



**EI MICROCIRCUITS**

# Supplier Quality Manual

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## 1.0 Purpose and Scope

The purpose of this manual is to communicate requirements and expectations of suppliers that provide production material, deliverable software, products, and product related services to our facilities. Suppliers are expected to consistently provide materials or services to specifications, with competitive pricing in accordance with the defined delivery schedules. Full compliance with all laws and regulations applicable to the operation of the supplier's business is required.

## 2.0 Quality System Requirements

Suppliers are required to have a documented quality management system in place including a documented quality policy and quality manual. The supplier will ensure the requirements of this manual are understood and maintained as part of the quality system.

EIM encourages all suppliers to maintain a quality system that meets or exceeds ISO 9001, ISO 13485, or AS9100/AS9120 and is certified by an accredited third-party certification body. It is the **supplier's responsibility** to provide an updated QMS certificate when the current one expires, and to notify EIM immediately if their third party registration expires or is revoked.

Statutory and regulatory authorities must be granted right of access to supplier's records pertaining to an investigation.

## 3.0 Order of Precedence

Quality Requirements may take the form of a separate agreement, content in a purchase order, engineering specifications, and/or this manual. The requirements within this manual are provided as a supplement, not as a replacement for or altering of the terms or conditions with pre-established agreements, engineering drawings, or specifications.

If conflicting interpretations of the standards arise, the following order of precedence applies unless otherwise noted contractually:

- Drawings and specifications that apply to the specific product or service
- Purchase orders
- Agreements
- Supplier Handbook

Acceptance of an EIM Purchase Order (PO) constitutes acknowledgement that a supplier has read, understands, and will comply with the expectations of this manual.

## 4.0 Record Retention

The supplier shall retain supplier certification records, test records and/or inspection data for a minimum of 10 years after delivery of the product (unless specified) and shall be available upon request.



## 5.0 Supplier Assessment

New Suppliers will be required to complete a "Quality Assurance Self Evaluation Form" and meet the requirements set forth in this manual.

We may schedule on-site audits for the following:

- New Supplier
- Change in Quality Management System status
- Supplier rating does not meet requirements
- Chronic quality issues
- Change in process at Supplier facility
- Change in management at Supplier facility
- Material Changes
- Location change
- Supplied product is deemed certified and/or complex.

## 6.0 First Article Inspection Requirements

To verify that suppliers have adequate processes in place to provide quality product that is delivered on-time, a project launch review may be required with the supplier at their facility. The review may include inspection of supplier's documentation, process control records (including statistical process control techniques), and processes associated with production of material prior to production.

First Articles may be requested if the requirement is "flow down" from EIM's customer. In some cases special forms such as AS9102 current revision may be required by the supplier, and will be noted on the Purchase Order. This form must be returned with product unless a waiver is received by the supplier prior to shipping product, along with expected date of completion.

## 7.0 Product or Process Changes

Product or Process changes must be communicated and approved (prior to change) if any of the following occur:

- Alterations in product design, product specification, purchased parts
- Quality Management System status change (e.g. QMS certification or withdrawal)
- Change in process or equipment at supplier facility that affects form, fit or function, of product.
- Change in materials
- Contact Change
- Manufacturing Facility Location change
- Method of Manufacture, testing, storage, packaging, preservation or delivery.
- Use of Sub-tier Supplier

Note- All changes must be submitted in writing or electronically to EIM.

## 8.0 Sub tier suppliers

The supplier shall ensure that sub tier suppliers are in compliance to all purchase order, specification requirements, and requirements set forth in this manual, and approved external providers are used. All applicable requirements must be noted in the purchasing documents, including key characteristics when required. When a change notification is received by the supplier from a sub tier supplier, it is the responsibility of the supplier to notify EIM's Materials Manager or Buyer.



## 9.0 Notification of Change

If the supplier cannot meet the requirements and wishes to request a change, a notification of change must be submitted for review. The information will be communicated to our customer for final approval. The change may require a revision to the print or applicable documentation prior to making the change. Approval from EIM must be obtained prior to any changes being finalized. The change request must be communicated electronically to EIM's Materials Manager or Buyer.

## 10.0 Problem Resolution

When non-conforming product is found, the supplier will notify EIM within 24 hours if the defective product has been delivered, and take swift action to bring resolution to the problem.

If the supplier cannot meet the requirements, written approval or deviation must be obtained prior to shipping non-conforming product. EIM reserves the right to reject non-conforming material/services provided at the Supplier's expense without this documentation.

## 11.0 Rejection Policy

Products that fail to meet EIM's stated requirements will be rejected. A decision will be made whether stock is to be sorted internally to maintain production needs, in which case the supplier will be charged back for costs related to the sort, or supplier will be responsible for the sort. The supplier may be asked to sort the product at EIM's facility depending on severity.

When a rejection occurs the Supplier will be notified immediately. The product will be returned at the Supplier's expense. Inventory at the Supplier's facility will be contained until it is deemed acceptable.

## 12.0 Corrective Action Process

Upon receipt of non-conforming product, a corrective action may be issued to the Supplier depending on the occurrence severity. The containment response must be communicated in a timely manner, and the completed corrective action submitted within 10 business days of the date issued. If the due date cannot be met, it is the **supplier's responsibility** to communicate this to EIM and a new due date will be agreed upon.

Corrective Action may also be initiated if the supplier rating is not maintained at the required levels as noted in this manual in section 16.0.

## 13.0 Delivery Requirements

Suppliers are required to maintain on-time delivery. If a supplier will not be able to deliver product by the required due date, it is the supplier's responsibility to notify EIM's Buyer or Materials Manager as soon as possible to schedule an acceptable delivery due date.

## 14.0 Personnel Qualifications

Personnel are required to be aware of their contribution to product conformity, product safety, and ethical behavior. If special training or qualifications are required for a contract with the supplier, the requirements will be included in the request for quote, drawing/specifications, or purchase order.

## 15.0 Counterfeit Parts Prevention and Control for Electrical, Electronic, and Electromechanical Parts (EEE)

Suppliers shall implement a risk-based counterfeit EEE parts control plan that documents its processes used for risk identification, mitigation, detection, avoidance, disposition, and reporting of suspect counterfeit parts per SAE AS5553 (current rev).

EEE parts shall be obtained exclusively from "Authorized Sources" and include a certification with the shipment as evidence of traceability back to the source.

The definition of an "Authorized Source" is an original component manufacturer (OCM) or OCM authorized sources of supply for an EEE part (franchised distributors, authorized distributors, or authorized aftermarket manufacturers) per AS 5553 (current rev).

The only way that procurement of an EEE part is allowed from a broker or "unauthorized source" is if EIM has obtained written customer approval after their risk review. EIM is not design responsible.

For EEE parts, when a supplier cannot provide tracking from the original manufacturer, then suppliers shall provide an authorized risk assessment and risk mitigation plan to preclude the use of suspect counterfeit or counterfeit EEE parts from their source.

This documented mitigation is required per AS5553D prior to part acceptance.

For EEE parts, suppliers shall disclose to EIM any cases where they are NOT authorized by the original component manufacturer for the EEE parts they are supplying.

These requirements shall be "flowed down" to sub-suppliers.

## 16.0 Material Traceability, Lot Control ,and Special Requirement Documentation

All items with an EIM part number require lot control/traceability documentation.

We require the packing list of these items to provide the following information:

- EIM PO number
- Quantity Shipped
- Manufacturer Name
- Manufacturer PN#
- Manufacturer date code and/or manufacturer lot code

\*Note: Bar code readable format is preferred on the packing slip.

All special requirements, documentation requirements, and sample requirements will be noted on the purchase order, engineering specification, or request for quote.

## 17.0 Supplier Evaluations

The Materials Manager and Buyers evaluate supplier performance periodically according to the risk. On time delivery and rejections are compared to the total supplier receipts during the review period to calculate a supplier quality performance percentage. If the supplier's performance review indicates that the performance is lower than 98%, the supplier may become conditionally approved, and if the level drops to less than 95%, then other corrective actions may be taken as applicable (exp. No new quotes,

loss of business, etc.). Suppliers with fewer than 12 receipts per year and suppliers of non-critical services are not included in this annual evaluation.

## **18.0 Confidentiality Agreement**

Suppliers shall not disclose to others or use for its' own purposes any trade secrets, confidential information, or confidential documents (e.g. prints, customer specifications, etc.) obtained from EIM. All supplied documentation and/or data shall be considered confidential.

If supplied documentation needs to be shared for any reason, prior approval must be obtained from EIM.

## **19.0 International Trade Compliance**

ITAR requirements will be communicated on the drawing, request for quote, or PO. The Supplier must be ITAR registered to perform services requested for ITAR controlled product. If the supplier is not ITAR registered, the Supplier must notify EIM of their ITAR status and intent to register. All ITAR regulations must be followed while product is in the Suppliers possession. Business must be conducted in strict compliance with all applicable laws and regulations governing (a) the export, re-export and retransfer of goods, technical data, software and services; (b) import of goods; (c) economic sanctions and embargoes; and (d) U.S. anti-boycott requirements.

## **20.0 Government Procurement**

Special care must be taken to comply with the unique and special rules that apply to contracting with the U.S. Government. If you support a contract with the U.S. Government, you must at all times follow the U.S. Government's rules for competing fairly, honor restrictions applying to U.S. Government employees (e.g., receipt of gifts and employment), deliver products and services that conform to specifications, laws and regulations, adhere to government accounting and pricing requirements, claim only allowable costs, ensure the accuracy of data submitted and comply with all other applicable U.S. Government requirements.

## **21.0 Competition on the Merits and Fair Play**

Suppliers must compete strictly on the basis of the merits of your products and services. You must not pay a bribe in any amount, to anyone, anywhere, for any reason whatsoever, whether on your behalf or the behalf of others. Accordingly, you must never offer, promise, authorize, or provide, directly or indirectly, anything of value (including business gifts or courtesies) with the intent or effect of inducing anyone (including a customer, employee, or sub-tier supplier) to forego their duties and provide unfair business advantage to you or others.

Suppliers must not engage in any anti-competitive conduct for any reason whatsoever. You must not engage in other deceptive market practices or make misrepresentations regarding products or services.

Suppliers must avoid all conflicts of interest or situations giving the appearance of a conflict of interest. Report to EIM any instances involving actual or apparent conflicts of interest between your interests and those of EIM.

## **22.0 Human slavery and trafficking**

It is EIM's expectation that our suppliers conduct their business in a responsible and ethical manner and that they comply with all applicable laws, including employment and human rights laws. Specifically, we forbid suppliers from employing or benefiting from child or compulsory labor as defined in the





California Transparency in Supply Chain Act. The term “child” refers to any person under the minimum legal age for employment where the work is performed. EIM requires our suppliers have resources in place to ensure no purchasing services, sourcing of raw materials, or sourcing products or components of products from the Xinjiang Uyghur Autonomous Region of the People’s Republic of China or from any entity on the Uyghur Forced Labor Prevention Act (UFLPA) Entity List. All work performed for EI Microcircuits must be voluntary and not done under any threat of penalties, sanctions or violence. Indentured labor is prohibited, and the supplier’s workers are free to leave work at any time, with all salary owed to be paid. Workers who report suspected breaches of the policy shall not face retaliation for doing so. Child and migrant labor are included in these protections.

EI Microcircuits will not tolerate abuse of human rights within any part of our business or supply chain. We will take any allegations of human rights violations, modern slavery or human trafficking seriously.

## **23.0 Conflict Minerals (CMRT) and Extended Mineral Reporting (EMRT)**

The Conflict Minerals Rule was passed by Congress to further the humanitarian goal of ending violent conflict in the Democratic Republic of Congo (DRC) and adjoining countries. This ruling requires supplier verification of sourcing for four types of rare metals: tin, tantalum, tungsten, and gold. Although EIM is not subject to SEC filing, many of our customers do require that EIM provide updated smelter information on an annual basis. EI Microcircuits fully supports the goals associated with the Conflict Minerals Regulations. Even though EI Microcircuits does not directly source conflict minerals from the mines located in the DRC or adjoining countries or other conflict-affected and high-risk areas (CAHRAs). These mines are many tiers removed from our direct suppliers, we still are committed not to purchase any components, subassemblies or supplies that we know contain conflict minerals that directly or indirectly finance or benefit armed groups in the DRC, adjoining countries, or other conflict affected and high-risk areas. Accordingly, EI Microcircuits suppliers will be expected to develop and implement their own policies towards preventing the use of any such conflict minerals and to document their efforts in support of these policies.

To meet customer expectations, EIM may request this information from our suppliers on an annual basis via the CMRT and EMRT templates at the following website: [www.responsiblemineralsinitiative.org](http://www.responsiblemineralsinitiative.org). Mica and Cobalt are reported on the EMRT template.

## **24.0 Environmental, Health, and Safety**

It is expected that suppliers will comply with expectations listed below:

- Provide safe working conditions for all employees, customers, and contractors.
- Adhere to all applicable national, regional, state, and local laws and regulations governing environmental, health, and safety.
- Operate in a manner that minimizes the impact to the environment. The use of resources and generation of waste of all types, including air, water, and energy shall be minimized or eliminated at the source or by practices such as adding pollution control equipment, modifying production, maintenance and facility processes, materials substitution, conservation, reuse, recycling, or other means.
- Promote sustainable natural resource practices.
- Extend and communicate these expectations to suppliers.

## **25.0 Terms and Conditions**

Suppliers will be paid within discount terms if available or within negotiated terms.

## 26.0 Cost Recovery

Suppliers will be responsible for all associated recovery costs for defective materials or insufficient documentation supplied to EIM. Costs may include but are not limited:

- Administrative
- Rework charges incurred
- Freight charges
- Production downtime

Note: PCB Suppliers will be billed for 5X the cost of the PCB, if the supplier defect was the cause of populated boards being scrapped by EIM.

## 27.0 Procurement Quality Requirements

- Every shipment must contain a packing slip with EIM's purchase order number
- Confirm ship date, method of shipping, quantity and price
- Receiving hours are Monday through Friday 7am to 4pm
- Must follow ITAR requirements when noted.
- 30-day advance notification of any pricing increase is required.

## 28.0 Delegation of Product Verification

For special cases when the verification of the purchased products is not completed by EIM (for example, drop shipping parts directly to the customer), the delegation is defined on the PO, which serves as the record of the delegation. An acceptance criterion is also specified. A delegated representative at the supplier's site and/or at the destination/end user site is required.

## 29.0 Export Controls

Suppliers shall comply with all applicable export control laws and regulations. Suppliers will provide information related to matters including product classification, export/import licenses, and sanctions, as requested, to ensure compliance with applicable export control laws and regulations.

**EIM's Quality Policy: By following our quality system, EI Microcircuits will comply with requirements to maintain or continually improve the quality of our products, procedures, and services to ensure customer satisfaction.**