

Supplier Quality Manual

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KEM KREST
Customer Focused. Solutions Driven.

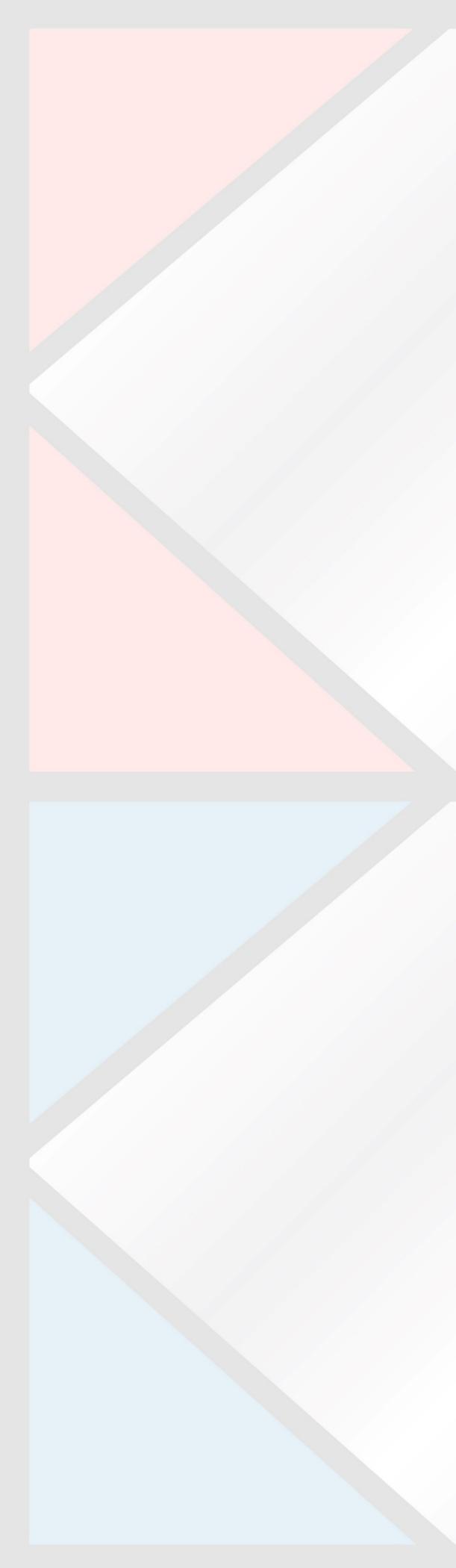


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1.0 Introduction

1.1 Overview

Kem Krest is committed to meeting or exceeding customers' quality needs and expectations. As a supplier you play a vital role in helping us achieve customer satisfaction.

Kem Krest suppliers are viewed as being fully responsible for the quality of their products. Therefore, they must ensure products and services are delivered in conformance to the required standards. It is our expectation that Kem Krest will receive defect-free products. It is the supplier's responsibility to request an authorization to deviate from the purchase orders or the supplier manual before shipping the product. Failure to do so may result in a formal request for corrective and preventive action from the supplier, returned/rejected product and/or debit cost incurred.

The Supplier Manual is the property of Kem Krest and is issued for reference to our suppliers. The document is maintained electronically as part of Kem Krest's Quality System. Printed copies of this manual are considered uncontrolled. Suppliers can access this document via Kem Krest's Home Page: <http://www.kemkrest.com/what-we-do/supply-chain> as well as on our vSRM Supplier Home Page: <https://www.vsrn.net/vedi/newMain.jsp>.

Scope

The standard applies to suppliers of raw materials, services/parts, as well as finished goods. Acceptance of any and all purchase orders constitutes acceptance and commitment on behalf of the receipt of comply with this manual's content. This manual establishes minimum requirements, is supplemental to, and does not replace or alter any purchase agreement.

1.2 Customer Responsibilities

Kem Krest works to develop a strong alliance with our supplier base. To help suppliers perform to their capability Kem Krest is obligated to:

- Set Clear Requirements
- Review requirements with the supplier to ensure a mutual understanding
- Provide timely and accurate feedback on supply base performance
- Act as a resource to improve supplier performance
- Actively seek supplier involvement with emphasis on continuous improvement
- Communicate and negotiate appropriate lead time for order placement, manufacture and delivery
- Maintain open communication to discuss growth plans and concerns

2.0 Supplier Quality Expectations

2.1 Quality System Requirements

Kem Krest's Quality management System is based on the ISO 9001 and IATF16949 quality system requirements. It is Kem Krest's responsibility to receive a waiver from our OEM customers if a supplier is not certified to ISO 9001 standards. Suppliers not certified to ISO 9001 may be subject to a quality system assessment by Kem Krest after a risk analysis has been completed.

If not, ISO certified, the minimum that should be documented and maintained is as follows:

- Methods in place to create product, service, and process consistency
- Training documents in place to help employees be more successful
- Methods in place to confirm equipment in use is functioning properly

- Methods in place to respond to non-conformances and corrective actions in a timely manner
- Methods in place to segregate the materials in question if a problem does occur
- Regulatory and human rights responsibilities

Suppliers have the responsibility to provide products and services that meet all end customer quality specifications. For some products, Kem Krest may require evidence that the supplier/subcontractor cascades down all applicable statutory and regulatory requirements and special product and process characteristics to point of manufacture.

2.2 Incoming Product Document Requirements

Kem Krest's goal is to limit incoming inspection of suppliers' chemical products. Therefore, it is the responsibility of the supplier to provide a certificate and/or statement(s) of compliance to be issued with every order. For chemicals this would be in the form of a "Certificate of Analysis" or a pre-approved Certificate of Conformance.

The certificates shall state:

- Supplier Name
- Suppliers Conformance to the purchase order and/or product specifications
- Purchase Order Number
- Material Lot/Batch Number
- Material specifications that have been measured and recorded
- Free of conflict minerals
- Other regulatory requirements as requested
- Country of Origin
- Signature and Date

Packing slips should contain the following:

- Purchase Order Number
- Kem Krest Item Number
- Customer Item Number – If applicable
- Lot Number
- Quantity shipped

Safety Data Sheets shall be provided prior to shipment

Shipments without a CofA or a CofC as outlined above will be subject to rejection

All hard parts will require PPAP or PSW documented before shipments can be received. When requested PPAP Documentation will be required on some chemical programs.

If an OEM writes a waiver for CofA's and/or CofC's for a particular supplier and states that the supplier is not required to follow Kem Krest standard, Kem Krest will keep the waiver on file.

2.3 Documentation of Provided Services

Subcontracted services may be subjected to audit and/or incoming inspection. Audits will be based on pre-determined expectations of deliverables.

2.4 Corrective Action

Kem Krest suppliers are responsible for providing defect-free product. If defective product is found, a SNCN will be issued, the supplier will be contacted and a Corrective Action Request (CA) may be issued.

A SNCN or CA may be issued for but is not limited to the following:

- Nonconforming product
- Missing certificates of analysis or certificates of compliance
- Improper packaging or labeling
- Leaking product
- Identified process improvement
- Other issues as deemed appropriate by Supply Chain and/or Quality

Communication to the supplier will be initiated via a Supplier Non-Conforming Notification (SNCN):

- This will be reflected in the supplier's quality and, possibly delivery rating.
- If a corrective action response is deemed necessary (chronic or frequent occurrence) then a Corrective Action Request (CA) will be issued.
- The supplier is expected to respond in a timely manner to any quality or delivery issues. Response timing and content requirements are as follows:

Initial response within 24 hours of notification including:

- Containment plan to hold and inspect all product at supplier facility.
- Disposition of any product in transit at Kem Krest and at Kem Krest customers including authorization to return for credit, sort/rework at supplier expense or hold for supplier review.
- Timing to replace product with certified product (product that has been 100% inspected for defects). All certified stock must be identified as such.

If no response from the supplier within 5 business days Kem Krest reserves the right to dispose of the product and charge the supplier the cost of disposal, labor for disposal as well as the cost of the product.

Corrective actions to be completed within 14 calendar days of receipt of request including:

- Members involved
- Problem description
- Interim Containment (These three must be done within 24 hours)
- Root cause analysis
- Permanent corrective action
- Verification of corrective action
- Prevention and request for additional time to complete (include estimated time frame for completion) if applicable

Suppliers issued a corrective action may be required to pass 3 consecutive incoming product audits prior to corrective action closure.

2.5 Request or Deviation

Suppliers shall not make any changes in product construction or manufacturing processes without prior customer approval. This also includes reworked or repaired product. A product deviation is used when a specific quality of product being shipped or used is not compliant with the packaging specifications, purchase order or material specifications.

Deviation requests shall be submitted in writing by the supplier to Kem Krest and approved before goods and/or services are delivered.

Changes to any of the following will require deviation:

- Manufacturing processes or locations
- Supply
- Product formulations
- Product identification
- Physical/Chemical properties
- Ownership of the company

Kem Krest requires formal documentation of deviations.

2.6 Charge-Back Policy

Costs associated with supplier product quality issues that are the supplier's responsibility may be charged back to the supplier. Quality issues as a result of supplier product or services will result in discussions with the supplier to determine disposition and develop plan to reduce end customer impact. Accountabilities, possible rework activities, credits/debits may be discussed and negotiated based on circumstances of issue.

These charges may include but are not limited to:

- Deviations
- Expedited freight
- Customer shutdown charges
- Inspection fees
- Chemical Disposal charges
- Rework charges
- Charge-back costs incurred by the end customer
- Any additional costs incurred by Kem Krest as it directly relates to the quality of the product supplied.

If the rejects cause downtime, re-inspection, rework, the supplier may choose to use Kem Krest standard rate of \$45/hour.

2.7 Regulatory Reporting

Kem Krest requires our suppliers to comply with all current and applicable regulatory requirements. Depending on product type this may include:

- **RoHS** – Restriction on Hazardous Substances
 - RoHS is a European Union (EU) initiative and defines a specific list of chemicals that are restricted or prohibited above a certain concentration. It is the responsibility of each supplier to submit the necessary, complete and correct information
- **REACH** – Registration, Evaluation, Authorization and Restriction of Chemical Substances
 - REACH defines a requirement to report chemicals that are manufactured, imported or contained in articles that are manufactured or imported into the European Union, EU. Kem Krest requires supplier to re-certify REACH compliance each time additional substances are added to the SVHC list.
- **Conflict Minerals** – Natural resources extracted in a conflict zone. (Dodd-Frank Act) Section 1502

- Kem Krest requires suppliers to provide supply chain information (to include smelter identification) at initial purchase and after any applicable change within supply chain for products containing Tungsten, Tantalum, Tin, and Gold.
- **Other Regulatory Requirements** – Goods and materials Kem Krest purchases may have additional requirements. Suppliers must provide documentation that satisfies these regulatory requirements. Requirements will be communicated within the Purchase Order, Customer Print or additional written specifications.

To achieve this RoHS, REACH, and Conflict Mineral certificate/statements of compliance are required for products supplier to Kem Krest. These documents shall indicate compliance or non-compliance of the product provided. Kem Krest is committed to these regulations and a supplier's ability to conform will be taken into consideration when building or continuing business relations.

3.0 Purchasing Expectations

3.1 Supplier Pre-Assessment and Supplier Self-Assessment

The supplier pre assessment is required to verify the risk potential to Kem Krest and their customer before moving forward with a Supplier Assessment. This assessment is required to verify potential new suppliers have the appropriate quality and business systems in place. Once the Supply Chain Buyer as well as Supplier Quality have approved the risk analysis a Supplier Self- Assessment will be issued to the supplier. The Self-Assessment can also be used to verify that current suppliers maintained their quality and business systems. The supplier assessment needs to be completed and returned to Kem Krest prior to becoming an approved supplier.

If the supplier is not ISO 9001 certified Supply Chain must request from the OEM for a waiver to allow Kem Krest to purchase products for the OEM from the supplier.

If there is still questions once the Supplier Self-Assessment is returned, Supplier Quality may schedule a Supplier Quality System Audit at the supplier's manufacturing location.

3.2 Supplier Status

A supplier will not be added into Kem Krest's data base until it is approved by both Supply Chain and Supplier Quality.

3.3 Supplier Responsibility

Kem Krest contingent suppliers are requested to provide an up-to-date copy of:

- Completed Supplier Pre-Assessment
- Completed Supplier Self-Assessment
- ISO/Other Certificate
- Signed Non-disclosure Agreement (If Applicable)
- W-9 Form
- Any SDS's, CofA's, Material Specs. for initial parts

3.4 Terms

Supplier agrees to Kem Krest standard payment terms of net 45 Days, or equal to the OEM standard terms.

4.0 Labeling, Packaging and Shipping Requirements

4.1 Labeling Specifications

Each package to be clearly labeled with the following when applicable:

- Supplier Part Number
- Customer Part Number
- Lot Number
- Manufacture Date
- Expiration Date
- Barcodes (Per OEM Requirement)
- Kem Krest Part Number
- Quantity

Special labeling requirements will be given per OEM requirements and may also be noted on the purchase order.

4.2 Packaging Specifications

Packaging of products shall be done in a manner to ensure product integrity during shipping and handling. Product shall be received clean and absent of foreign material and/or debris.

For finished goods the supplier will supply the products per the agreed upon and signed packaging specifications from Kem Krest engineering and the supplier.

In addition, suppliers are responsible to identify and communicate any packaging changes, improvements, etc. before receipt at Kem Krest. These will need to be communicated, agreed upon, and packaging specifications updated and signed.

Special packaging requirements may be noted on the purchase order.

4.3 Shipping specifications

Shipping method and terms are designated on the purchase order unless agreement has been reached for supplier to pay shipping costs. Suppliers are responsible for adhering to shipping instructions on PO. Kem Krest should be contacted for any deviation from instructions prior to shipping. Kem Krest must approve collect "premium" freight methods if used in order to meet confirmed delivery date. Advance notice to be given on any shipping or delivery delays beyond the due date specified on the confirmed purchase order. For collect freight please contact kemkrestsupport@logiflow.com or freight@kemkrest.com.

A subcontract product or service provided directly to the customer requires a tracking # for proof of delivery.

5.0 Supplier Performance and Evaluation

5.1 Introduction

Supplier report cards are communicated on a quarterly basis based on the criteria set by Kem Krest. The purpose of this rating is twofold – it provides objective comparison of a supplier's performance and it is a tool to benchmark the supplier's competitiveness in the marketplace. Kem Krest wants to ensure that our ratings are accurate and effective. If a supplier feels there is a discrepancy in their rating report, they should contact Kem Krest Supply Chain within 1 week of the report date. There is a dispute process on our supplier portal, or for those not in our portal they can contact Supply Chain directly.

5.2 Supplier Score Rating Criteria

Suppliers are rated on the following criteria:

- % of Shipments late (15%)
- Average days late (10%)
- Price Stability (15%)
- Quality Performance (25%)
- % of Excess Freight (5%)
- Customer Service (10%)
- Paperwork Accuracy (5%)
- Average Quantity Deviation (10%)
- Sales Support (5%)

Suppliers holding certification/registration of ISO9001 or TS16949 will be recognized for having a quality system and be given an extra point on their evaluation.

Suppliers who have had a significant quality and/or delivery issue that has impacted Kem Krest's final customer will have a point deducted on their evaluation.

Kem Krest will be using the ABC Analysis within each platform to determine which suppliers, and at what frequency, they are to be evaluated. It is up to Supply chain to determine, based on the developmental strategy or quality issues experiences in addition to the ABC analysis to possibly evaluate additional suppliers.

- A category will be evaluated quarterly
- B Category will be evaluated a minimum of every six months
- C Category will be evaluated a minimum of annually based on criteria and discretions

5.3 Supplier Scorecard

Supplier Evaluations will be processed and if the score is over a 3.5 out o 5.0 the Supply Chain Specialist may choose not to send to the supplier. The suppliers chosen are required to receive at least one evaluation per year.

A supplier with a rating below 3.0 for one evaluation period will be receiving a warning letter and be placed on probation. A note will be also entered in the system Supplier Master File. If the supplier is a dictated supplier, Kem Krest reserves the right to notify the OEM.

A rating below 3.0 for 2 successive quarters will prevent the usage of that supplier In the future and they will be place on new business hold for all Kem Krest new business quotes. If the supplier is a dictated supplier, Kem Krest reserves the right to notify the OEM.

Revision Control Record

Revision Date Requester Approver Description of Change

*Any printed copy of this document is current as of the day it is printed. Subsequent use of a printed document requires revision date verification in the Kem Krest GQS System.

6.0 Appendix

6.1 Manual Acknowledgement Receipt



Supplier Manual Receipt Acknowledgement

Please sign and return this page as an acknowledgement of receipt and acceptance of terms outlined in Kem Krest Supplier Manual. Acknowledgement should be returned within 2 weeks of receipt. If Supplier Manual Receipt Acknowledgement is not received within this time period, Kem Krest will consider as acceptance of this manual.

Company Name

Kem Krest

Signature

Signature

Printed Name

Printed Name

Title

Title

Date

Date