

Vendor Compliance Manual

Using the Vendor Compliance Manual

This manual is designed to provide you with Automation Products Group, Inc.'s (APG's) supply chain requirements. Please carefully review and share the manuals contents with the appropriate personnel in your company to ensure that the requirements are universally understood and achieved. **The manual's contents will be updated from time to time and adherence to these changes shall be your responsibility.** The most current version can be accessed on our website at https://www.apgsensors.com/terms/vendor-compliance-manual.pdf

If you have any questions or comments about this manual, please contact APG'S Purchasing Department at:

Automation Products Group, Inc.
C/O Purchasing Department
1025 West 1700 North
Logan, UT 84321
Email: purchasing@apgsensors.com
Phone: (435) 753-7300

1.0 Vendor Selection and Evaluation

Overview
This section addresses APG's selection of qualified vendor's.

1.1 Vendor Selection

1.1.1 New Vendor
When a new vendor candidate is identified the purchasing department shall review the vendor's capability to meet APG's requirements

One of the following methods is employed to evaluate the vendor's capabilities:

- Availability and review of a third party quality management system certification. The registration certificate must be directly associated with the vendor that is receiving APG's purchase order.
    - NADCAP certification may be used for approval for aerospace plating processes.

Note: APG's purchasing department will document the expiration date of the certificate and will contact the supplier prior to expiration to obtain an updated copy.

- Receive documented objective evidence of the supplier's capabilities using a Supplier Qualification Survey.
- A vendor on-site evaluation conducted by APG personnel.
- Receipt of pre-production samples that shall be validation tested or first article inspected against requirement.

1.2 Re-Evaluation of Approved Vendor
Vendor re-evaluation will be conducted on an annual basis using the following as criteria for the evaluation:

- Quality control inspection reports, communication history, on-time delivery records, and pricing. These factors help purchasing determine if the vendor is not able to provide conforming products, processes, or services.

2.0 Quality Assurance

Overview (Quality Policy)
Automation Products Group, Inc. is committed to achieving excellence in everything we do through review and continuous improvement of our quality management system, and through dedication to our customers by establishing a professional business relationship that provides a timely response, on time delivery, and defect free products which meet all product, customer, and regulatory requirements.

This section establishes requirements applicable to all components and finished goods to assure that such items are of a required quality and reliability in support of APG's Quality Policy.

APG is ISO9001:2015 certified and we expect our vendors to support us in our ongoing efforts to maintain this certification.

2.1 Manufacturing and Quality Requirements

The vendor shall maintain a quality management system (QMS) which is adequate for the complexity of the products being supplied. To ensure manufacturing control, the vendor shall establish and document process standards for the following areas:

- The vendor assures that all materials and components used in the manufacture of products to be delivered to APG shall be inspected, tested, or otherwise verified to be conforming prior to use or processing. Non-conforming material shall be clearly identified and segregated to prevent commingling with acceptable material.
- Workmanship standards shall be in compliance with those called out on the drawing or specifications, or when not stated, best available industry standard. Standards must be acceptable to APG's Quality Assurance Department.
- The vendor is responsible for ensuring that all items, if made by the vendor or a subcontractor, meet the technical specifications for form, fit, and function, and methods for manufacture meet or exceed industry best workmanship practices.
- The vendor shall have inspection standards for evaluation of the manufactured product based on drawings and engineering specifications.
- The vendor shall establish procedures for insuring, securing, verifying, storing, maintaining, and accounting for material, products, tools, and equipment owned by APG which have been provided to the vendor. Any items that are lost, damaged, or deemed unusable, shall be reported to APG's Buyer immediately. Costs associated with items lost or damaged are reimbursable to APG.
- By making shipment under a purchase order, the vendor will supply a signed Declaration of Conformity that certifies the materials being used in the articles shipped and the process applied to such articles comply with applicable drawings and specifications.
- The vendor agrees to retain objective evidence or records of inspection and testing performed in the course of manufacturing, testing, inspecting, preserving, and packaging of said article. These records shall be made available to APG to review upon request.
- Records created by, and/or retained by vendors shall be readily retrievable and available up to ten (10) years from the date of the request.

2.2 On-Site Inspections/Surveys

APG's Quality Assurance Department, or its designated, agent may perform on-site inspections or surveys prior to any scheduled delivery. The purpose of the on-site

inspection or survey is to determine the vendor's ability to produce products that meet the requirements of the most recent drawings, specifications, or purchase orders.

The success of the on-site inspection depends on the vendor's ability to demonstrate its capability to consistently produce the product in compliance with the purchase order and applicable drawings and specifications. Areas subject to inspection are:

- Management structure and organization
- Internal and external communication procedure
- Vendor's manufacturing system and processes
- Quality control and inspection
- Engineering capabilities
- Tool calibration capabilities
- Performance history and certifications
- Facilities, general upkeep, and maintenance
- Problem analysis and preventative or corrective action methods
- Quality improvement plans and methods

Vendor shall provide required inspection information and manufacturing documentation to show evidence of control and acceptability. Material noncompliance in any of the aforementioned areas may require additional on-site inspections.

2.3 Drawings and Specifications

APG's intent is to provide clear, accurate specifications and drawings to our vendor's. APG's drawings have a revision reference on the drawing itself, and it is the vendor's responsibility to provide parts using the most recent version.

Drawings and specifications must be kept confidential.

2.4 Declaration of Conformity

Many products are required to be listed, recognized, or tested by certain regulatory or safety agencies. Vendors are required to provide components that meet all regulatory or safety certifications. These requirements shall be met when requested by APG's Purchasing department, or so noted on the Purchase Order.

2.5 Safety Data Sheets

It is the policy of APG that material Safety Data Sheets (SDS) for any product that is considered hazardous or has the potential of becoming hazardous during APG's manufacturing process, must be supplied with the shipment. SDS's will be delivered to APG's Safety Department for review. SDS's can also be mailed to APG at the following address:

Automation Products Group, Inc.
C/O Purchasing Department

1025 West 1700 North
Logan, UT 84321
Email: purchasing@apgsensors.com
Phone: (435) 753-7300
Fax: (435) 753-7490

2.6 First Article Inspections
All new or revised components are required to undergo and pass inspection conducted by APG's Quality Assurance Department. This procedure applies to all new components, revised components, or changes in processes, material, or procedures of manufacturing to components previously order by APG.

2.7 Changes in Processes, Materials or Procedures
Vendors shall not change any processes, materials, or procedures, including component substitution, without prior approval from APG's Buyer. The shipping of components from a production run prior to APG's acceptance shall be at the vendor's own risk.

2.8 Inspection
APG reserves the right to inspect, hold, or reject vendors' components or parts. Product acceptability is determined by qualified inspection personnel utilizing precision measuring tools and the most recent drawings and specifications. Discrepancies are documented on a Quality Control Inspection Report (QCIR) and referred to APG's Material Review Board (MRB) for disposition. Possible dispositions include the following:

- Use-as-is
- Return to vendor
- 100 percent sort
- Rework
- Scrap/Destroy

Vendors will be notified by Purchasing or Quality Assurance of a discrepancy encountered during the inspection process. APG may reject individual pieces within a shipment, or the entire shipment. Final acceptance or rejection is determined by the APG Quality Assurance Department.

APG may request, which is dependent upon the acceptance status of the articles in question, corrective action to assure that future shipments do not contain similar discrepancies. Such requests require timely response and should include, at a minimum, the following information: containment action, thorough root cause analysis, corrective actions implemented, and the results of the action.

2.9 Rework
Vendors may not rework components or parts found to be nonconforming unless the rework results in full conformance to APG's technical requirements. Furthermore,

vendors may not rework components and parts unless the rework method is described in writing to APG's Buyer and Quality Assurance Manager.

Products rejected and subsequently resubmitted to APG shall be clearly and properly identified as resubmitted articles ('Reworked Parts') on the outer packaging. Also, the vendor's shipping document (e.g. packing slip) shall contain a statement that parts are reworked with reference to APG's (QCIR) rejection document.

APG reserves the right to rework components found to be nonconforming without vendor approval to keep production lines operating in order to minimize or prevent further damage to APG. In these cases, the vendor will be responsible for any and all rework costs.

2.10 Compliance
APG maintains compliance relating to RoHS, Conflict Minerals, and California's Proposition 65 and we expect our suppliers to comply with these same requirements

3.0 Purchase Orders

Overview
APG requires the correct product, correct quantity +-10% and agreed upon price, delivered on the date which has been confirmed by the vendor. In order to achieve this, vendors must ship the exact product and quantities +-10% that have been confirmed. Listed in this section are purchase order policies and procedures, and replacement parts terms and conditions. All matters relating to any purchase order, including any dispute arising out of a purchase order, shall be governed by and construed in accordance with the laws of the State of Utah, and the parties thereto consent to the jurisdiction of the First Judicial District Court of Cache County, State of Utah, or any federal court within the State of Utah to resolve any such disputes.

3.1 Purchase Orders Policies and Procedure

3.1.1 Confirmation
All orders are valid only upon receipt by the vendor of a confirmation copy of a released purchase order. Purchase orders can be sent in one of two ways: a hard copy, or email.

3.1.2 Acceptance
Vendors shall verify all information on the purchase order is complete and accurate when the order is received. If there are questions with regard to the order, contact the appropriate APG Buyer. Vendor's acceptance, confirmation, or acknowledgement of an order, or shipment against an order will constitute acceptance of: (a) pricing, terms and conditions of the order, and (b) the contents of APG's Vendor Compliance Manual.

3.1.3 Failure to Comply

APG may, at its sole discretion, either (a) refuse delivery of an order and return it to the vendor at the vendor's expense or (b) accept the order (or part thereof and return the balance at the vendor's expense) if any of the following occur:

- Goods shipped do not comply with APG's drawings and specifications
- Goods shipped are damaged
- Goods shipped are defective

3.1.4 Late Shipments

All shipments of product must arrive at APG no later than the due date which has been confirmed by the vendor and documented on the purchase order. Late shipments are unacceptable, and APG may issue a debit memo for reimbursement of any costs incurred due to product arriving late. If you anticipate a late shipment, you must notify the purchasing department of the delay.

3.1.5 Early Shipments

Product should not arrive at the designated warehouse more than 4 days early, unless approved by an APG Purchasing agent.

3.1.6 Tooling

Any tool, die, pattern, or equipment furnished or paid for by APG used to make components or parts shall be used solely to produce components and parts for APG. In this regard, vendor acknowledges and agrees that all such tooling is and shall at all times remain the sole and exclusive property of APG. Vendor further agrees to not hold any tool, stencils, die patterns, or equipment furnished or paid for by APG for any reason and to immediately surrender the same upon APG's request.

3.1.7 Suspension or Cancellation

Suspension or cancellation of deliveries may be made by purchasing during the existence of strikes, labor disturbances, secondary boycotts, fires, power shortages, floods or other situations arising from causes not within Purchaser's practicable control. Termination by Purchaser of this order may be made by written or electronic communication stating extent and effective date.

4.0 Product Warranty

Overview

APG requires vendors to warranty all components and parts to supports its customer's expectations relating to product reliability.

4.1 Product Warranty

Vendors can view APG's terms and conditions, which contains its product warranty, by visiting our website at https://www.apgsensors.com/about-us/terms-conditions

5.0 General Packaging and Shipping Instructions

Overview

The purpose of the packaging and shipping instructions is to inform vendors about APG's requirements and their responsibilities relating to packaging and shipping.

5. 1 Packaging Instructions

- The component or part packaging must provide sufficient protection for the product to arrive at APG without damage
- The component or part must be properly labeled to ensure the product can be verified against the packing slip and APG's purchase order upon receipt
- A packing list is required with each shipment. Freight bill-of-lading cannot be used in lieu of packing slip. APG's purchase order must be clear listed

5.2 Types of Shipments

5.2.1 Collect

APG is responsible for 100% of the freight cost unless certain incremental or expedited freight cost are incurred due to the vendor's failure to comply with the terms and conditions of purchase.

5.2.2 Prepaid

Vendors are responsible for 100% of the routing arrangements and freight costs.

5.2.3 Imports

Due to the complex routing and documentation procedures associated with imports, it will be necessary to contact the appropriate APG Buyer to coordinate this shipping method. This must be done prior to the first shipment. In addition, certain documents are also required to be provided by hard copy or email to the appropriate APG Buyer when product is shipped from foreign countries.

5.24 Expedited and Air Shipments

To ensure compliance with APG's expedited shipments policies and procedures, the APG Purchasing Department must authorize all expedited and air shipments prior to shipping. Expedited shipments include all freight and any motor cargo specifically routed to accelerate either the scheduled pick up or delivery time.

5.2.5 Hazardous Materials

If you are a shipper of “Hazardous Materials” you need to comply with additional markings and labeling requirements specified by the Department of Transportation (DOT) and/or Environmental Protection Agency (EPA), and follow any other carrier requirements.

5.3 Title and Risk of Loss

Vendors can view APG’s terms and conditions, which contains its risk of loss and title, by visiting our website at https://www.apgsensors.com/about-us/terms-conditions.

6.0 Return to Vendor Policy

Overview

This section addresses the procedures for disposing returnable product. Vendors are responsible for all costs associated with inspecting, warehousing, handling, transporting, and disposing of returnable product.

6.1 Return to Vendor Policy

APG shall be afforded full and unconditional return privileges from all of our vendors unless a guaranteed defective allowance has been negotiated in advance for damaged and defective product.

Return Options:

- Destroy for full credit - For those manufacturers who authorize destroying the product for full credit instead of returning
- Defective Allowance - Negotiated in advance to cover costs incurred for defective or damaged product
- Return to Vendor - Damaged or defective goods that are shipped to vendor for full credit.

6.2 Repaired, Reworked, or Replacement Product

APG reserves the right to not accept repaired, reworked, or replacement product in place of a defective allowance or in place of receiving full credit for the return of damage/defective returns. Damaged or defective product that has been repaired or reworked may be refused and immediately returned at vendor’s expense.

7.0 Reimbursement Policy

Overview

This section addresses APG’s Reimbursement Policy.

7.1 Reimbursement Policy

Reimbursements shall not be deemed penalties or liquidated damages, rather expense

reimbursements for administrative and other costs incurred by APG for the vendor's failure to comply with the Terms and Conditions of Purchase, and the related policies and procedures set forth within APG's Vendor Compliance Manual.

When assessing expense reimbursements, QCIR's will be generated and provided to the vendors. If requested and available, other supporting documents concerning a specific noncompliance matter and associated reimbursement fee will be provided.

Any deviations from the policies and procedures contained in this Manual and the Terms and Conditions of Purchase must be approved in writing by the Purchasing Department. Telephone conversations, verbal agreements, or agreements made with any other department will not be honored unless written authorization is provided by the Purchasing Department.

APG Buyers are not authorized to exempt vendors from complying with any of APG's compliance standards found in this manual.