

# WI, Supplier Handbook



PRW-43261-06

Revision History				
REV#	ECN#	Change Summary	Revised By	Date
01	N/A	Reworded Corrective Action section, changed response time from 24 to 48 hours. Added AP email address. Added supplier approval status. Added requirement for SVHC compliance. Replace PRF-44205-03 with this WI	Stacy Johnson/Neil Vickstrom	8/26/15
02	NA	Removed Appendix A and all references to that document – no longer relevant. Changed wording around response to Corrective Action. Changed wording under Environmental Health and Safety and moved to Shipment Documentation Requirements.	Stacy Johnson	11/23/15
03	NA	Added references to Corporate Social Responsibility, updated to include Director of Materials, updated supplier qualification table to remove the word “Annual” and be consistent throughout the document.	Dave Westfall	1/26/2017
04	NA	Updated document to new format and added ISO requirements.	Steve Veenstra	2/15/18
05	NA	Added weight requirements for individual boxes	Dave Westfall	3/15/18
06	NA	Added clarifying statement regarding approval requirements	Dave Westfall	4/27/18

5/1/2018

5/1/2018

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Signed by: Craig Baldwin

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5/1/2018

5/8/2018

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# Phoseon™ Technology Supplier Handbook

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## Introduction

Phoseon Technology (Phoseon) is committed to continuous quality improvement and recognizes the importance of supplier involvement in achieving this goal. It is Phoseon's responsibility to clearly communicate its needs to suppliers and to exchange basic technical and business-related information. This handbook is intended to serve as a single source of overall guidelines and expectations that Phoseon has for all of its suppliers and should be taken as a minimum requirement for continued success and growth for both companies.

Phoseon will:

- Establish a clear line of communication with a formal notification of any changes.
- Commit to continuous improvement in all areas of operations and in supplier interactions.
- Work with our suppliers to assist in acquiring any information, training, etc., concerning the requirements of this document.
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Phoseon will work closely with its suppliers to assist them in producing and delivering materials and services that conform to specifications and requirements that have been mutually agreed upon by Phoseon and the supplier.

Phoseon will assign business preferentially to suppliers whose materials and services consistently meet Phoseon requirements while providing the greatest value proposition. Suppliers will benefit from quality performance as Phoseon will look to them as a key supplier when awarding new business and longer-term purchasing agreements.

Ultimately, the focus on quality and value may lead Phoseon to conduct business with fewer suppliers. Our goal is to establish long-term relationships with these quality suppliers in an atmosphere of openness and trust.

For those of you who have been long-standing suppliers to Phoseon, we hope that you will review this handbook and choose to continue as a part of our success. If you are a new supplier to Phoseon, we welcome you and hope that you share our desire to work together in creating a mutually successful relationship.

We welcome any questions or input that will improve both this handbook, as well as our overall business relationship.

Sincerely,

Bill Cortelyou  
President and CEO

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## Corporate Mission and Quality Policy

Phoseon is dedicated to the development and advancement of UV LED Technology, offering a clean energy solution for UV curing applications.

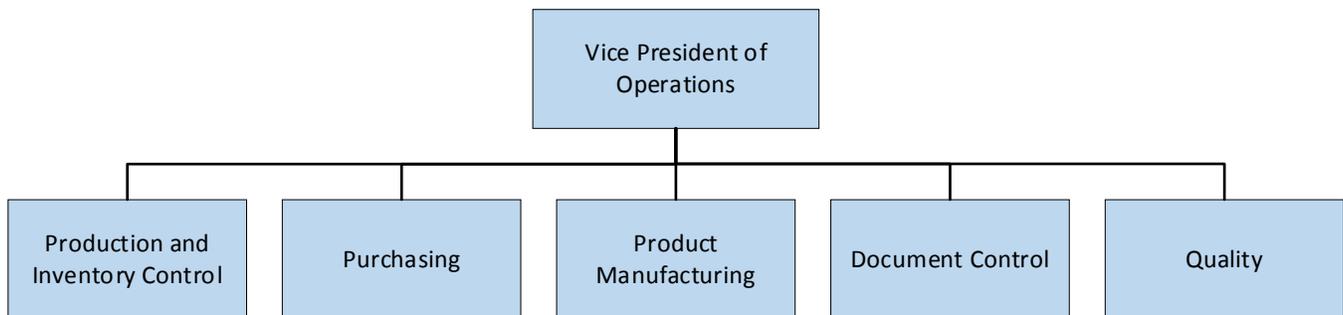
Phoseon Technology is committed to design, build and provide the highest quality products with zero defects through continuous improvement in the effectiveness of the Quality Management System.

## Purchasing Authorities

In order to clearly communicate the requirements and ensure minimal opportunity for incorrect materials or services, the supplier must receive a written purchase order from an authorized Phoseon buyer. A listing of current Phoseon employees authorized to issue purchase orders is included in this handbook and updates are available upon request to the Director of Materials.

Unless a specific Supply Agreement is in place, the Phoseon purchase order constitutes the entire contract between Buyer and Seller and exclusively determines each party's rights and obligations. Phoseon does not issue verbal purchase orders and shipping against un-recognized purchase order documents could result in delay at receiving or within Accounts Payable.

### - Organizational Chart—Phoseon Manufacturing Operations Department



### - List of Phoseon Employees authorized to Issue Purchase Orders

- o Vice President of Operations
- o Director of Materials
- o Buyer
- o CFO

## Supplier Gratuities

Phoseon employees are asked to refrain from accepting gifts, entertainment, favors or services from present or potential suppliers. Providing the highest level of service and quality products is the best way to express your gratitude for Phoseon business.

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## Purchase Order Confirmations and Notifications

Order Acknowledgement: Upon receipt of a valid purchase order from Phoseon, each supplier is asked to confirm receipt of that order, as well as the content of the order - price, quantity, delivery date, etc.

Change Order/ Re-Schedule Notification: Changes or re-schedules of a purchase order can be made either via phone, fax or email. If changes are made verbally, the Phoseon buyer will confirm in writing the extent of the changes. If the written verification of the information is incorrect, it is the obligation of the supplier to advise Phoseon of the changes in writing to ensure no confusion exists.

Cancellations/Re-Stocking Fees: In the event that an order is cancelled, Phoseon will advise the supplier immediately of the requirement and it is the expectation that all added value activity will cease. If there is any liability to Phoseon for the cancelled parts, the supplier will provide this information within 5 business days for review. It is assumed that our suppliers will engage in good purchasing practices and that all reasonable attempts will be taken to minimize cancellation and/or restocking charges on returned sub-tier supplier materials.

Product End of Life Notification: Phoseon suppliers are often times our first line of defense in regard to material obsolescence or end-of-life issues. As such, it is the obligation of the supplier to pass this information on to Phoseon immediately upon becoming aware of the issue. If the notification includes recommended alternate parts or last time buy (LTB) deadlines, the supplier's assistance in qualifying an alternate part or determining LTB quantities may be required.

## Information for Suppliers

The Processes, Products and Services to be provided: Products and service requirements shall be communicated to the supplier via purchase orders including all specifications and expected delivery information.

The Approval of Products and Services: The commodity buyer shall ensure the supplier understands the contents of the purchase order.

The Approval of Methods, Processes and Equipment: The supplier shall use proper methods, processes and equipment for the manufacturing of materials ordered by Phoseon. Only calibrated measuring equipment shall be used for any inspections to written specifications.

Product and Service Release: Finished materials being released to Phoseon shall meet the specifications on the written purchase orders, drawings, etc. and shall be free of defects and fit for use.

Competence: The supplier shall use trained or certified personnel to manufacture all ordered materials.

Interactions with Phoseon: Primary communication between Phoseon and the supplier will be through the buyer for the commodity.

Supplier Performance: Phoseon monitors supplier performance and will communicate any issues as needed when nonconforming materials are encountered. The communication may be in the form of an email, telephone call or corrective action (see below). In some cases, Phoseon periodically communicates supplier performance back to the supplier to share information such as inspection results, yields, supplier performance goals & scorecards, etc.

Special Verification and Validation Activities: Phoseon will communicate when special verification or validation of materials is required at the supplier's site. This may include testing, special measurements, etc.

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## Engineering/ Specification Changes

Receipt Acknowledgement: When implementing a drawing or specification change, Phoseon will provide notification via email. Supplier is to confirm via return email.

Implementation Notification: If, for any reason, the supplier is unable to comply with the required date, they should immediately contact the appropriate Phoseon buyer and discuss implementation.

## Supplier Initiated Changes

Phoseon is open to and welcomes the suggestions of our suppliers to improve manufacturability, reliability or reduce the cost of our products. We are happy to work with you in exploring and potentially implementing these changes for our mutual benefit.

Process: The supplier must notify Phoseon in writing and prior to any changes in the manufacturing location, process, storage, raw material(s) used or raw material source. Such changes may affect the quality of the finished product; therefore Phoseon may require the supplier to submit samples or first articles of these changes for test and engineering qualification prior to the change being implemented. Shipment of materials incorporating any change without prior notice will be segregated and officially rejected as non-conforming.

## Use of Authorized Distribution Channels

All parts procured for use in assemblies built for Phoseon Technology must be sourced through OEM Authorized channels. Distribution or "Gray Market" materials are not to be used without express written approval from both the Director of Materials and the Vice President of Operations at Phoseon Technology.

## Request for Quotation (RFQ)

During the normal course of business, Phoseon will issue a Request for Quotation (RFQ). It is expected that our supplier will provide Phoseon with the very best pricing based on the quantity breaks outlined in the RFQ. Phoseon appreciates the time and effort involved in the quoting process and will not make these requests frivolously. In turn, we expect that the quotation provided to is the true quote, not a "starting point" for negotiation. Purchasing decisions will be made from your quotation, so your diligence in making the information complete and accurate to the specifications of the RFQ will save time and frustration for all involved.

## Shipment Documentation Requirements

Packing List: All packages delivered to Phoseon must contain a packing list which includes, but is not limited to, the following pieces of data: Shipper, Phoseon purchase order number, Phoseon part number for each item and the quantity for each line item shipped. Additional information such as manufacturer part numbers or shipper reference numbers are also helpful in expediting identification and receipt of material. This also helps with invoices/ packing list matching for accounting.

Certification: All parts delivered to Phoseon must contain Country of Origin.

Package Labeling/ Marking: Each carton, container, pallet or crate must be clearly labeled with any special handling and storage specifications required to protect the content and integrity of the material shipped. This includes, but is not limited to, package orientation, temperature or humidity tolerance, ESD protection and hazardous material placards.

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**Material Labeling/ Marking:** Many parts look similar. In an effort to prevent mixed stock, Phoseon requests that all discreet components are marked or labeled sufficiently for stockroom personnel to quickly and clearly identify the part, even in the event that they are separated from their shipment packaging. Small parts that are not easily marked or labeled should be reviewed with the buyer in order to best resolve any identification issues. Marking should include, but is not limited to, Phoseon part number, revision number and quantity (if packaged as multiples).

**Environmental/Health/Safety/Social Responsibility:** Phoseon complies with local, domestic and international standards regarding the environment and minimizing waste to improve the local and global community. Compliance with RoHS2 Directive 2011/65/EU, REACH (Registration, Evaluation, Authorization and Restriction of Chemical substances), EC1907/2006 Directive and Substances of Very High Concern (SVHC) are expected for all Phoseon materials, with certificates of compliance available upon request. Phoseon also supports the global initiatives in Social Responsibility including the Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act regarding conflict minerals and the Modern Slavery Act of 2015. "Green" efforts such as the use of recyclable packaging, is encouraged.

Any suggestions as to how Phoseon can improve its processes, packaging or products to be more environmentally conscious are welcomed. Please pass these suggestions on to any member of the Phoseon Operations or Engineering team.

### **Supplier Corrective Action**

Phoseon believes in maintaining and encouraging a continuous improvement program, both internally and throughout our supply chain. It is expected that production suppliers to Phoseon maintain a Quality Management System that includes a Corrective Action Process.

As part of this program, Phoseon has initiated a Corrective Action Request (CAR) process to ensure that quality, delivery or service issues can be formally addressed, corrected and process improvements documented as part of an on-going process.

Phoseon uses a Corrective Action System to communicate and track supplier issues that create a catastrophic failure or if a trend develops of recurring quality issues not remedied through the normal Non-Conforming Material notification or RMA process. When a corrective action is issued, acknowledgement and a schedule of the corrective action steps are expected in a timely manner. A suggested due date will be on the Corrective Action.

The amount of time required to provide adequate response may vary depending on the criticality of the problem, an initial due date will be provided and can be adjusted as agreed upon by both parties. Phoseon is committed to working with our suppliers in developing and maintaining long-term solutions in order to best serve our customer's requirements.

## Supplier Qualification and Evaluation Process

To ensure a quality end-product and on-time delivery to our customers, it is critical that Phoseon work with qualified suppliers. The supplier qualification process consists of several elements. The level of selection criteria and evaluation for each supplier is dependent on the type of product or service provided and the on-going quality levels maintained in day to-day business.

Each supplier is designated with a level of "Risk"—Low, Medium or High.

- **High:** Products or services are critical to the proper functioning of a Phoseon end-product. Interruption of either quality or delivery will significantly impact the Phoseon product and customer.
- **Medium:** Products or services provided are specific to Phoseon specifications and/or are drawing controlled. Special attention to tolerances and finish is required to perform acceptably in a Phoseon Product.
- **Low:** Products or services provided are "off the shelf", readily available and of minimal risk to Phoseon's ability to build product.

The minimum level of qualification steps required is dependent on the risk level as described in the table below. This criteria only applies to "Approved" and "Conditional" suppliers, as defined in the following section.

	Publicly Available Information (Website)	Supplier Self-Assessment	Site Visit or Supplier Self-Assessment
High	X	X	X
Medium	X	X	
Low	X		

### Approval Status

**Approved** - Supplier who has completed the necessary qualification steps and provides good quality and on time materials.

**Conditional** - A supplier in the qualification process. A supplier may stay in conditional status for up to 90 days. PO's may be executed to a Conditionally Qualified supplier.

**Engineering** - A supplier used for non-production, engineering or NPI materials only. A supplier in Engineering status may become qualified if materials are to be used in production in the future.

**Inactive** - A supplier not used in the past 12 months. PO's cannot be executed to this supplier.

**Administrative** - A supplier or person used for administrative, marketing, maintenance or other non-production things.

**Disqualified** - A supplier that is no longer eligible to receive PO's from Phoseon. Computer system does not allow for PO's to be executed. The process for disqualification will be considered by Engineering, Operations and Finance and will be based on any combination of factors that may include but are not limited to; poor delivery performance, poor quality or materials inappropriate for Phoseon use.

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If a Supplier Self-Assessment is requested, it will be reviewed upon return and a determination of next steps to be completed. These steps may range from no further action to additional information being required and/or a site survey/qualification audit of your manufacturing location(s). Other factors could initiate further qualification requirements including, but not limited to, repeated non-conforming material issues, significant changes to the supplier's facility, equipment or location. Throughout this process, Phoseon will keep the supplier informed should their approved status change or be at risk of changing.

Once approved, suppliers are listed on Phoseon's Approved Supplier List (ASL). Medium and High risk suppliers will be reviewed as needed based on Time to Delivery (OTD) reports and Discrepant Material history to ensure quality, service and delivery levels are adequately maintained. Change in performance levels in any one of these areas may be addressed and could lead to corrective action requests or disqualification as a Phoseon supplier. Suppliers falling in the high risk category will be visited no less than every 36 months.

## Packaging & Delivery Requirements

Receiving Hours: Standard receiving hours have been established to ensure proper receipt and so that acknowledgement of delivery can be provided to the supplier for all deliveries to Phoseon. Normal receiving hours are:

Monday-Friday: 7:30 a.m. - 4:00 p.m.

Should you require a delivery time other than the standard hours; arrangements can be made in advance by contacting the buyer at least one business day prior to delivery.

Packaging Specifications: All materials shipped to Phoseon should be packed in a sufficient manner to prevent damage which can be incurred by normal, common carrier handling. In the case of electro-static sensitive devices, extra precautions should be employed by the supplier to prevent latent ESD damage to the materials. It is the responsibility of the supplier to comply with all state and federal packaging requirements when shipping hazardous materials. All individual boxes should be packaged so that the weight of the box does not exceed 40 pounds.

Large/Heavy Shipments: Oversized, palletized and heavy shipments often require special packaging to prevent damage in-transit. It is the supplier's responsibility to consider the product and review any special handling concerns with the Phoseon buyer.

Freight Damage: All packages are given a visual inspection by the receiving staff upon receipt and visible holes, crush marks, cuts, etc., will be noted on the packing list. If damage is recorded, the supplier will be notified within one business day. Damaged packages will be immediately considered as non-conforming until an additional incoming inspection can validate the shipment is good. It is the responsibility of the supplier to provide adequate protection for all materials to ensure the goods are received safely and in a usable condition.

On-Time Delivery: The date shown on a Phoseon purchase order is the date that the complete purchase order is expected on our dock. That date is used to base our overall plant production. Suppliers' on-time delivery to first commit will be reviewed on a regular basis. Repeated late deliveries, especially those without notification, could lead to the initiation of a Corrective Action Request. "On-Time" is defined as up to 2 business days early and 0 days late.

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## Non-Conforming Material

Non-conforming material cost both Phoseon and our supplier time and resources. When discrepant or un-usable material is found on our production floor the problem is documented by manufacturing and reviewed by both the Engineering and Material departments.

If it is suspected that the supplier is responsible, the buyer will gather the information and request a *Return Material Authorization (RMA)* from the supplier. If the material is non-conforming due to a supplier's error, a credit will be taken against the original purchase order and the supplier will be asked to re-invoice upon shipment of good material.

If the material is outside of the manufacturer's warranty period or has been damaged due to a Phoseon error, The RMA request will include a request for quotation for repair or replacement costs. This will allow Phoseon to determine if the repair cost is feasible, as well as allow us to immediately issue a purchase order to cover the costs.

## Accounting

Standard supplier payment terms are Net 30 starting on the date your shipment is received at our dock. If your standard payment terms are other than Net 30, you will need to advise us immediately so we can ensure that our Accounting Department is informed and can accommodate your requirements.

Invoices must include, but are not limited to, the following data: Phoseon Purchase Order number, description of parts/services received, quantity and date of shipment/services.

If you have any questions or concerns regarding payment terms, please contact the Phoseon Accounting Department to best resolve your concerns. Invoices and questions may be sent to [AP@Phoseon.com](mailto:AP@Phoseon.com).