

PURPOSE

This procedure defines the policy for the use of suppliers in the purchasing of products and services that affect product conformity. Purchased goods shall meet the requirements of our purchase order, customer drawing and other specification requirements. This procedure establishes the minimum quality systems requirements, that suppliers are expected to operate within, to prevent nonconformities in processes or product, and to provide evidence of control. This procedure also establishes delivery expectations and the methods used to measure overall supplier performance.

SCOPE

This document applies to suppliers of **Marking Systems, Inc., T Shirt Tycoon Solutions and MS Die Cut, LLC**, herein referred to collectively as MSI. MSI is responsible for all products or services that it delivers to its customers. To ensure that MSI delivers the highest possible quality products and services, this procedure applies to all suppliers that provide products and services which comprise any portion of an MSI customer deliverable product.

The risks associated with selecting and using suppliers are recorded, as applicable, in the MSI B3 log and reviewed according to MSI internal policies.

DEFINITIONS

AKSL – Approved Key Supplier List

Approved - an active supplier that meets MSI quality requirements (supplier has been surveyed, reviewed, and validated through MSI defined methods and deemed acceptable to perform identified processes.) and marked as Active Supplier in ENT.

Disqualified – Inactive Supplier - does not meet MSI's requirements. No PO's will be issued to this supplier.

C of C - Certificate of Conformance

ENT – MSI Internal Management Information Systems

FAIR- First Article Inspection Report (as applicable)

OTD – Vendor On-time delivery, established with an expectation of > 90% of total shipments.

P.O. - MSI Purchase Order

QA - MSI Quality Assurance

SCAR - Supplier Corrective Action Request

Services - special processing, plating, paint and powder coatings, interim fabrication Operations (embossing), production testing

Approved Supplier

- **Changes** - The supplier shall notify MSI (in writing) when there are changes in product and/or process, changes in sub-tier suppliers, changes of manufacturing facility location or organizational changes such as new ownership, company name, or changes in senior quality management.
- **Customer Property** - The supplier will maintain procedures for the control of product supplied or purchased by MSI as applicable. It shall be verified on receipt that it is correctly identified and received in an undamaged condition. The product will be stored in a suitable area to prevent loss, damage or deterioration. It shall be issued only for work carried out against MSI purchase orders. Any such product that is lost, damaged or found to be unsuitable for use shall be recorded and reported to the MSI Purchasing department.
- **Certificate of Conformance** - The supplier shall supply a C of C with every shipment. For easy identification the supplier should mark the carton that contains the C of C documentation.

The C of C for Raw Material must contain specific information required by MSI:

- a. Company Name
 - b. Company Address
 - c. Date
 - d. MSI Purchase Order Number
 - e. MSI Part Number (if different than manufacturer part number)
 - f. Part Revision
 - g. Part Description
 - h. Material used (or statement that they match the drawing)
 - i. Quantity of parts
 - j. Signed and dated by an authorized representative of the company, or stamped
 - k. RoHS, REACH, Prop 65, as applicable
 - l. NAFTA
- **Right of Access** - For MSI to comply with the terms and conditions of its approvals and customer commitments, it is necessary that suppliers provide the right of access for its representatives, representatives of its customers and regulatory bodies. Free access shall be provided to enable review of all systems, documentation and records associated with the manufacture and control of products supplied to MSI.
 - **Supply Chain Flow Down** - The Supplier will ensure that all applicable requirements stated in the MSI purchase order are flowed down to sub tier suppliers as required.
 - **Organizational Structure** - The supplier shall have an organization with defined responsibilities and qualifications for personnel engaged in work affecting quality. There shall be a management quality representative with sufficient staff and resources to ensure that the requirements of this procedure are maintained, regardless of other responsibilities. MSI shall be notified of changes in company ownership, senior management, or quality representative.

- **Quality Management System** - The supplier should maintain a documented quality management system that defines the procedures and methods used to ensure that the requirements of this procedure are met and that the products and services supplied to MSI conform to the specified requirements.
- **Contract Review** - The supplier will review every purchase order/RFQ from MSI to verify that they can meet the specifications and requirements. It is the supplier's responsibility to notify MSI Purchasing Department of all feasibility concerns and for ensuring these are resolved before production begins. If the supplier, manufacturing or service plans includes sub-contracted operations, details of these and the sub-contractor's source shall be advised to MSI Purchasing Department.
- **Document Control** - The supplier will maintain a procedure to ensure there is a controlled distribution of current documents relating to the requirements of the Purchase Order, Engineering Drawings and Specifications provided by MSI. Authorized personnel within the Supplier's organization shall approve documents and subsequent changes to them and only current documents will be available at the point of use, with all obsolete documents removed from circulation. The Supplier shall retain FAIR and other Quality Records for **7+ years**, unless otherwise requested based on customer requirements.
- **Supplier Evaluation and Selection** - The Supplier will select subcontractors on the basis that they are able to meet quality requirements, including customer approved sources as required. The Supplier should carry out subcontractor assessment by an appropriate combination of surveillance of their quality systems and evaluation of their capability from previous quality delivery records.
- **First Article Inspection Report** – When requested, the supplier shall provide FAIR either prior to or with first delivery. This must include a comprehensive inspection report (covering all drawing features, notes, material, and process references) including the "ballooned" drawing. These are required to support receipt of the First Article Piece(s) to ensure that processes and products comply with specified requirements. Supplier may use their own FAIR form but populate it with the MSI header or use the MSI Form. Both are available in the supplier portal on MSI/MSD websites. In the case of sub-assemblies, the suppliers own FAIR reports are acceptable submissions, providing they meet quality requirements and specifications.

MSI must approve any changes to product, processes or service definition prior to implementation.

When requested, the supplier shall provide a FAIR when supplying a product for the first time, for every revision change, and when the product has not been manufactured in a 24-month period.

Rectification by repair shall be subject to prior approval by submission of full details through the MSI Purchasing Department. Repaired and reworked product shall be re-inspected to confirm conformity with specification requirements.

Nonconforming product cannot be shipped to MSI without MSI's written approval. The supplier shall also notify MSI of any nonconforming product that the supplier has already shipped (in transit or delivered) if the nonconformance was determined after shipment.

The supplier shall obtain MSI approval for nonconforming product disposition.

- **Corrective Action** - The supplier shall maintain documented procedures for taking corrective action to prevent the recurrence of non-conforming product and for ensuring such actions are effective. This shall include 100% inspection while the causes are being investigated and preventive actions are being implemented.

Written notification not requiring a formal response for discrepancies of a lesser degree, such as those that do not affect usability, incorrect documentation, or for immediate notification of non-conformances prior to MRB disposition, is done through Purchasing and/or Receiving Inspection via email. A SCAR may be initiated if supplier action is determined to be inadequate.

Written notification requiring a formal response for discrepancies that influence usability, repetitive defects from the same supplier or deficiencies noted in a supplier audit is done through the issuance of a SCAR. The supplier shall formally advise MSI of the causes, actions being taken and implementation date.

Lack of response to any request or continued repetitive defects require a decision by quality assurance on whether to consult with the supplier or, if necessary, recommend the supplier for disqualification. Disqualification will result in the supplier becoming inactive in ENT to prevent Purchasing from issuing a PO.

- **Preservation of Product** -The supplier will maintain documented procedures to control the methods used for handling, storage, packaging and delivering the product to prevent damage or deterioration. The product shall be packaged to preserve product quality to the point of receipt at MSI premises.

Hazardous product, product requiring special storage instructions and product with limited shelf life must be clearly marked on each container to indicate the restrictions or limitations of use. All discrete containers within a delivery shall be marked with the product identification.

PROCEDURE

Selection, Evaluation and Approval of Suppliers

By default, each supplier is selected by Purchasing. Other departments such as Estimating, Maintenance, R&D, Owners or Production Manager may suggest a supplier based on their previous experience of the supplier's ability to provide a prototype, sample or service.

As necessary, one or more representatives of each department such as Estimating, R&D and Production may provide input before placement of any order.

In addition to the supplier's quality system, the supplier will be evaluated on their ability to meet our delivery schedule, order quantities and cost of service or product. Further evaluation may include review of the supplier's web site to identify capabilities, evaluating potential risks, reviewing results of FAI samples, and reviewing a completed Supplier Quality Survey.

If an onsite assessment is required, the type and extent is determined by Quality Assurance and Purchasing. Once the supplier has met MSI's requirements, Quality Assurance will review the supplier survey and then update the supplier approval date in ENT, which will update the AKSL so that Purchasing can place a PO and will assign which products they are approved to provide.

Supplier Performance Review

QA periodically reviews supplier performance. QA will provide a synopsis of that review if requested.

Performance review is focused on key suppliers. Data from ENT will be queried for the suppliers Quality, On Time Delivery, and overall performance. Other data such as RMA issued history, SCARs issued, and SCAR response time may also be considered.

Supplier's with poor quality and/or on time delivery may require special action(s) or controls by Purchasing and/or QA.

Actions taken by MSI may include issuing a formal SCAR, requesting the supplier attend a meeting with MSI to develop a corrective action plan or putting the supplier on probation based on time or number of lots received. A SCAR may be issued as a tool to monitor their performance during the probation period.

In some cases, the MSI supplier approval status may change, depending on the results of the performance review. QA is responsible for changing a supplier approval status. If MSI Purchasing decides to deactivate a supplier outside the formal review process, Purchasing will notify QA that the supplier is to be changed to an "Inactive" status.

Depending on the circumstances, Quality can temporarily change the supplier status for controlled use inside the Management Information System.

Supplier Quality Survey

A supplier is required to complete and return a [Supplier Quality Survey](#) within a reasonable amount of time so that MSI can determine if an adequate quality system is in place. If the supplier has an accredited QMS then a copy of their certificate must accompany the survey.

A supplier quality survey is not required for suppliers that provide a service that does not affect customer product, i.e. outside trainers, building maintenance, office supplies, etc.

If the supplier's quality system is not certified to an international recognized quality standard, then it must complete the entire Supplier Survey form.

Supplier Corrective Action

Written notification requiring a formal response for discrepancies that affect usability, repetitive defects from the same supplier, or deficiencies noted in a supplier audit is done through the issuance of a SCAR. The supplier shall formally advise MSI of the causes, actions being taken and implementation date, when notified by MSI of receipt of nonconforming product or service.

Lack of response to the SCAR or continued repetitive defects require a decision by quality assurance to escalate the SCAR to the supplier's management or, if necessary, recommend the supplier for disapproval.

QA tracks the status of all SCARs including processing, review, approval, follow-up, verification, re-issue, disapproval, and closure.

Verification of Purchased Product

The supplier shall provide objective evidence of the conformity of the product (e.g., accompanying documentation, C of C, test records and/or x-rays (when applicable) with each shipment.

Verification activities may include inspection and audit at the supplier's premises. MSI may delegate verification to the supplier. If MSI delegates verification to the supplier, the requirements for delegation shall be defined by MSI and a register of delegations will be maintained by MSI.

MSI will verify compliance at receiving inspection and/or by testing product. Verification shall include review of the required documentation. When MSI plans to perform verification at the supplier's premises, MSI will state the intended verification arrangements and method of product release in the purchasing information.

Quality Records

The supplier shall maintain quality records for 7+ years plus current year unless otherwise notified.

MSI shall retain records of the results of supplier evaluations and any necessary actions arising from the evaluations for a minimum of 7+ years plus current year or as required.

Revision Date	Nature of Revision	Revision Approval
5-30-18	Original Release of document	Julia Rusmanica
5-31-18	Merged "Procedure for evaluation and re-evaluation of suppliers" with this document	Julia Rusmanica
6-4-18	Removed MSI Internal Only information	Joe Sofinowski
3-29-19	Added requirements to supply RoHS, REACH, Prop 65 and NAFTA	Julia Rusmanica
11-25-19	Added TTY into the scope of the procedure	Julia Rusmanica, ASQ CMQ/OE, CQA, CQI
8-6-20	Added exemption from AS 5553 Counterfeit for Electronics	Joe Sofinowski