Supplier Quality Manual

State: In control

Effective date: 2021-1-1

Establishment Dept.: Supply Chain

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Record for revision

Item	Description	Revision	Prepare	Review	Approve	Effective Date
1	Initial issue	R01	Stan Zhang	Leslie Li	Tim Quinn	2021.1.1

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1 Purpose

This manual is used for supplier quality management within Maxcess International (abbreviation: Maxcess) to ensure the products and services obtained from suppliers can fulfill the specified requirements. This manual main purpose is:

- To create the basic foundation for supplier quality management for all global Maxcess locations and the suppliers that support these locations.
- To provide a clear and consistent quality management system (QMS) and regulatory compliance requirements for supporting assessment, approval and continuous improvement of potential and existing suppliers of direct material.
- To set up processes and provide tools that insure proper standards for procedural and regulatory compliance.

2 Scope

This manual applies to all supplier (include subcontractor) of direct material that impact Maxcess final product.

3 Definitions/Abbreviations

Term	Definition
AVL	Approved Vendor List
Direct material	Bill of material
Intercompany	Intercompany of Maxcess in other location that originally in the approved vendor list
Corporate Supplier	Suppliers are used by intercompany of Maxcess
Preferred Supplier	Prior selected candidate in RFQ process
Product	Material in BOM and provided by supplier.
IQC	Incoming Quality Control
SCAR	Supplier Corrective Action Report
Critical Finding	Full nonconformity with the requirement of regulatory, norms, policies and procedures, critical safety or regulatory impact exists.
Major Finding	Full nonconformity with the requirement of regulatory, norms, policies and procedures, significant safety or regulatory impact exists.
Minor Finding	Partial nonconformity with regulatory and normative requirements or with specified requirements (Maxcess requirements or customer requirements). This nonconformity is low regulatory risk and could be deemed rectified easily. No safety or regulatory impact.
OTD	On time delivery
FAI	First article inspection

4 Responsibility

General Manager/ Regional Manager	Responsible for final approval of new suppliers
Global Supply Chain Vice President	Responsible for the global supplier management of the group
Regional Supply Chain Director	Responsible for: The overall supplier management of regional company Approval of new suppliers Approval of AVL Approval of Supplier Annual Audit Plan Approval of Suppler Performance Evaluation Approval of new supplier development
Supplier Quality Engineer	Responsible for: The supplier quality management of site Coordination on-site audit of the new supplier AVL update and maintenance Transmitting Maxcess Quality Policy and Environmental Policy to suppliers Supplier continuous quality improvement and monitor Preparation of Annual Supplier Audit Plan and implement supplier audit Initial sample review and approval of new supplier
Buyer	Responsible for: Searching for new supplier and supplier survey per request RFQ, Price negotiation with suppliers Commercial contracts signed with supplier Maintenance of supplier purchase information record AVL update and maintenance Purchase order release and modified Follow delivery and statistics of on-time delivery rate of suppliers
Quality Dept.	Responsible for: Incoming quality inspection Provide and release the material Non Conformance Report Supplier quality data statistics maintain
Quality Manager	Participate in the approval of new suppliers Participate in the review of Suppler Performance Evaluation
Engineering Dept.	Responsible for: Technical criterion of purchasing materials Technical review and confirmation of product Assess and determine concession for unqualified incoming materials. Engineering change notification and answer query from supplier
Engineering Manager	Participate in the approval of new suppliers Participate in the review of Suppler Performance Evaluation

5 Supplier risk classification

In term of supplier risk level, three categories are defined via risk assessment conditions. Each supplier ranking shall appear in the AVL.

Supplier classification	Definition (compliant to one of conditions)
A High risk	1.Significant annual Purchase Value or Quantity 2.Single/Sole Source 3.Designated critical by local Operation
B Low risk	1.Low purchasing value per year 2.General part with less risk
C Others	1.Intercompany of Maxcess 2.Brand agent 3.One-off supplier

6 Approved vendor list and preferred supplier

6.1 Category of AVL

AVL will be divided into three categories in term of the priority. We need to control the purchasing value to new supplier and consider preferred supplier as first priority.

6.2 AVL annual update

Buyer and SQE will update the< Approved Vendor List and Preferred Supplier > annually, Including change the excellent new supplier into the preferred supplier or isolate poor supplier out of AVL.

7 New supplier development

7.1 Identify the request

Engineering Dept. is responsible for specifying the new requirements of products including draft, specification and customer concept etc.

7.2 New supplier development application

If existing supplier base cannot fulfill the new requirement, buyer will fill in < New Supplier Development Application Form> to get approval before going on searching new suppliers. Supplier on the AVL is considered as the first priority.

7.3 Identify and select potential supplier

- Buyer will search new supplier through material exhibition, internet or other ways then issue < *Supplier basic information Questionnaire> to new supplier for more information.* If supplier is selected from AVL and

its current commodity do not match the new request. Buyer will issue <Supplier Information Change Application Form> and get the approval for the added commodity categories.

- If the selected supplier is cooperate supplier, it can be extended directly due to all location of Maxcess share common general requirements. Also, third party certificates of cooperate supplier can be collected (such as ISO certificates), including contracts and agreements that can be signed to clarify the responsibilities of both parties. These documents will serve as assessment and approval of supplier.

7.4 Agreements of supplier

7.4.1 Agreement category

Buyer is responsible to collect the <Business License> of suppliers and send out below agreement to supplier for signature.

- < Non-Disclosure Agreement >
- < Supplier RoHS Compliance Statement >.
- <Supplier Quality Agreement>
- < Environmental Impact Liaison Letter >.

7.4.2 Effective date of agreement

Effective date of above agreements will be at the beginning of collaboration.

7.4.3 Supplemental agreement

A supplemental agreement will be signed with supplier per compliance with local laws and regulations.

8 Sample approval

8.1 Drawings preparation and confirmation

Engineering Dept. is responsible for preparing the controlled drawings of parts and upload to the shared folder. Buyer is responsible for sending to new vendor RFQ and get the drawing confirmation. Engineering Dept. will be responsible for answering query of drawing from supplier.

8.2 Trial order release and sample acquirement

After buyer release order, supplier will start manufacturing sample per specification. FAI report must be along with sample first delivery.

8.3 Initial sample inspection

Buyer will fill in the < *Parts Approval Application Form* > and send it to the quality Dept. to finish the incoming quality checking report of Maxcess, also to get QA feedback on < *Parts Approval Application Form* >. IQC inspection report and supplier Self-Inspection Report will be attached together return to supply chain Dept.

8.4 Small batch inspection

If the first sample order test passed by supplier, Buyer will release another small batch order to supplier for further evaluation. Small batch evaluation process is similar with the first sample test order process.

8.5 Review and approval

If supplier pass both first sample and small batch sample test, we will add supplier into the AVL and remark as new supplier in column of priority. On the contrary, we will ask supplier for improvement or keep looking for appropriate alternatives.

Buyer will follow up the review and signature of SQE and Supply chain director, also publish the approval result of parts.

9 Supplier audit

9.1 Audit approval criteria

- Critical or major findings

  In the period of the new supplier "Approval Audit", all critical or major findings should be resolved before being approved as a qualified supplier. The AVL Supplier quality audit will include serious quality issues as designated by the Supply Chain management. If critical or major findings were discovered during audit, supplier need to be managed by：

（1） Supplier should submit Audit Corrective Action Request (ACAR) within one month after the audit.

（2） Follow up the audit findings, confirm the actions' effectiveness of critical or major findings and provide evidence. SQE will arrange re-audit if it's necessary.

（3） To keep suppliers as "Probation Approved", if no effective action for critical or major findings within 6 months, the supplier disqualification process should be initiated by evaluation.

- Minor findings

  For minor findings in "Approval Audit" of new supplier, the supplier may be approved after correction and provided necessary controls to mitigate the risk. For minor findings in AVL supplier, immediate actions are requested for mitigate risk to the product.

9.2 Audit team

Supplier audit will be performed by a team including Supplier Quality Engineer (SQE), Buyer (or Supply Chain management). Also, Engineering and Operations assistance may be requested

9.3 Supplier annual audit

Annual audit for suppliers will include all high risk (A) suppliers. And supplier shall be audited after a period not exceeding one (1) year. The audit criteria shall be the same as the criteria from first evaluation. SQE is responsible for preparation of <A*nnual Supplier Audit Plan*> and submit to Regional Supply Chain Director for approval. Exemption might be made to suppliers for the following conditions:

1. Overseas supplier in long distance.
2. Irresistible natural disasters and force majeure

9.4 Supplier audit activity

9.4.1 Preparation before audit

For new supplier, < Supplier basic information Questionnaire> need to be collected by buyer 1 week before SQE finalizing the new supplier audit scope. For AVL supplier, Audit scope is based on previous audit report, former SCAR record, Non-conformity report and OTD performance of past 1 year at least.

9.4.2 Audit alignment meeting

The actual audit date and scope will be set and mutually agreed upon by the supplier and Maxcess in an alignment meeting before conduct on-site audit.

9.4.3 **On-site audit general agenda**

- Kick-off meeting
- Complete <Audit Sign In / Sign Out Sheet>
- Factory tour, following the check list item of < *Supplier Site Audit Form* >
- Audit analysis very checking point and verification with supplier again
- Summarize and close meeting

9.4.4 **After audit**

For new supplier, Buyer and SQE will fill in and submit < Supplier Site Audit Form > and follow up the review signature. For AVL supplier, SQE will track and close the topic of audit findings, etc.

10 Supplier quality monitoring

10.1 Supplier information change control

10.1.1 Supplier information change

Once one of below situations (but not limited) occur, Buyer will issue < Supplier Information Change Form > and submit to relevant Dept.s for approval:

- Supplier Company Name, Address
- Payment account number, payment terms
- Maxcess purchasing business scope
- Supplier classification has been upgraded
- Supplier Phase-out (Disqualification)

10.1.2 Supplier 5M1E Change

（1）For 5M1E change which will affect Maxcess product safety, effectiveness and performance, supplier need fill the <Supplier 5M1E Change Request> and submit to Maxcess for approval.

（2）Authorization to implement changes shall be given in writing by Maxcess and changes shall not be implemented unless the supplier has received written approval from Maxcess.

10.2 Supplier material traceability control

Supplier should manage the identification of raw materials, semi-finished products and finished products. Traceability can be recognized when the product occur quality issue and other situation when there is a need.

10.3 Supplier quality performance monitoring

SQE will monitor the monthly quality performance report prepared by IQC including NC rate, trend chart and other KPI etc, to drive supplier immediate correction and continuously improvement.

10.4 Supplier corrective action request (SCAR)

10.3.1 SCAR include two major phase

（1）D0-D3

SCAR is used to inform supplier that the non-conforming products are found in Maxcess, or supplier's service fails to meet the requirements (e.g. ASA、OTD etc.). Then the supplier is required to carry out containment action immediately. D0-D3 should be replied within 24 hours.

（2）D4-D8

When required to take corrective action, supplier shall investigate the root cause of defects made and escape, also implementation of permanent preventive action and validation of effectiveness within 30 days.

Time table of 8D:

8D	Urgent situation	Standard
D1:Define team D2:Define problem D3:ICA	Within 24 hours	Within 5 days
D4:Verify root cause(s)	Within 3 days	
D5:Choose & Verify PCA D6:Implement & Validate PCA D7:Action to Prevent Recurrence D8:Team & Individual Recognition	Within 15 days	Within 1 month

10.3.2Review of SCAR

SQE is responsible for reviewing the SCAR. If necessary, SQE may arrange supplier site audit to verify the effectiveness of corrective and preventive actions.

11 Supplier performance review and excellent performance recognition

11.1 Scope of supplier selection and evaluation

Every year, Buyer list all A risk level suppliers and complete the Scorecard together with SQE. <Annual evaluation report of supplier> will be kept in Supplier Chain Dept. after being signed by the review communities (Purchasing, Engineering and Quality Dept.).

11.2 Assessment rules

• Assessment items include Batch qualification rate, OTD Rate, Price, Complaint, After-sales Service, Environment, For detail explanation please refer to <Annual Evaluation Report Of Supplier>.

• Suppliers shall be rank according to the outcome of the evaluation and by these rating. Score is over 90(included), rank as Grade_1; Assessment score range from 70(included) to 90, rank as Grade_2; Assessment score below 70, rank as other suppliers.

• In term of supplier who obtain score below 70, downgrade the supplier to “W” in the priority column of ALV, no more new order will be released and supplier is required to correct within certain period and feedback the improvement report. On site audit for this kind of supplier need to be conduct by Buyer and SQE.

• Regarding supplier who annual score is below 70 for two consecutive times, Buyer should re-evaluate and

find second source ASAP. .

12 Supplier probation and Phase-out

12.1 New supplier probation

New supplier will be required to have a “Probation phase” including monitoring key performance criteria. New supplier will be added into the preferred supplier list via yearly AVL update if its performance is acceptable by Maxcess.

12.2 AVL supplier probation

• AVL supplier will go through ″Probation Approval″ status if the audit result or monitoring result is evaluated as below the expectations. Supplier need to provide a Corrective Action Plan and remain into probation status until implementation of corrective and preventive action.

• ‘Probation Approval’ status can be eliminated after correction made by supplier, and should not exceed a period of 6 months. Supplier will be back to “Approved” if assessment is qualified, otherwise supplier will go phase-out.

12.3 Supplier Phase-out

12.3.1 Situation of disqualification

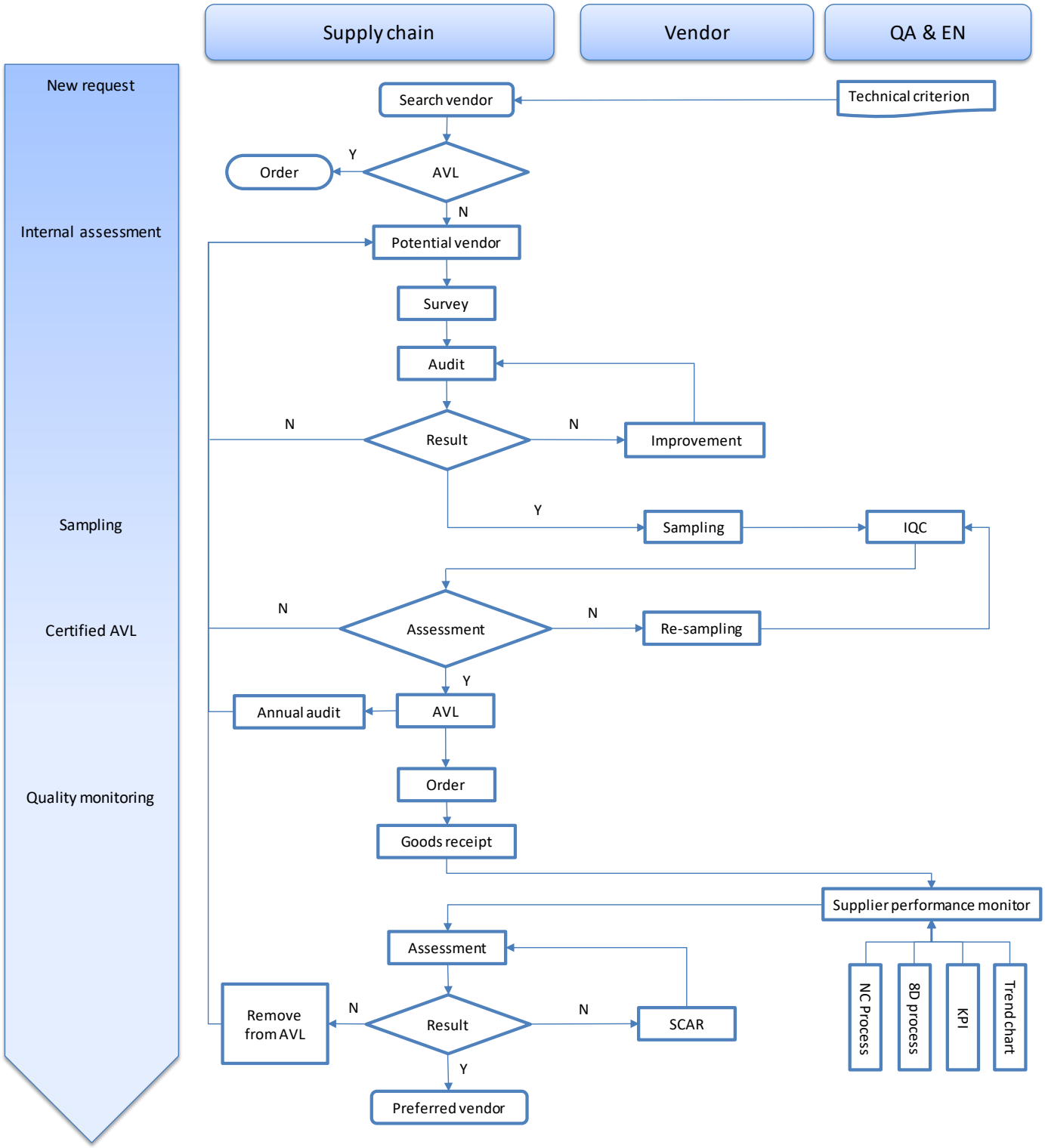
The supplier phase-out will be initiated when:

- The quality performance of supplier cannot meet our requirements after improvement process
- Supplier provide very poor service or OTD
- Probation phase suppliers still unqualified after 6 months
- If it’s single source supplier, product EOL
- Supplier applies for end business with Maxcess (eg. Bankrupt or restructure etc.)

12.3.2 Process of disqualification

Buyer will issue <Supplier Information Change Form> and submit to relevant Dept. for approval, also need to negotiate with supplier to follow up remaining stock, payment handling and technical document handling, etc.

13 Flow Chart



14 Record Forms

ID	Title	Frequency
SQM-001	Supplier Basic Information Questionnaire Form	New supplier
SQM-002	Supplier Site Audit Form	New supplier/ Audit Plan
SQM-003	Annual Evaluation Report Of Supplier	Yearly
SQM-004	Approved Vendor List and Preferred Supplier	Yearly
SQM-005	Quality Agreement	New supplier
SQM-006	Non-disclosure Agreement	New supplier
SQM-007	Supplier5ME Change Request	Once Need
SQM-008	Supplier Corrective Action Request	Once Need
SQM-009	Supplier Information Change Form	Once Change
SQM-010	Suppliers Annual Audit Plan	Annual audit plan
SQM-011	Supplier Audit Sign In & Sign Out Sheet	New supplier/Audit Plan
SQM-012	Parts Approval Application Form	Once Need
SQM-013	Environmental Impact Liaison Letter	New supplier
SQM-014	Supplier RoHS Compliance Statement	New supplier