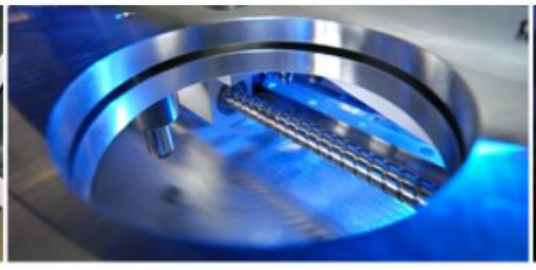
Supplier manual

Frencken Europe B.V.



Foreword

Dear supplier,

Frencken Europe B.V. (which consists of the four companies Frencken Engineering B.V., Frencken Mechatronics B.V., Machine factory Frencken B.V. and Optiwa B.V.) is serving customers around the globe. Very reputable customers in the healthcare, analytical & life sciences, semiconductor and industrial automation markets. Over the years we have built strong relationships with these customers. Customers that rely on us for prompt deliveries of quality products. We cannot achieve this without a reliable supply base. We rely on you, as part of our supply base, to provide the highest quality of products and services, now and in the future.

The goal of this manual is to give you a reference guide for our basic business requirements, general ways of working, our processes for purchasing goods and services, and who to contact on a variety of topics. To work effectively with us, you will need to understand its content. Following these rules ensures a smooth process with mutual benefit.

If you have suggestions for improvement or cost-saving ideas, please share them with us. If you have comments on the way we do our business with you, please tell us too. We believe it is a joint responsibility to drive the business of Frencken's customers to the next level.

To be successful we need you and we hope that our success will make you successful, too. You have the right to know in what direction Frencken is going and how we adapt our strategy to a changing world, so you can align and influence both our and your own business future.

Best regards,

Frencken Europe B.V.

Abbreviations

Abbreviation	Description
CCB	Change Control Board
CLIP	Confirmed Line Item Performance (based on first confirmation)
CoO	Country of Origin
CTC	Critical to Customer
CTN	Critical to Notified Body
CTQ	Critical to Quality
CTS	Critical to Safety
DN	Deviation Note
DOO	Declaration Of Ownership
EOL	End of Life
FAI	First Article Inspection
FMT	Frencken Mechatronics B.V.
MFE	Frencken Machine Factory Eindhoven
NDA	Non-Disclosure Agreement
OPT	Optiwa
PER	review after first production (proto)
PO	Purchase Order
PPA	Production Part Approval
QA	Quality Assurance
QC	Quality Control
QCE	Quality Control Engineer
QLTCS	Quality, Logistics, Technology, Costs, Sustainability
RFI	Request For Information
REACH	Registration, Evaluation, Authorization and Restriction of Chemicals
RFCA	Request for Corrective Actions
RFQ	Request For Quotation
RFR	Return For Repair
RGA	Residual Gas Analysers
RLIP	Requested Line Item Performance
RMA	Return Material Authorization
RoHS	Restriction of Hazardous Substances
RTV	Return To Vendor
SPC	Statistical Process Control
TAS	Technical Acceptance by Supplier
TOC	Total Organic Carbon
TPD	Technical Product Data/Documentation
T&C	Terms and conditions

Table of Contents

1. Introduction

Frencken designs and manufactures high precision and complex systems for renowned global Original Equipment Manufacturers in the healthcare, analytical & life sciences, semiconductor and industrial automation markets.

The manufacturing of accurate and highly finished parts, the (co-)development as well as the assembly and testing of state-of-the-art applications and equipment are Frencken's main activity.
In order to fulfil the demanding needs of its customers, Frencken has to rely on the quality and in- time delivery of parts, components and subassemblies from its entire supply chain. The performance of the supply chain is dominant for the performance of Frencken.

This manual will be used by different types of suppliers and therefore describes in general terms what is expected from our suppliers.

1.1 Vision, Mission & Strategy

Vision

To gain and maintain the position of Best-in-Class partner. This for precision machined parts and complex mechatronic assemblies used for high-end applications in semiconductor industry, for demanding healthcare markets and for state-of-the-art analytical applications, aviation and others.

Mission

To deliver Zero Defects based upon in-depth understanding of the customer needs. Accomplished through continuous improvement of the processes needed for precision component manufacturing as well as for the assembly & testing of complex mechatronic applications. This in addition to the continuous development of the competences of our highly motivated staff.
Frencken strives for continuous improvement and expects the same business and quality attitude from its suppliers throughout the complete supply chain.

Strategy

To capitalize on our advanced technological and manufacturing capabilities to provide strategic manufacturing partnerships that enable our customers to channel their internal resources towards marketing, product and technology development to gain a competitive advantage and strengthen market share.

1.2 Code of conduct

Frencken wants to operate its business on the basis of excellence, commitment, integrity and fair play. Frencken expects the same from its suppliers. We avoid (possible) conflicts of interests between personal and professional relationships. This also means that we do not use company opportunities for personal gain. Exchange of gifts and entertainment is allowed for low value only (below 25 euro) and Frencken has zero-tolerance to any form of bribery and lack of integrity.

1.3 Responsible Supply Chain

Sustainability is embedded across Frencken's practices and integrated throughout our supply chain, as the Group is proactive to engage with its suppliers in achieving common sustainability objectives. This effort has led us to collaborate with our suppliers and vendors across all our operating locations. In managing the sustainability risks and opportunities across our value chain we also advocate that our suppliers and vendors adopt sustainability practices, such as creating good working conditions and providing fair compensation for their employees which may contribute to enhancement in the wider community in the long run.

In support of that direction, Frencken General Manager and the Procurement Department will take charge of the overall approach in supply chain management within the entities in the scope by constantly monitoring and addressing all relevant factors that may impact or influence sustainability in our supply chain.

We have extensive practices as control measure of a Responsible Supply Chain Partner for global brands. We ensure across our global footprint that we procure nearshore or local to assure our customers of a disruption free supply for products. We have good supplier onboarding and practices where we conduct Supply Chain Due Diligence, when we select our suppliers and vendors. We will conduct Supplier Audits at their premises to have full insight in their sustainable practices. We ensure our suppliers also to fulfil the criteria set by our main customers on us. Supplier relationships extend with it, risks to our business operations and reputation. Hence, we encourage our suppliers to join us in the Self-Assessment exercise of Responsible Business Alliance (RBA) to ensure we abide by the RBA Code of Conduct for Suppliers.

RBA is the world's largest industry coalition dedicated to corporate social responsibility in global electronics supply chains. We in Frencken subject our operations through the RBA Self-Assessment to ensure we mitigate all ESG (Environmental, Social and Governance) risks in areas concerning worker's health and safety, environment and ethics. In our Supplier Selection process, we also consider all declarations in their sourcing practices involving minerals from Conflict areas.

We are steadfast in strategically developing long-term partnerships with our Suppliers to ensure credible support for our global brand customers. We are strengthening our governance for Responsible Supply Chain Management by addressing newer opportunities to align with demands of our global customers. This includes financial and operational due diligence and audits of suppliers integrated with ESG risk so that we make informed decisions in our supply chain management.

2. Way of working

2.1 New Product Introduction

A New Product Introduction (NPI) covers all the activities within an organization to define, develop and launch a new or improved product, industrialized and ready for volume production. Frencken goes through the phases as stated below (figure 1), to introduce NPIs in our supply chain. The phases summarize the most important steps to be taken in combination with the corresponding results within a project life cycle development. They dedicate the activities to be performed and the results to be achieved during product development.

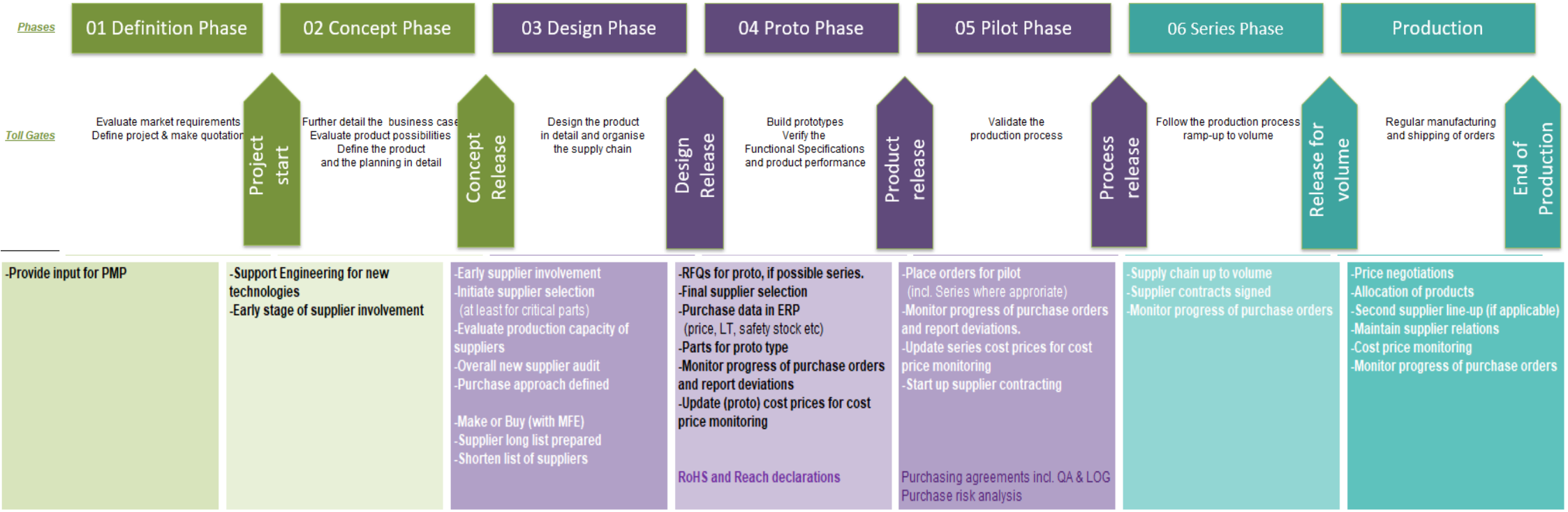


Figure 1: Product creation process

NPI projects can be complete engineering projects starting with a concept phase or it start in the proto phase. The supplier must be involved in the development and manufacturing of parts. Therefore, TAS and PER reviews are required with the supplier. Upon request of Frencken PPA, FAI and/or measuring reports can be applicable within the pilot phase.

2.2 Request For information (RFI) phase

A Non-Disclosure Agreement (NDA) needs to be signed before a RFI can be sent or information/data can be shared.

2.3 Supplier audit

Frencken is planning and executing a structural audit program on an annual basis to identify and reduce supply chain risks and to drive continuous improvement at suppliers.

The maturity of supplier processes is verified on QLTCS requirements. The audit assessment findings are used to update the Supplier Profile scores and initiate improvement plans.

2.4 Request For Quotation (RFQ)

The RFQ process is intended to establish specific costs (tooling, set-up, material and machining cost) for each element of a product. Therefore, it is extremely important that suppliers provide a cost breakdown, if requested in the RFQ. This will help us through early supplier involvement and value engineering, to identify and implement cost reduction opportunities.

RFQs will always show different order quantities, packing instruction, expected annual quantities and Technical Product Documentation (TPD). The TPD can be used released and unreleased at a RFQ. A released TPD with date and Frencken approval can be used for products. Supplier's offer must always contain:

- Reference to our RFQ number;
- Our article codes (these should be the same (including format and revision) as printed on the PO);
- Non-Recurring Expenses (e.g. tooling costs, measurement reports, PPA and all the requirements in general);
- Unit price/Price & quantity ranges;
- Order costs and/or other costs;
- Clear open cost for production for make parts (setup costs and cycle times);
- Cost down roadmap year on year X% for the next Y years (the X and Y depends of the requirement)
- Incoterms
- Payment term
- Validity period Quote
- Quote date

2.5 EDI

Frencken is keen optimizing business processes and will start implementing a digital way of working. We expect our suppliers to support us in this. Frencken can end the relation / charge you extra if you cannot follow us into this digital world.

3. Working method for regular products

3.1 The organisation of procurement process

Within Frencken Mechatronics, the following people participate in the procurement process:

Category Cluster Leader

Responsible for maintenance of the approved supplier list and the total performance of the supplier within the preferred supplier base.

Category buyer

Responsible for the execution of supplier relation management and operational performance.

Project buyer (NPI)

Purchasing representative in the project teams. Responsible for supplier selection in a project within the preferred or approved supply base.

Operational buyer

Responsible for the day-to-day purchase order management and logistic performance of the vendor (vendor rating).

Quality Control Engineer

Responsible for complaint handling during regular production and product deviations.

Quality Assurance Engineer

Responsible for a customer account and handles customer complaints, also within the NPI's.

3.2 Ordering

Deliveries can only take place when there is a purchase order and the order is issued by authorized purchasing employee. Without the purchase order, delivery cannot be received in Frencken's ERP-system and the products will not be paid for.
The Purchase Conditions of Frencken applies to all orders as stated on the order.
In order to realize efficient order processing, all your documentation should mention:
Frencken's part number, Frencken's Purchase Order Line and the Delivery Order line number.

Frencken has 2 separate ordering systems:

Contract orders in combination with call off orders

- In case Frencken intends to buy a larger amount of products (e.g. an annual demand), Frencken can decide to send Supplier a contract order. The contract order states the total quantity that Frencken intends to buy. This quantity is fully committed, unless explicitly stated otherwise in the contract order (limited liability). The quantity exceeding liability is at suppliers own risk.

- Frencken expects (within the given limited liability) Supplier to produce/purchase the total indicated quantities on the contract order.

- Frencken expects Supplier to actually deliver products only based on call off orders. See document *call off orders*. After the initial lead-time, the lead-times for call off orders are typically 1-2 weeks.

Individual purchase orders

- Individual product deliveries will be requested by means of a PO, sent to the Supplier by e-mail. In case you have any questions about the PO, please contact the person mentioned in the Purchase Order.

- For selected Suppliers, the Frencken ERP-system generates a logistic overview (including open orders, overdue orders). This will be sent to Supplier by e-mail on a frequent basis.

3.3 Order Confirmation

Supplier confirms every received PO within 5 working days to the person printed on the order.
The supplier informs Frencken by sending a purchase order confirmation, which implicates:

- The purchase order has been received;
- The mentioned parts, with the mentioned revision, will be delivered in the confirmed quantities on the confirmed date at the confirmed price and currency;
- The mentioned specific instructions are understood and will be followed up.

If any specification affecting quality, lead-time or costs is unclear the supplier must contact relevant Frencken representative (purchasing or Quality Control Engineer), in order to clarify the matter and make arrangements in an agreed process.

For selected Suppliers, the Frencken ERP-system generates an Unconfirmed Purchase Order list, which will be sent to the supplier by e-mail on a frequent basis. When supplier receives the Unconfirmed Purchase Order list, check for the receipt of the Purchase Order and send the Purchase Order Confirmation directly.

The order confirmation must refer to Purchase Conditions of Frencken and not to the own terms and conditions of the supplier.

3.4 Logistics management

3.4.1 Forecasting

Depending on the business volume and order frequency, Frencken is able to send suppliers a non-binding forecast (NBF). The purpose of this NBF is to provide the supplier with insight into the future demand for products. This insight needs to result in purchase and supply of components and have them delivered at the right time and to the right place, at the lowest possible integral costs.

Basically, this forecast is for information only. A commitment order must be attached to it. Frencken and Supplier may agree that supplier will start production based on this forecast and that Frencken will issue call-off-orders with mostly 7/14 calendar days.

Forecast explanation

The forecast is weekly distributed as an Excel-file, it looks like the example below (figure 2). The forecast is automatically extracted from the Frencken ERP-system and, therefore, gives the best available information of Frencken's product demand for the next 52 weeks, divided in weekly buckets.

Frencken Mechatronics B.V.

Non binding forecast

Refresh date

Forecast Type

FU: Forecast Uncommitted, the forecast quantities are for information only, no commitment applicable.
FO: Forecast Committed, quantities are (partially) committed in a contract. Fixed Lt value will typically be 7 or 14 days (call-off PO's).
FD: Forecast Dual Sourcing, forecast quantities are uncommitted and only quantity-percentage has to be delivered to Frencken

Supplier company name

Item	Rev	Description	Supplier Item	Address	HPL	MOQ	Source	Fixed Lt	FC Type	yyyy-ww
Frencken component part number identification	Frencken additional component part number identification	Frencken component description	Supplier's internal part number identification (should be communicated by Supplier to Frencken)	H16: Hurksestraat 16 Eindhoven, H20a: Hurksestraat 20a Eindhoven	Code for Frencken final customer	The agreed Minimal Order Quantity	Indicator which makes clear whether the mentioned quantities are on a firm PO or on forecast (yet to be ordered)	The agreed order lead time in calendar days	Forecast Type, which is one of the following: Forecast Uncommitted (FU), Forecast Committed (FO) and Forecast Dual Source (FD).	

Figure 2: Forecast example with explanation

Frencken's expectations of Supplier with regard to forecast

Supplier assesses the rolling forecast and immediately informs Frencken's Operational Buyer in one of the following cases:

- The forecast quantities and delivery periods will become a problem;
- The contractual arrangements (if applicable) cannot be met;
- Large deviations that causes great impact.

In case of committed forecast, Frencken expects the following:

- Supplier starts production based on forecast;
- In case Supplier has a shutdown due to maintenance, summer holidays, etc., products have to be produced up front and kept on stock by supplier;
- Call off orders may not be rescheduled by supplier, because the time between Frencken's demand and the expected supply is limited;
- The agreed safety stock must be assured at all times at Supplier's location.

Frencken's expectations towards Supplier with regard to new orders

- Supplier refers to the purchase order number, in any verbal or written communication, in any order confirmation, in any delivery document and in any (debit/credit) invoice document.
- Supplier regards the "delivery date" as the delivery date (date the goods arrive at Frencken), not the date that Supplier ships the products (shipment @ Supplier).
- Supplier informs Frencken pro-actively in case Supplier cannot meet a future delivery date/ delivery quantity, with a proposal for the new delivery date / delivery quantity.
- If applicable, when Supplier receives the overdue purchase order list, update Frencken pro-actively with new delivery dates.

3.4.2 Delivery of goods

Frencken Mechatronics has 2 different delivery addresses: Hurksestraat 16 and Hurksestraat 20A in Eindhoven. The delivery address of Machinefabriek Gebrs. Frencken is Hurksestraat 16 and of Optiwa Molenweg 3 in Reuver. The applicable address is printed on the order and should be respected by you upon delivery. Wrong deliveries cause extra cost on Frencken side and will be charged back to suppliers.

All goods must be delivered to the goods inwards department. Opening hours of our Eindhoven warehouses are:

- Monday – Thursday: 07.30-12.00 and 12.30-16.00
- Friday: 07.30-12.00

For Optiwa, all days: 07.30-12.00 and 12.30-15.30.
In case of emergency, deviation is possible, but only after approval of the Operational Buyer (see the PO).

Products that Supplier delivers to Frencken must be clearly identified, either by label on packaging or on the product itself. The identification label should mention:

- Frencken part number;
- Part description number.

In addition, supplier adds a packing slip to each delivery. The packing slip should always include:

- Correct delivery address;
- The Frencken purchase order number, order line and delivery line;
- The Frencken part number;
- The quantity of articles in the package;
- Optional: The Supplier's part number.

Supplier packs the products according to the specific packaging instruction. Packaging prevents the products from becoming dirty or damaged during storage and transport. Please refer to the requirements in chapter *4.7 Packaging of Cleanroom products and parts* for a full overview of packaging instructions.

3.4.3 Product Identification

In case a product requires specific identification, the related Technical Product Documentation (TPD) will specify the position and the format of this identification.
When product identification is requested on the purchase order and there are no specific requirements on the TPD, the following standard should be used:

- Format

  - SSS = Supplier code = first 2 and last character of suppliers name
  - YY = Year of production
  - WW = Week of production
  - XXX = Sequence number
- Location on part:
  - According to TPD or in consultation with the Production Engineer.

All required documents must be sent, before delivering the orders to the following e-mail:

- For FMT: meetrapporten-fmt@frenckengroup.com
- For MFE: meetrapporten-mfe@frenckengroup.com
- For OPT: qc@optiwa.nl
- Subject mail: [item number] and [purchase order number]

File naming of Inspection records:

- Format: Item number + rev_PO + number_Suppliername_documenttype_SN (if applicable)
- Example: 00427-10-206-B_PO456123_XXX_MEASUEP_160926-01 to 160926-10
- Example: 4522 152 68542_PO872654_VED_MATCERT

All test and inspection reports or certificates must have the following information:

- Item & serial number
- Item revision
- Item description
- Purchase order number FMT/MFE/OPT
- Name of Supplier
- Name of inspector
- Signature inspector
- Date
- All data must be filled in with blue ink, (clear to read)

3.4.4 Holiday closings

Frencken Europe has no closure during the year, unless communicated otherwise. Our operations keep going on. Frencken expects the following toward suppliers:

Before the holiday-period

- Supplier will inform Frencken 6 months ahead concerning the period of holiday closing or low capacity.
- Supplier will closely asses the forecast concerning the holiday-period and immediately informs Frencken Mechatronics' operational buyer in case any problems should occur concerning demand fulfilment in the holiday-period;
- During the days just before the holiday closing, the Supplier assures that contact persons are available to provide information to Frencken Mechatronics for normal operational communication.

During the holiday-period

- Supplier can be reached on an emergency phone-number, provided to Frencken Mechatronics' category buyer.
- All deliveries must be guaranteed. Even during closement.

After the holiday-period

- In the first week after holiday-closure, all purchase orders that dropped in during the Supplier's holiday closing, will be confirmed.

Frencken Mechatronics looks ahead to the period after the holiday period, and may choose to issue purchase orders for that period, to grant additional lead time to supplier to compensate for its holiday closing.

4. Supplier management

4.1 Proprietary Tooling

Frencken and the Supplier will sign a Declaration of Ownership (DOO). The dedicated tooling will be listed in this document. Supplier is responsible for maintenance, replacement of tooling, calibration (including calibration report) and for damage during operations. Frencken expects supplier to insure tooling against fire and theft.

In some cases Frencken's customer might wish to be owner of the tooling. In that case the tooling will be marked according to customer's wishes. Supplier and Frencken's customer will enter into a Tooling Proprietary Agreement directly.

If a third party claims property of this tooling, supplier has to inform Frencken immediately. At any time, Frencken has the right to inspect the tool or claim it back. DOO Tooling will not be used for or by third parties, for any other purpose than the production of the orders of Frencken.

4.2 Insurance

With regard to insurance see GCP for Goods and Services EU.
See: https://www.frenckengroup.com/general-conditions-purchasing-eu/

4.3 Service to perform

4.3.1 End of Life management

Continuity of supply of products with the agreed quality, is top priority for Frencken. We refer to EOL guidelines in the GCP for Goods and Services EU.

4.4 Quality requirements

All products delivered to Frencken must comply with good craftsmanship in accordance with the quality standard and requirements. The supplier is responsible for the final product. This means that Frencken requires that these products have a certain quality level that complies with the Technical Product Documentation (TPD). As there are no generally accepted standards for "basic quality", Frencken has drawn up these standards. These standards are described in document 'Guideline basic quality of metal components'. A copy of these standards are available upon request.

4.4.1 Change control

The supplier is responsible for checking drawings, specifications or changes according the revision on the Purchase Order. The supplier must also maintain adequate control to ensure that drawing reworks are implemented on time and having a TPD control process in place in order to have the correct version available in production and older versions archived.
Supplier is not allowed to use unreleased drawings (e.g. FRO-drawings) for production purposes unless approved in written by Frencken procurement department.

In case Frencken requests a product change, the supplier is requested to communicate in writing within 1 week about:

- his current stock, work in process and raw materials;
- cost to adapt the above to the new TPD;
- consequences (if any) for product price;
- initial cost and lead time to implement the change.

In case Supplier wants to change a product, it is requested to send the same information, including drawings with highlighted changed dimensions/sections, impact on fit/form/function and price and including reason for change request to the relevant category buyer at Frencken. The category buyer submits the proposal to the CCB.
The changes can only be implemented after agreement of the category buyer.

4.4.2 Non-Conformity & Deviation Notification (DN)

Granting concessions for non-conforming products is not Frencken's policy and needs to be minimized. If applicable, before delivering non-conforming products the supplier needs to contact the relevant Quality Control Engineer in order to agree with regards to acceptance and processing of the DN. The supplier needs to take care of input as requested within the DN and sends its feedback to the Frencken QC engineer. The QC engineer will decide upon granting or rejecting the part. In some cases, Frencken is obliged to contact its customer with regards to the consequences and or risks of the acceptance of the DN. In this case it could take time (e.g. 2 weeks) to receive the approval. When the QC engineer received the signed DN form, depending on the outcome, supplier may deliver the part(s) without any rework so 'use as is', 'rework' or scrap the identified part(s).

4.5 Quality management

To assure a reliable manufacturing process, the delivery of the supplier's products must be assured as adequately as possible.

Rejected products or sub-assemblies, delivered by suppliers, create unwanted disturbance with regards to the quality and logistic output of Frencken. This affects Frenken's performance towards her customers directly and creates non-value adding costs.
Suppliers need to have continuous focus to reduce the occurrence of rejects. Internal controls at the supplier need to be installed and maintained to guarantee the continuous flow of components, sub-assemblies and products as ordered and according to agreed specifications.

4.5.1 Request for Repair

In case Frencken requests supplier to repair a part an RFR document will be initiated. Frencken will bear the reasonable cost of a RFR. This RFR is a purchasing order including a packing slip. As a supplier you need to confirm the RFR-order and send a repair quotation to operational purchasing at Frencken before the repair takes place.

4.5.2 Return To Vendor

An RTV is a packing slip for products/materials which must be returned because products don't comply with the requirements for reasons attributable to supplier. In this case the supplier will bear the cost of the RTV, since Frencken claims a warranty to be applicable. Frencken will report the RTV to the supplier. When a RMA of the supplier is needed to return the products/materials to the supplier, the supplier needs to send the RMA within five working days to Frencken. After these 5 working days Frencken will send the products to the supplier. This for the number of parts and costs corresponding with de non-conforming deliverance. Frencken expects the supplier to return the (repaired/replacement) products within 2 weeks after receipt of the returned order or the supplier needs to send a credit nota for the rejected products/materials.

4.5.3 Complaint handling

Frencken reports quality issues via email. This will be reported by the Quality Control Engineer or the quality assurance engineer. The complaint will be sent in a 5D or 8D format stating the complaint number, the description of the complaint and when possible with a picture.

Regarding these quality complaints, the Supplier should operate a rejection registration to enable root-cause-analysis and to generate relevant progress reports. The system should distinguish structural problems and events as input for corrective / preventive actions and improvement areas.

Therefore, Frencken strives to receive a response from its suppliers within 2 working days after the complaint has been received and is being dealt with. A 5D report will be requested if it is decided a rejection needs more investigation, for example when there is a trend, higher costs involved or multiple parts found in stock. The supplier must send a complete 5D report to Frencken within 10 working days.

An 8D report is used when a complaint is more complex and needs maximum attention. Therefore this format is used for customer complaints, repeating issues, escalations, etc. For 8D reports Frencken expects to receive a response to containment and the root cause within 5 working days after receipt. An 8D needs to be completed within 21 working days.

Upon receipt of the 5D or 8D report, the Quality Engineer will determine if the investigation and actions are sufficient. If not, the supplier needs to reopen the investigation and update the 5D or 8D with new findings and/or (taken) actions. If the Quality Engineer decides the investigation and actions are sufficient, the complaint will be closed.

4.5.4 Info complaints

In case rejected parts are not usable and have low value or the efforts of rework of the parts are too high (e.g. above initial manufacturing costs) it is possible that Frencken will scrap the parts. Frencken may charge initial costs for scrapping. Scrapping parts will be communicated by the Quality engineer towards the supplier by sending an informative complaint. This non-conformance caused by the supplier will affect the supplier score of the vendor rating. The supplier is hereby informed and addressed to improve processes. Reports about the root cause and the taken actions must be retrievable/available. In case rejected parts are not usable and have low value or the efforts of rework of the parts are too high (e.g. above initial manufacturing costs) it is possible that Frencken will scrap the parts. Before scrapping the parts Quality engineer will inform the supplier by sending an informative complaint. The supplier needs to respond within 2 working days. After agreement of the supplier or after the response time of 2 working days Frencken will scrap the parts. Frencken may charge initial costs for scrapping. When the supplier doesn't agree to scrap the parts the supplier make sure the parts are picked up at Frencken within 2 working days. This non-conformance caused by the supplier will affect the supplier score of the vendor rating. The supplier is hereby informed and addressed to improve processes. For an informative complaint Frencken does not actively request reporting. The supplier is expected to investigate the issue and take appropriate actions to prevent the issue from reoccurring. This investigation and accompanying actions need be available upon request.

4.6 Product Part Approval

When a new part is introduced or a change is introduced, additional documentation may be required to assure the part is produced according to specification and can be used for production. The exact requirements are noted on the PO. Two of these requirements, First Article Inspection (FAI) and Product Part Approval (PPA) may need addition information and can be found in chapter 4.6.1 and 4.6.2.

4.6.1 First Article Inspection

A First Article Inspection (FAI) describes the needed activities for a supplier to prove a part was produced according to the specifications in the TPD.

The FAI can be requested if the part was produced for the first time, changes are applied to the part, process, tooling, (sub)suppliers or transfer to a new location or dual source. If there are doubts if the FAI needs to be updated or resubmitted, please contact the Quality Engineer.

A FAI consists of the following documents:

- Material certificate
- Certificate of Conformity (CoC) of the (surface) treatment
- Inspection Report with all dimensions according TPD
- A bubble drawing or a direct reference to the PMI tree

There is no specific requirement on the format of the inspection report, although it is advised to use the Frencken template. The template is available upon request at the Quality Engineer.

The inspection report must contain the following information:

- Part number + revision
- Part name
- Serial number (if applicable)
- Purchase Order number
- Name of Company
- Name of inspector
- Signature inspector
- Date
- A bubble number or a reference number to the PMI tree to refer which item / characteristic is mentioned
- Nominal value
- Tolerances
- Actual value (For geometrical like location it is also important that the direction is added)
- Deviation
- Pass/Fail
- Used measuring equipment (CMM / Caliper / digital gauge / …)

The file names of the documentation should have the following format: Item number + rev_PO + number_Suppliername_ documenttype_SN (if applicable).

All documentation must send to meetrapporten@frenckengroup.com and needs to be available at Frencken before shipment of the part.

If the part(s) are critical of highly complex, it is possible a buy-off by the Quality Engineer is required for the first parts. This means that Frencken will visit the supplier and check if the product characteristics are according TPD. A sample check is also possible during this buy-off.

A part which doesn't fulfill the FAI requirements may not be sent to Frencken without further notice.

In some exceptional occasions, the part may be delivered to Frencken but only after approval of the responsible Quality engineer and accompanied by a deviation note which clearly indicates the deviation of the part, the root cause, correction of the deviating part and corrective action to avoid reoccurrence.

When a deviating part without approved DN is received which is not useable, a RFCA (Request For Corrective Actions) report will be sent to the supplier with the request to investigate the issue and take the necessary actions.

4.6.2 Product Part Approval

In order to fulfil quality as well as safety regulations and legislation, products, processes and/or services must be released accordingly. The manufacturing process validation, release and capability monitoring of the manufacturing of parts and components needs to be within the scope of the operational activities of the supplier.

In addition to a process release, also a Part Product Approval (PPA) could be requested. The PPA package needs a formal approval by the supplier and Frencken. The form that summarizes this package is called PSW Form (Part Submission Warrant Form).

A Product Part Approval process is essential to ensure that delivered products are produced, finished and packaged in a quality and logistically controlled manner. The PPA consists of documentation to achieve this, for example:

- A measuring report on (critical) dimensions: all the requested products must contain all dimensions mentioned on the drawing, including drawing number, part number, date, name and signature of the Quality Engineer. When dimensions are out of specification, the Supplier must start a root cause analysis on the deviation and take corrective actions.
- Material certificates.
- Certificates of conformity.
- A process flow is mandatory for all CTS, CTQ & CTN items which contains all the supplier and sub-suppliers process steps including designated machines and (sub) supplier names and addresses.
- A process FMEA: a risk and effect analysis with the purpose to eliminated potential risks before they can even occur, based on the three risks, severity, occurrence and detection. To visualize the total amount of production steps and to write down all the failure modes and effects, you will create a process that is very transparent and well known, and where all the risks or potential failures are determined.
- A control plan: a general overview of all controls during the process. It tells you what must be controlled or checked, what kind of tool you have to use, how many times you have to control or check during production and what you must do when there is an out of control situation.
- Process capability: to get a statistic validation and conformation that your production process is under control you have to perform a process capability study. SPC is used to monitor your process and to get an early warning when your process is going out of its control limits.

When a PPA is requested, the specific PPA demands will be determined by the Quality Engineer and discussed with the supplier. The needed evidence will be document on the PPA cover sheet.

In order to manage risks on Quality, Logistics and Legislations material changes may never be implemented without consultation of Frencken up-front**!**
If manufacturing process changes are needed for any reason Frencken must be informed and agree with it.

In both cases an agreement from Frencken is needed before the change is implemented.

4.6.1 Critical to Safety, Critical to Quality, Critical to Notified Body & Critical to Customer

The customers of Frencken demand for high-end products. High-end products contain often main or key components which are critical to the functional and reliability criteria of the assemblies. The Key Components which are defined by Frencken's customers or based upon internal risk analysis-assessment are listed in figure 3. The purpose to classify components and parts as critical is to guarantee Safety, Quality and to comply with rules & legislations by installing the right controls throughout the complete supply chain.

How to recognize a Key Component?

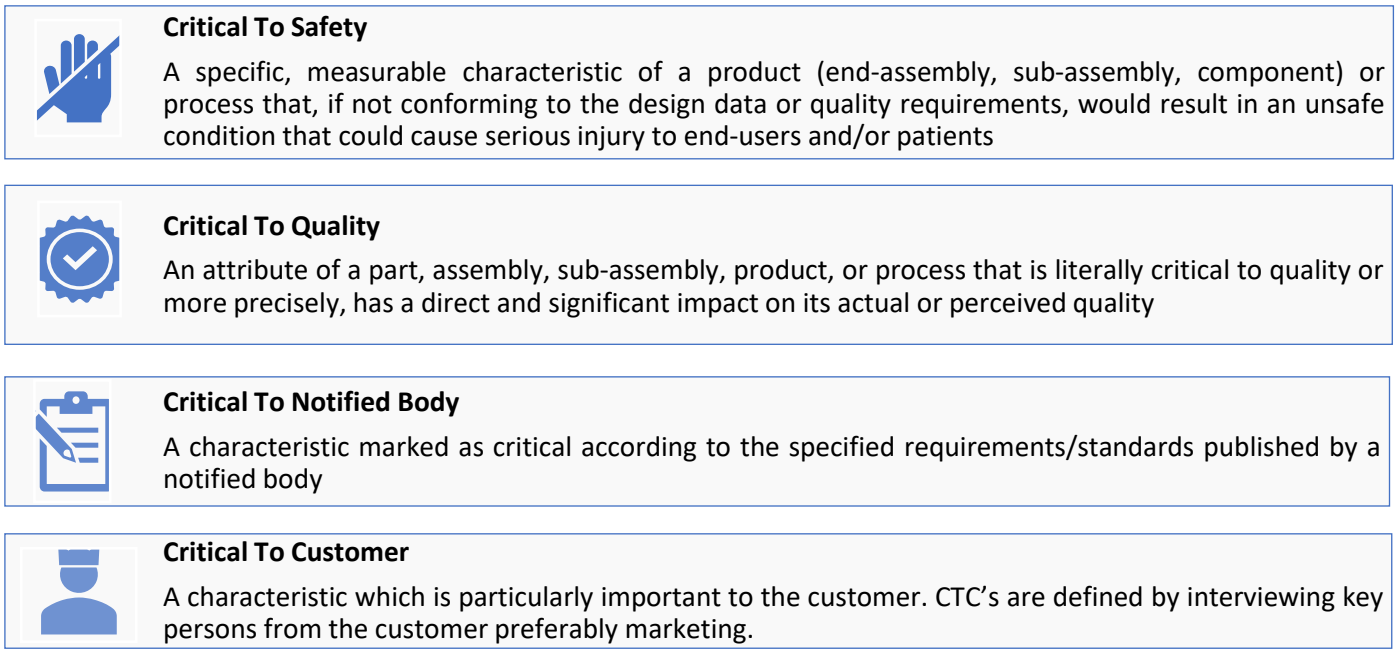


Figure 3: Key Components

- The item description contains an [S], [Q] or [N] or combinations.
  - [Q] -> CTQ
  - [S] -> only CTS or a combination CTS/CTQ
  - [N] -> CTN
  - [Q] [N] -> CTQ and CTN
  - [S] [N] -> CTS and CTN or combination CTS/CTQ and CTN

- By a notification placed on the drawing, indicating the type of critical item.
- The characteristic of the product is indicated on the drawing.

One or a combination of above markings can be used.

4.7 Packaging of Cleanroom products and parts

In many cases the parts or components need to be packed suitable for cleanroom environment. For instance: ISO 6, 7 or 8 and grade 1, 2 or 4. Besides the packaging sometimes the production process must be done with RGA and TOC. The products need to be cleaned accordingly. When there is any question with regarding to packaging of cleanroom parts the Frencken QC Engineer needs to be contacted.

Frencken expects that suppliers use an appropriate packaging that prevents damage to the products.

It is essential that all packing materials (containers, bags, etc) are clean and free of dust.

4.8 Commercial Management

4.8.1 Invoicing (including credit notes)

All purchase invoices (and credit notes) are processed in our electronic invoice handling system. PDF files are automatically imported into this system, resulting in easier processing and less delay in payment. Hard copy invoices must be scanned manually. We therefore request to receive all invoices and credit notes as a PDF file attached to an e-mail. The following e-mail addresses should be used:

For invoicing of goods:
Frencken Mechatronics: po-invoicefmt@frenckengroup.com
Machinefabriek Gebrs. Frencken: po-invoicemfe@frenckengroup.com
Optiwa: po-invoiceopt@optiwa.nl
Frencken Engineering: po-invoicefen@frenckengroup.com

For invoicing of services:
Frencken Mechatronics: invoicemechatronics@frenckengroup.com
Machinefabriek Gebrs. Frencken: invoicemachinefabriek@frenckengroup.com
Optiwa: invoice@optiwa.nl
Frencken Engineering: invoicefen@frenckengroup.com

These e-mail addresses are only to be used for invoices! For general correspondence, please use: administratie@frenckengroup.com. To prevent double payment or double deduction of credits, the documents sent to staff of Frencken will not be forwarded to the invoice addresses.

The requirements for smooth processing of hardcopy and electronic invoices are the same. All invoices MUST comply with the following rules:

- Invoices must meet all legal requirements;
- The invoice may not contain large coloured areas (gray, etc.) because they will not be recognized by Frencken's scanning system.
- Invoice heading with company data needs to be clear;
- Send one PDF-file per invoice. Appendixes applicable to the same invoice can be included in the same PDF-file;
- The entire purchase order number, including line-number must be mentioned (for example 64514-0001);
- For the ease of automated processing of invoices, should each invoice only contain 1 Purchase Order Line. If Frencken has sent a Purchase Order that contained multiple purchase order lines, you should send multiple invoices;
- Send the invoice once (by e-mail OR regular mail, never both).

If the invoice does not meet the requirements as mentioned above, processing via electronic way is not possible and may cause delay payment of the invoice.

4.9 Supplier Information Security

Frencken expects that all suppliers will meet Frencken's Supplier Security Requirements. Frencken will work with you to establish that you meet the appropriate level of Information Security required for the services you provide to us.

Validation of your Information Security controls may include remote or onsite assessment. Depending on the outcome of the assessment Frencken expects the supplier to cooperate with further improvement plans and follow up.
A summary of the Information Security controls we require our suppliers to meet is set forth below.

1. Information Security Policies and Governance

   Supplier's Information Security Program will be consistent with the practices described in an industry standard such as ISO 27002.

2. Confidentiality and Integrity

   Supplier will utilize a managed approach to security to ensure that Frencken Information is protected through the entire life cycle, from creation, transformation and use, storage and destruction regardless of the storage media.

3. Information Ownership

   Supplier will designate information owners who are responsible for information assets under their control which store, process or transmit Frencken Information.

4. Data Loss Protection

   Data Loss Prevention solutions are to be utilized to identify, monitor and protect data in use (endpoint actions), data in motion (network actions), and data at rest (data storage).

5. Vulnerability Management

   Firewalls, servers, workstations, laptops, mobile phones and all other resources utilized in the provision of services to Frencken will be kept current with appropriate security specific system patches.

6. Physical Security

   A security function will exist to grant, adjust, and revoke physical access to facilities where Frencken information resides or can be accessed.

7. Incident Response

   Processes and procedures have to be in place for responding to security violations and unusual or suspicious events and incidents to limit further damage to information assets. Supplier will report actual or suspected security violations or incidents that impact Frencken to Frencken within 24 hours of Supplier's knowledge of such violation or incident.

8. Malware Defense

   Supplier will use computer malware detection and scanning services and procedures.

9. Encryption

Frencken Information on laptops will be encrypted.

10. Training and Awareness

Supplier shall require all Supplier personnel with access to Frencken information to participate in information security training and awareness sessions at least annually.

5. QLTC Targets

5.1 Vendor rating

Purpose & scope

Frencken wants to improve the performance of all the supplier categories. Preferred suppliers are determined via the category strategy. The basis for this performance is our definite vendor rating, which is based on data, recorded in our ERP system.
The vendor rating report of Frencken Mechatronics is automatically sent to the selected suppliers at the beginning of each month.

Process description of the supplier rating

During the rating Frencken distinguishes the quality and logistics score. First, the parameters of quality are assessed. Then the logistics parameters will be assessed. All these scores are combined into a total performance score.

5.1.1 Quality performance

Complaints & Rejects (PPM)

Figure 4: Quality performance

Figure 4 shows an example of the first graph that can be seen in the report.
With the complaints parameter we measure the amount of complaints registered in a certain month (listed on the left axis) versus the 3 month moving average of total delivered order lines.
Target for the complaints parameter is $\geq$ 99.95% (Equals 500ppm). Table 1 shows the distribution of the complaints score.

The score is generated as follows: $1 - \left(\frac{\text{complaints registered}}{\text{3 month average}}\right) * 100\%$

On the right axes of figure 4, the amount of rejected products registered in a certain month versus the 3 month moving average of total delivered product scan be seen. In case you do not meet these targets, Frencken requires improvement actions and strives for zero defects. Table 2 shows how the rejects score are distributed.

Complaints score

Value	Score
Up to 95%	1
From 95% up to 97%	3
From 97% up to 98%	6
From 98% up to 99%	8
More than 99%	10

Table 1: Complaints score

Rejects score

Value	Score
More than 1500 ppm	1
From 500 up to 1500 ppm	5
Up to 500 ppm	10

Table 2: Rejects score

5.1.2 Logistic performance

The logistic parameters are RLIP and CLIP. For each parameter is the target ≥ 99 %.

RLIP
Requested Line Item Performance

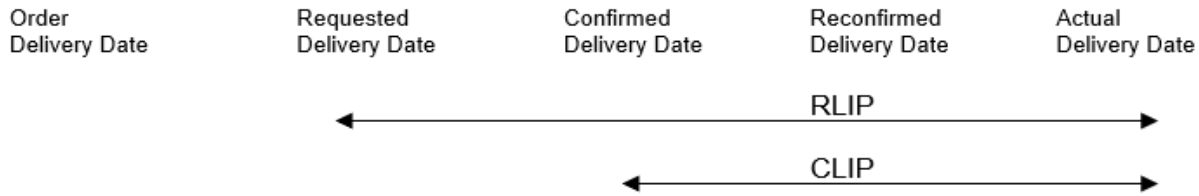
- With this parameter we measure the requested delivery date versus the actual delivery date. The requested date is referred to as "Original date".

CLIP
Confirmed Line Item Performance

- With this parameter we measure the 1st confirmed delivery date versus the actual delivery date. The confirmed date is referred to as "Schedule date".

Frencken expects to receive goods on the requested date. In order to create some flexibility, we have a 6-day window in which we allow for deliveries to be up to 5 calendar days early or 1 day late. (This extra 1 day gives Frencken the opportunity to process the goods receipt in case you have delivered goods at the end of the agreed date).

Summarized



Every logistic parameter is translated into a contribution in the total end score. Your category buyer can inform you on this. Table 3 shows how the RLIP and CLIP score are distributed.

Score RLIP

Value	Score
Up to 80%	1
From 80% up to 90%	3
From 90% up to 95%	6
From 95% up to 99%	8
More than 99%	10

Score CLIP

Value	Score
Up to 80%	1
From 80% up to 90%	3
From 90% up to 95%	6
From 95% up to 99%	8
More than 99%	10

Table 3: RLIP & CLIP score

Timing

If the requested delivery date cannot be met, this must be requested with an order confirmation. This action has a negative impact on the RLIP score and automatically on the logistic performance.

If the confirmed delivery date cannot be met, this must be requested with an order re-confirmation. This action has a negative impact on the CLIP score and automatically on the logistic performance.

Quantity

Our tolerance on volume is 0. Should your production turn out higher or lower than requested, we ask you to contact the (Operational) Buyer, responsible for this PO, at Frencken. If possible we will adjust our ordered quantity. As a result, your score will not be influenced negatively.
We expect you to deliver our order line in 1 shipment. Should you have problems delivering the total order in 1 shipment, you are requested to contact responsible (Operational) Buyer at Frencken. If possible, we will split the order into separate deliveries in our ERP System. Your score will not be influenced negatively.

5.1.3 Total score

All individual items are brought together into one total score, by applying a factor (table 4). Your category buyer can inform you exactly about the ratings.

Score	**Score**
Complaints	1
Rejects (PPM)	5
RLIP	1,5
CLIP	2,5

Table 4: Total score

5.1.4 Technology performance

Frencken expects its suppliers to have a technology roadmap.

5.1.5 Cost performance

Frencken expects its suppliers to have an internal continuous improvement program to reduce its costs.

6. Sustainability

As per customer requirements, Frencken expects supplier to be in compliance with various international standards.

6.1 Conflict minerals

The Democratic Republic of the Congo (DRC) and adjoining countries in central Africa possess rich mineral resources. The four main minerals are tin, tantalum, tungsten and gold, now commonly known as 'conflict minerals', or the '3TG'.
Frencken, as a company is required to file reports with the US Securities and Exchange Commission (SEC) and committed to address concerns, in accordance with the US Dodd-Frank Wall Street Reform and Consumer Protection Act (§ 1502), that minerals extracted from the DRC and adjoining countries are funding military conflict and human rights violations in those regions.

Frencken requires suppliers to have policies and due diligence measures that will enable investigating products and components supplied to us, containing conflict minerals from the DRC and/or neighbouring countries. To identify and manage the sourcing of our components and especially the 3TG, Frencken requests you annually to complete a Conflict Minerals Reporting Template (CMRT) based on the previous reporting year. This is an annual exercise and therefore the data must be updated every year. More detailed information and a CMRT (Conflict Minerals Reporting Template) are to be found at: http://www.responsiblemineralsinitiative.org/reporting-templates/cmrt/

If you need support on this topic, please contact the responsible Procurement Contact.

6.2 Hazardous substances

RoHS-REACH

Frencken is committed to comply with EU legislation regarding hazardous substances, including Restriction of Hazardous Substances (RoHS) in electrical and electronic equipment and Registration, Evaluation, Authorization and restriction of Chemicals (REACH).

All products delivered to Frencken must be compliant to RoHS and REACH:

- Products do not contain any of the RoHS substances that exceed maximum weight concentrations in homogeneous materials;
- Products must comply with restrictions as laid down in the REACH restriction list of the EU Regulation;
- The use of Substances of Very High Concern (SVHCs) should be avoided or reported to Frencken by the supplier if present in any delivered product in a concentration above 0.1% by weight;
- The supplier has a legal responsibility to ensure the chemicals used are registered with the European Chemical Agency (ECHA), for continuous monitoring of the publications and updates of the REACH regulations and must avoid at all times the supply of parts with substances restricted or banned by the REACH legislation.
- The supplier is responsible to address its supply chain with respect to compliance to the RoHS directive.

Information on RoHS Directive can be found on the website of the European Union: www.ec.europa.eu
Information on the REACH regulation can be found on the website of the ECHA: www.echa.europa.eu

Proposition 65

- The California Safe Drinking Water and Toxic Enforcement Act (Prop. 65) requires California companies selling the goods there to warn consumers about hazardous substances by means of an appropriate label. In addition, the law prohibits the introduction of significant amounts of listed chemicals into drinking water.

EPA TSCA

- The Toxic Substances Control Act (TSCA) is a key standard of U.S. chemical regulation. The intent is to lower the chemical risk as easily as possible while still considering the benefits of the product.

POPs

- Persistent organic pollutants refer to chemical substances that are difficult to degrade once released and thus remain in the environment over the long term. They also offer the potential for long-range export. This creates the risk of these substances spreading worldwide through air and ocean currents.

ORRChem

- The Swiss Chemical Risk Reduction Ordinance (ORRChem) stands for the Ordinance on the Reduction of Risks relating to the Use of Certain Particularly Dangerous Substances, Preparations and Articles which entered into force since 2005. This Chemical Risk Reduction Ordinance prohibits or restricts the marketing and use of certain hazardous substances on its own or in preparations and articles. It also specifies personal and professional qualifications required for the use of certain hazardous substances; preparations and articles (for example, plant protection products and some biocides).

Single use plastics (directive EU 2019/904)

- The Single-Use Plastics Directive — Directive (EU) 2019/904 of the European Parliament and of the Council of 5 June 2019 on the reduction of the impact of certain plastic products on the environment—was published in the Official Journal of the European Union. It will impact plastic food-contact materials and articles through, among others, a ban on certain single-use plastics, increased collection goals for plastic packaging, extended producer responsibility schemes, and design requirements for beverage containers. Article 5 of the Directive sets restrictions in Member States on placing in the market single-use plastic products mentioned at “Annex Part B” and products made from oxo-degradable plastic.

Conflict Minerals

- Conflict resources are natural resources extracted in a conflict zone and sold to perpetuate the fighting. There is both statistical and anecdotal evidence that the presence of precious commodities can prolong conflicts (a "resource curse"). The most prominent contemporary example has been the eastern provinces of the Democratic Republic of the Congo (DRC), where various armies, rebel groups, and outside actors have profited from mining while contributing to violence and exploitation during wars in the region. An unfortunate irony is that many countries rich in minerals are impoverished in terms of their capacity for governance. Conflict, corruption and bribery may be seen as the typical costs of doing business. The four most commonly mined conflict minerals (known as 3TGs, from their initials) are cassiterite (for tin), wolframite (for tungsten), coltan (for tantalum), and gold ore, which are extracted from the eastern Congo, and passed through a variety of intermediaries before being purchased. These minerals are essential in the manufacture of a variety of devices, including consumer electronics such as smartphones, tablets, and computers.

Country of Origin

- The country of origin is the country or EU member state where the goods originally came from. That is, the goods were produced or obtained there. If more than one Member State or country is involved in the manufacture, the country of origin is the Member State or country where the last substantial, economically justified processing or working took place. This involves the manufacture of a new product, or a significant part of the production process. The origin of goods from third countries is determined in accordance with the provisions of the Union Customs Code laying down the rules on non-preferential origin. Thus, the country of origin can be either an EU Member State or a third country. The country of origin can of course be the Netherlands.

French Mineral Oil Restriction

- On January 3, 2022, as part of the implementation of the French AGEC law, the Ministry of Ecological Transition launched a public call for the draft Decree "Prohibition of the use of mineral oils in packaging and printed matter". The draft proposes specific restrictions on mineral oils. The comment period closed on January 25, 2022. The draft proposes specific restrictions on mineral oils. Prohibited mineral oils include:
    - Mineral oil aromatic hydrocarbons MOAH containing 1 to 7 aromatic rings
    - Mineral oil saturated hydrocarbon MOSH containing 16 to 35 carbon atoms

Concentration in ink:

- MOAH (containing 1 to 7 aromatic rings): ≤0.1%, since January 1, 2025, MOAH (containing 3 to 7 aromatic rings) ≤1 ppb
- MOSH (C16~C35): ≤1%, after January 1, 2025, it will be reduced to ≤0.1%

Transition period:

- For packaging and printed matter manufactured or imported before 1/1/2023, a period of not more than 12 months will be given to dispose of the stock.
- In response to the enhanced requirements after 1/1/2025, packaging and printed matter manufactured or imported before this date will also be given a period of not more than 12 months to dispose of stock if they comply with the provisions of the previous authorization.

This draft is expected to take effect from Jan 1st, 2023.