

<b>CPI (PENANG) SDN BHD</b>	Document Title: <b>Supplier Quality Agreement</b>	Pages: 1 of 7
	Document No.: <b>QI-QA-016</b>	Revision: 5
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### Change History

Released Date	Revision	Originator	Clause Affected	Description of Change
15-Feb-2016	0	Shervon	ALL	New Release
18-Jan-2017	1	Shervon	16	Remove Legal and other requirements clause and to be incorporated into General Purchase Agreement.
23-Apr-2018	2	Hui Ling	- 4 6 (g)	Amend name of Vice President to Patrick Lim Amend TS 16949 to IATF 16949 Amend "clause 9g" to "clause 6g" from sentence of "In the event that Supplier makes any such change without complying with this clause 9g".
15-May-2018	3	Basyira	1 7 (a), 8 11 16	Add in additional Clause d and e into Clause 1 Restructure the sentence Add in "Supplier shall include the parts manufacturing date into CoC for every delivery irrespective if product is subjected to shelf life control" Add in Clause 16 for Shelf Life Control Product
21-Aug-2018	4	Hui Ling	3 4 7 7 i) 7 c)	Revise "AND OUTGOING INSPECTION" into capital letters. Add in ISO 9001 as minimum requirement for suppliers and IATF 16949 requirement for automotive suppliers. Add in "The suppliers shall immediately undertake to conduct investigation that appears necessary and to notify CPI promptly. The supplier shall participate fully in uncovering the cause of the complaint, even if the cause of the complaint is in dispute between the parties." Revise to Short Term containment Action within 24 hours (ge / 3 days (resin materials). Add in any other demonstrable quality deterioration of delivered products/ services.
6-Dec-2019	5	Hui Ling	All 3 4 c) 15 19 20	Upgrade procedure to meet AS 9100 standard. Add in "CUSTOMER APPOINTED SOURCE - Supplier shall use CPI's appointed supplier for process and material, all component if specified." Revise "off the shelf parts" to "on shelf parts for above a and b requirement." Add in "Non-conformance which does not meet CPI requirements, supplier shall obtain CPI's approval for disposition PRIOR to shipment." Add in "RECORD RETENTION PERIOD - Record retention period stated in CPI's supplier FAIR requirement checklist (FRM-QA-151) shall be conformed." Add in "RIGHT OF ACCESS - Supplier shall allow CPI and CPI's customer and relevant regulatory authorities to have access to applicable areas of facilities and documented

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			21	information, at any level of supply chain for quality investigation.” Add in “EMPLOYEE AWARENESS - Supplier shall ensure employees are aware of their contribution to product or service conformity, their contribution to product safety and the importance of ethical behavior.”
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## **FOREWORD**

As **CPI (Penang) Sdn. Bhd.** is obliged towards its clients, **Supplier** has an obligation towards **CPI (Penang) Sdn. Bhd.** regarding the zero-defect target.

The zero-defect target is understood as a target which leads **Supplier** in the direction of the Continuous Improvement Process to deliver products without failure.

It is our customers who decide of our future by awarding us contracts as long as they are convinced that we do not compromise on Quality.

Supplier is requested to review this document, establish and maintain as required documented instructions/processes for ensuring the control and compliance of these specified requirements.

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**Peggy Yeap**  
**Senior QA Manager**

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**Patrick Lim**  
**Vice President**

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## 1. INITIAL QUALIFICATION

Supplier shall maintain a qualification system for products/parts which applies to:

- a. Functional and electrical characteristics
- b. Mechanical characteristics
- c. Reliability and environmental requirements
- d. CPI PPAP submission requirements with minimum 6 pieces of product samples
- e. Compliance to all drawing requirements

## 2. RE-QUALIFICATION

Supplier shall re-qualify its products/parts and necessary documentation shall be archived at supplier site and made accessible to CPI upon request in the event of changes at least once a year, unless mutually agreed.

## 3. CUSTOMER APPOINTED SOURCE

Supplier shall use CPI's appointed supplier for process and material, all component if specified.

## 4. PROCESS CAPABILITY, MACHINE CAPABILITY, SPC AND OUTGOING INSPECTION


- a. Supplier shall ensure Cpk results above 1.67 (Cpk: capability study calculated on components when in serial production). Then process must be monitored through SPC when in production. Data must be readily available upon request. The 100% inspection is expected should Cpk does not meet the requirement.
- b. 5 shots sample shall be measured and comply with critical dimensional requirement per drawing or process criticality. Append Outgoing Report for every delivery.
- c. Optional for those on shelf parts for above a and b requirement.

## 5. QUALITY MANAGEMENT SYSTEM

Unless otherwise authorized by customer, supplier is required to maintain a certified QMS according to ISO 9001 as a minimum qualifying requirement. This requirement may exclude services/ transportation provider. Supplier shall notify CPI within 10 working days if their Certificate of Registration is placed on suspension. Supplier shall forward a new copy of its Certificate of Registration upon renewal each year to CPI. Automotive supplier must have quality management system development progression to certify for IATF16949. Supplier who isn't IATF16949 certified must have a working plan to become compliant to IATF16949 available for review, unless supplier has an approved exemption such plan from end customers waiving.

## 6. SUPPLIER'S AUDIT

Representatives of CPI are entitled to visit supplier's premises, production and assembly facilities after notification, to conduct audits base on ISO9001 / IATF 16949 Standard requirements. Supplier shall provide necessary resources for the performance of this task. Supplier is, however not obligated to reveal any proprietary information without a mutual non-disclosure-obligation. Already available audit reports, which are based on above-mentioned standards, will be used to the greatest extend as deemed practical.

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## 7. CONTINUOUS IMPROVEMENT

Supplier shall maintain a continuous improvement process that uses all relevant feedback information such as field returns, line rejects, quality-meetings, quality-reporting, etc.

## 8. NON-CONFORMING PRODUCTS / CORRECTIVE ACTIONS

- a. In case of non-conforming products caused by supplier, supplier must respond within time frame as established below unless otherwise mutually agreed upon. Supplier shall immediately undertake to conduct investigation that appears necessary and to notify CPI promptly. Supplier shall participate fully in uncovering the cause of complaint, even if the cause of complaint is in dispute between parties.
  - i. Short Term containment Action   within 24 hours (general) / 3 days (resin materials)
  - ii. Full Countermeasures with 8D Reply   within 5 working days  
(With supporting documents)
  - iii. Acknowledgement on reject and disposition                                   within 24 hours
  - iv. RMA upon defect verification by supplier                                        within 24 hours
  - v. Collection of rejected parts   within 14 days
- b. In general, any arrangements for personnel for the purpose of containment in CPI or CPI customer premises will be responsibility of supplier.
- c. In the event of non-conformance with agreed upon quality levels or any other demonstrable quality deterioration of delivered products/ services, CPI reserves the right to suspend ordered quantities until the required quality level is restored by supplier. Supplier cannot request compensation from CPI due to such suspension.
- d. Any parts supplied by supplier are found to be rejected at IQC, the following disposition shall be activated:
  - i. RTV the parts to supplier
  - ii. Supplier to issue RMA number within 24 hours after been verified by supplier.
  - iii. Transportation to be arranged to RTV the parts within agreed time frame.
- e. CPI shall arrange to RTV back the parts to supplier site and auto debit all the expenses incurred.
- f. Supplier shall maintain an effective 2-way communication with CPI should any quality complaint being feedback.
- g. Supplier must provide CPI at least 90 days written notification of any desired change and obtain the written approval of CPI prior to:
  - i. Changing the product or packaging
  - ii. Making any changes to the production methods, equipments, processes and materials (also at subcontractors)
  - iii. Changing subcontractors
  - iv. Making any changes to test methods/equipment
  - v. Relocating or setting up of production sites
  - vi. Relocating or setting up of production equipment the same site and to provide the quality documentation agreed in this regard.

Supplier must keep buffer stocks upon agreed by both party for the quantity and period for the last time buy before the change or product end of life. For product end of life, a notification of at least 180 days is required. In the event that supplier makes any such change without complying with this clause 6g, any goods received by CPI may, at its

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sole discretion, reject the goods as non-conforming in addition to any other remedies that may be available to Supplier under this Agreement or by equity or law. CPI shall be entitled to the exceptional termination with immediate effect of existing supply agreements. In the event of such a termination, SUPPLIER has no right to any compensation from CPI.

## 9. FAILURE RECURRENCE (REPEATED PROBLEM)

In the event of repeated problems, at the sole discretion of CPI the following escalation process will apply:

### a. Controlled Shipment Level 1

Supplier shall perform additional 100% inspection for CSL 1 and has to monitor and report the status of redundant/additional inspection process in order to ensure the non-conforming products/components/materials are not shipped to CPI.

### b. Controlled Shipment Level 2

In the event of second re-occurrence, an added inspection CSL 2 is implemented by an impartial third party and the cost incurred shall be paid by supplier.

## 10. SUPPLIER EVALUATION & PERFORMANCES

CPI evaluates its supplier in several categories and incidents. An incident is any disturbance created by supplier with impact to CPI such as:

- A non-conformance related to the specification (e.g. drawing., cosmetics, etc)
- A non-satisfying response to a complaint (e.g. response not within time, etc)
- A delay or error in delivery
- Field returns

The above incidents require an 8D Report with detail corrective action as determined by CPI.

## 11. PPM

Zero-defect and zero tolerance of non-quality are objectives.

## 12. SORTING ACTIVITY:

For any sorting activity requiring a sub-contractor, supplier has to select a sorting company which approved by CPI. Supplier shall ensure that the organization of sorting enables to have an immediate communication of any relevant information (including sorting results) obtained by supplier and/or sub-contractor during sorting. All costs linked with sorting, including costs to be paid to subcontractor, will be borne by supplier.

## 13. IDENTIFICATION AND TRACEABILITY

Supplier shall provide a traceability code for all incoming lots to back track all material and process step. At minimum, the following information on the carton label is required:

- Supplier's name
- CPI part number and revision level
- Quantity
- Trace code or production date code
- Special marking i.e. UL marking
- Special label identification

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Supplier shall include parts manufacturing date into CoC for every delivery irrespective if product is subjected to shelf life control.

#### **14. PACKAGING**

Packaging design for products and parts delivered to CPI is supplier's responsibility unless otherwise documented by contract. Packaging design must ensure that no damages occur during transportation, stacking and handling. The packaging design must be approved by CPI. Supplier shall send its goods in the defined packaging.

#### **15. NON-CONFORMANCE CONTROL**

Non-conformance which does not meet CPI requirements, supplier shall obtain CPI's approval for disposition PRIOR to shipment.

For any waiver request, the request shall be in a written form with all necessary information describing the deviation. The waiver shall be accepted in writing by CPI Quality Manager before delivery can be made.

#### **16. PREVENTIVE ACTIONS**

Supplier shall have capability to estimate potential non-conformity risks and implement appropriate preventive measures throughout product life cycle.

#### **17. INCOMING INSPECTION**

Incoming products/parts are to be inspected only regarding their product type and quantity and for external visible damage caused by transportation. CPI is not obliged to carry out a more detail examination upon parts arrival. A corrective action plan is mandatory for all non-conformities detected.

#### **18. SHELF LIFE CONTROLLED PRODUCT**

Product which is under shelf life controlled must have > 70% validity prior to expiry date when ship to CPI.

#### **19. RECORD RETENTION PERIOD**

Record retention period stated in CPI's supplier FAIR requirement checklist (FRM-QA-151) shall be conformed.

#### **20. RIGHT OF ACCESS**

Supplier shall allow CPI and CPI's customer and relevant regulatory authorities to have access to applicable areas of facilities and documented information, at any level of supply chain for quality investigation.

#### **21. EMPLOYEE AWARENESS**

Supplier shall ensure employees are aware of:

- a. their contribution to product or service conformity
- b. their contribution to product safety
- c. the importance of ethical behavior