality Manual.
- 2.2 Italicized selections in this “color” is selectively applied to Medical Devices Components/Parts and/or Aerospace Components/Parts.

3.0 REFERENCE

- 3.1 Nil

4.0 DEFINITION

- 4.1 In this document, the terms:
 - 4.1.1 "shall" and "must" mean that the described action is mandatory;
 - 4.1.2 “should” means that the described action is necessary and expected with some flexibility allowed in the method of compliance;
 - 4.1.3 “may” means that the described action is permissible or discretionary.
- 4.2 Conflict minerals: Minerals mined in conditions of armed conflict and human rights abuses and which are sold or traded by armed groups.

5.0 RESPONSIBILITIES

- 5.1 If a supplier has any questions or concerns regarding the content of this Supplier Quality Manual, supplier should contact KMWE’s SCM.
- 5.2 Suppliers shall visit KMWE website to review if changes have been made to Supplier Quality Manual requirements whenever a new Purchase Order (PO) is received. The latest valid revision of the current Supplier Quality Manual and other relevant documents are available online on the home page: <http://www.kmwe.com> under the tab “Who We Are -> Ongoing Improvement”.



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- 5.3 Suppliers are responsible for meeting the requirements of this Supplier Quality Manual. Failing to meet these requirements may result 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 immediately for any potential product safety/quality/delivery issue.
- 5.6 Suppliers shall conduct audits/inspections to ensure their compliance with this Supplier Quality Manual and applicable legal requirements. If suppliers identify areas of non-compliance, the supplier agree to notify KMWE's SCM 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 supplier's communication and information provided to KMWE.

6.2 Suppliers shall comply to the following:

- 6.2.1 Competence including any required qualification of persons;
- 6.2.2 Suppliers to interact with KMWE, e.g. suppliers shall establish communication matrix with KMWE;
- 6.2.3 Control and monitoring of the supplier's performance to be applied by the organization, e.g. suppliers 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 supplier's premises, e.g. any request for source inspection by KMWE, KMWE's customer, second party or third party appointed by KMWE at supplier's facilities shall be arranged;
- 6.2.5 *Design and development control (applicable to aerospace components/parts only);*
- 6.2.6 *Special requirements, critical items or key characteristics, e.g. suppliers shall define key characteristics (applicable to aerospace components/parts only);*
- 6.2.7 Test, inspections and verification (including production process verification), e.g. supplier shall fulfil/conform to all KMWE requirements;



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- 6.2.8 *The use of statistical techniques for product acceptance and related instructions for acceptance by the suppliers;*
- 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;*
- 6.2.12 *Maintain an effective Prevention and Control of Counterfeit Parts program using AS 6174 and other applicable prevention and control of counterfeit parts program standard/specifications as information and guidelines, if potential latent counterfeit parts are determined, a written notice to KMWE is required within 24 hours of discovery;*
- 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 an 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 Notify to sub-tier suppliers applicable requirements including KMWE requirements;
- 6.2.16 *Provide test specimens for design approval, inspection/verification, investigation or auditing (applicable to aerospace components/parts only);*
- 6.2.17 Grant the rights of access by KMWE, its customer and regulatory authorities to the applicable areas of facilities and to applicable documented information, at any level of the supply chain;



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6.2.18 *Ensuring that persons are aware of:*

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 components/parts only);*

6.2.20 Allow KMWE's customer, notified body or regulatory authorities to audit/inspect supplier or sub-tier supplier's manufacturing process and Quality Management System;

6.2.21 Suppliers may be required to participate in the Supplier Development Program (SDP) that are intended for developing improvement plans such as post supplier performance evaluation activities and post audit findings;

6.2.22 Initial samples of First Article Inspection (FAI), Process Flow Diagram, Process Control Plan (PCP) and *Failure Mode & Effect Analysis (FMEA)* shall be submitted, suppliers shall constantly manufacture products under a series conditions, e.g. with the tools, systems and test equipment required for series production, that shall only take place after approval of the initial FAI;

6.2.23 Suppliers shall not engage any sub-tier suppliers without the prior written authorization of KMWE;

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

6.2.25 If sample inspection is utilized, sampling plans shall follow a zero-acceptance number (C=0) with 1.0% AQL, sample inspection that reveals a defective characteristic shall 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 replied to KMWE no longer than 10 working days after the CAR or 8D was issued (containment action is to be completed within one working day);

6.2.28 Costs incurred to KMWE that are contributed from poor supplier product quality may be charged back to the supplier;



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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, suppliers shall:

6.2.30.1 provide credit note for rejected products or;

6.2.30.2 replace/rework the products within 3 working days once notification is received from SCM/SQE and arrange collection for the rejected parts.

6.2.31 Suppliers shall immediately notify SCM:

6.2.31.1 if suppliers are likely to be unable to meet a replacement delivery date;

6.2.31.2 previously rejected product that has been screened, reworked or otherwise by the suppliers, shall be identified as such in the shipping documentation by referencing to the original rejection documentation (NCR number);

6.2.31.3 the suppliers shall indicate if material was screened, reworked or replaced;

6.2.31.4 reworked product shall be identified and segregated from new product, failure to comply to this requirement will result in returning of the product at the supplier's expenses.

6.2.32 *The suppliers shall plan and carry out production and service provision under controlled conditions:*

6.2.32.1 *controlled conditions shall include, as applicable, the safeguarding for the prevention, detection and removal of foreign objects;*

6.2.32.2 *the suppliers shall establish and maintain an appropriate Foreign Object Detection (FOD) and prevention process in accordance with AS 9146 and other applicable program standard/specifications as information and guidelines;*

6.2.33 Inspection, measuring and testing equipment must be calibrated at specified intervals against standards traceable to national or international standards;

6.2.34 Suppliers 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



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delivered, the processes are carried out by suppliers to ensure that the specified requirements are met;

6.2.35 In case where the suppliers elects to use more than one lot of raw material, the suppliers shall ensure document and furnish traceability of each individual product to the raw material certification/test report that represents the raw material from which each of the products was manufactured, traceability shall be provided by identifying the raw material heat, lot, batch or melt number from the certification/test report on the product and/or on packaging (when used) or the products segregated and identified.

6.2.36 RFQ stage

6.2.36.1 Supplier shall understand all the drawing requirement, dimension tolerance, equipment accuracy, surface treatment requirement, checking method and KMWE requirement during RFQ stage. Supplier shall clarify with KMWE when there is any unclear information before quotation is submitted. Supplier shall commit to the quotation once is submitted to KMWE.

6.2.36.2 Once PO is received from KMWE, supplier shall abide and meet KMWE requirements. Supplier shall not make any changes (e.g. request for change of tolerance, material and/or price)

6.2.36.3 Supplier shall prioritize to rework, repair and/or replace the rejected part/s within three (3) working days to fulfil KMWE delivery requirement without any delay. KMWE shall request supplier to provide Credit Note (CN) or on-hold payment for the affected invoice until replacement is done.

6.2.36.4 Supplier shall not surrender any FAI after KMWE's PO is awarded to them. Once supplier surrenders or cancels the PO, supplier shall compensate KMWE for the lost incurred due to delay in shipment to the whole module and/or damage of reputation.

6.2.36.5 Supplier shall not request KMWE to change to another supplier once FAI is validated by KMWE and/or KMWE's customer.

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.



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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;
- part number and revision;
- quantity delivered;
- statement that products conform to the purchase order requirements;
- purchase order 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, lot, batch or melt number, chemical composition, mechanical properties (applicable for raw material only).

6.3.4 Certificate of Analysis/Test Report/Mill Certificate/Material Data Sheet shall be included with each shipment of the raw materials that states the lot of material furnished was tested and found to be in complied with the applicable material specification.

6.3.5 Suppliers 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 suppliers are unable to retain the documented information, suppliers 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 always be clearly identified. Traceability to the production documents must be guaranteed.

6.5 Packaging

6.5.1 The suppliers are responsible for the packaging to assure the proper condition and quality upon delivery to KMWE. Products must be arrived 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.

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6.6 Supplier Scorecard

- 6.6.1 Suppliers' performance which is rated B or C will be notified by SCM.
- 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 supplier who maintain rating of "A" is considered acceptable;
 - 6.6.2.2 supplier who maintain rating of "B" is considered marginal, shall not be awarded with new business, supplier must provide improvement plan;
 - 6.6.2.3 supplier who maintain rating of "C" for any two quarters in a year or continuous two quarters is considered unacceptable, supplier to be disqualified and remove from ASL.

6.7 Requirements and Compliances

- 6.7.1 All suppliers shall comply fully with all local, state, national guidelines that have the force and effect of law. This includes laws, statutory and regulatory requirements 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 assurance showing that supply lines practice ethical sourcing. Suppliers are required to ensure their 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 ethical business practices; however, compliance is not limited to: Restriction of Hazardous Substances (RoHS), Registration Evaluation Authorization and Restriction of Chemicals (REACH), Responsible Business Alliance (RBA), Conflict Minerals Requirements, Customs-Trade Partnership Against Terrorism (C-TPAT)/Authorized Economic Operator (AEO), other industry programs, statutory and regulatory requirements.
- 6.7.4 Suppliers shall submit Business Contingency Plan (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.



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7.0 RECORDS

Nil

8.0 APPENDIX

Nil

Herewith confirms the acknowledgement of the Supplier Quality Agreement in accordance with KMWE.

Supplier

KMWE

Date : _____
Representative : _____
Designation : _____
Company Name : _____
Company Stamp :

Date : _____
Representative : _____
Designation : _____
Company Name : _____
Company Stamp :