Quality Manual

IN COMPLIANCE WITH ISO 9001:2015
REV 3, RELEASED: 9-9-22

MICROCHIP USA | 501 EAST KENNEDY BLVD, SUITE 1400, TAMPA, FL 33602

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SECTION 1: INTRODUCTION

1.1 INTRODUCTION TO THE QMS

1.1.1 INTRODUCTION TO THE BUSINESS AND THE QMS

Microchip USA specializes in finding and securing electronic components for many of the world's largest manufacturers.

This quality management system ("QMS") has been established to ensure that Microchip USA provides the highest quality products and services to its clients. Using ISO 9001:2015 as a guidance standard for the development of this quality system, Microchip USA strives to demonstrate commitment to accepted quality requirements and a culture of continuous improvement.

The QMS is described in this "Microchip USA Quality Manual" and additional any referenced documentation herein and is available to all personnel in the organization and any other interested external parties as authorized by the Leadership Team.

1.1.2 CONTEXT AND INTERESTED PARTIES

For the alignment of the QMS to the company's purpose and strategic direction, the Leadership Team (see section 1.3) reviews the effectiveness of the QMS on an ongoing basis and formally during the Annual Reset.

Microchip USA leadership teams hold weekly Level 10 meetings to identify issues impacting goals and plan appropriate actions to address those issues. These meetings are described in more detail in section 1.4.2 Meetings.

An annual Leadership Team SWOT Analysis is held as part of the Annual Reset Meeting (section 3.3, NOTE: This meeting covers the topics identified in ISO 9001 under "Management Review"). "SWOT" stands for "Strengths, Weaknesses, Opportunities, and Threats." A SWOT Analysis helps the Leadership Team identify internal and external positive and negative issues that can impact achieving objectives and intended results.

As these are identified and discussed, a course of action may be determined. Any actionable items are logged to the Management Review Minutes form and copied to the company's Internal Corrective Action Log for continued monitoring and evaluation.

Additionally, interested parties in Microchip USA and their requirements are considered to ensure the QMS addresses needs and expectations to the extent necessary and possible.

Interested Parties and their requirements have been determined at a minimum as follows:

Interested Parties	**Typical Requirements**
Owners	Profits, growth, the happiness of employees and customers
Customers	Consistent quality products, excellent customer service, on-time delivery, competitive price
Employees	Competitive pay, friendly and safe working environment, support and encouragement, clear communication of expectations, company goals, plans, etc.

Vendors	Clear and on-time communication of orders, issues, and requirements On-time payment
Regulatory Bodies (OSHA, ISO, Customs, ERAI, etc.)	Compliance, access/availability

Risks and opportunities from the above reviews will be captured on the SWOT/MMR form minutes and reviewed as part of the Annual Reset.

For additional information about the remaining agenda items discussed during the Annual Reset, see section 3.3.

1.1.3 SCOPE OF THE QMS

The scope of this Quality Management System is established as follows:

The procurement and delivery of electronic components.

This scope applies to related organizational activities performed at 501 East Kennedy Blvd., Suite 1400, Tampa, FL 33602.

This scope is reviewed in consideration of the internal and external issues and the requirements of interested parties identified during SWOT analyses that are performed with Annual Resets.

1.1.4 EXCLUSIONS FROM ISO 9001

The following requirements of ISO 9001:2015 are not applicable to the Microchip USA QMS:

- **7.1.5 Monitoring and measuring resources:** No monitoring or measuring equipment is used or controlled by Microchip USA in this quality system. These resources are managed and controlled by external manufacturers of products.
- **8.3 Design and development of products and services:** Microchip USA does not design or develop any products or services. Products are designed by OEM (original equipment manufacturer) organizations.
- **8.5.3 Property belonging to customers or external providers:** Microchip USA does not handle or control any customer or third-party physical property. For electronic digital property controls see section 2.3.3 Customer Property.

1.1.5 QMS PROCESSES

This QMS has been established with guidance from ISO 9001:2015 and the Plan-Do-Check-Act (PDCA) cycle with emphasis on the organization's natural business process flow and interactions. The following diagrams come from or illustrate the elements of ISO 9001:2015. Figure 1 comes directly from ISO 9001:2015 and illustrates the various elements of a QMS integrated with the Plan-Do-Check-Act Cycle with reference to the main clauses of the standard:

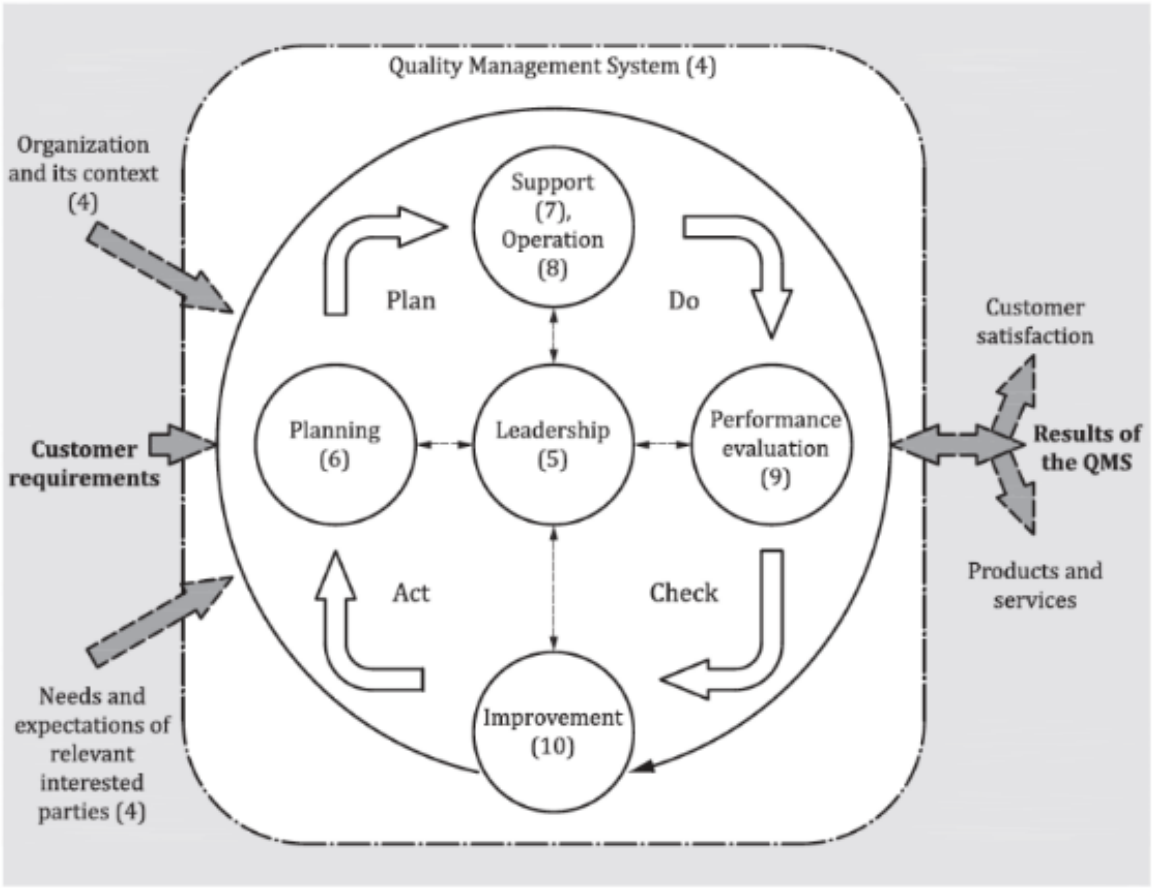
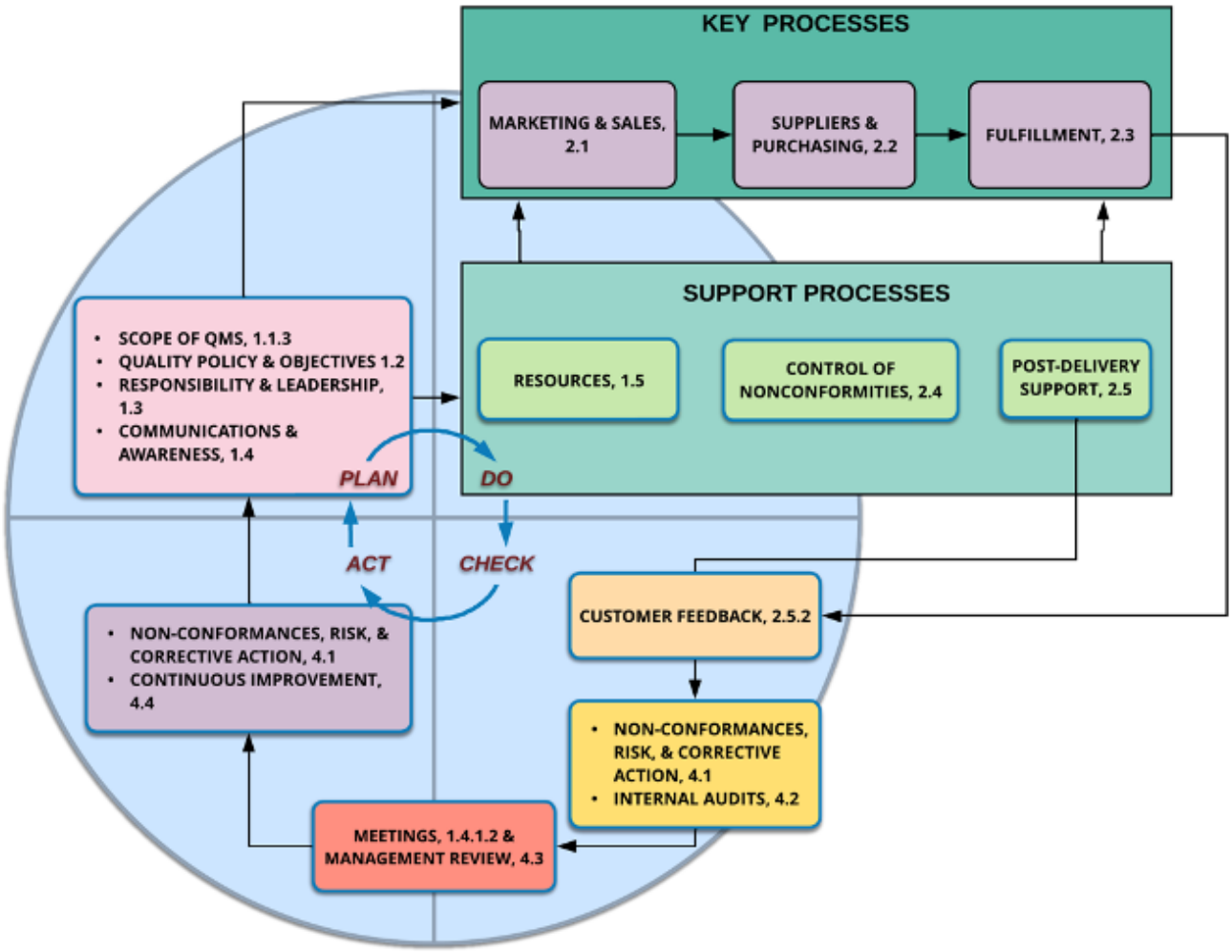


Figure 1. QMS Processes

Figure 1 identifies the various clauses and subclauses of ISO 9001 listed under each Plan-Do-Check-Act Cycle category.

1.1.6 MICROCHIP USA PDCA-QMS SYSTEM MAP

The following diagram illustrates overall quality management system elements for Microchip USA, overlaid on the PDCA cycle, with identification of the section numbers of this Quality Manual where the individual processes or elements of the QMS are described in detail.



1.2 QUALITY POLICY & OBJECTIVES

A Quality Policy has been established to support the company's strategic direction and is used to communicate the focus on customer satisfaction throughout the organization.

Objectives have been established to support the Quality Policy for measuring and monitoring quality performance.

1.2.1 QUALITY POLICY

The following constitutes the established quality policy:

At Microchip USA, we are committed to providing the highest quality products and customer service that consistently meet all requirements – including customers, and statutory and regulatory.

We strive to continually improve our products and services by regularly measuring, monitoring, and reporting our performance against established quality objectives.

The above policy is communicated throughout the organization by way of public posting and direct communication in company meetings.

Internal or external personnel can review the policy by reviewing the currently posted policy or by requesting a copy from the President.

1.2.2 QUALITY OBJECTIVES

In support of our quality policy, Microchip USA measures performance against established objectives. Objectives are established to track and measure the performance of processes and the QMS that may include, but are not limited, to the following types of indicators:

- OTD (On Time Delivery)
- Product Conformance (measured by returns)
- Customer satisfaction

Objectives and plans to achieve them are documented on an Objectives Planning Table. These are reviewed and updated each year as part of the Annual Reset Meeting or as deemed necessary. Plans to achieve objectives are communicated to management and department leads during the Annual Reset Meeting and then to all other relevant personnel through email and/or departmental management discussion.

1.3 RESPONSIBILITY & LEADERSHIP

The Leadership Team (consisting of the CEO, COO, Director of Operations, Director of Sales, Director of IT, and Director of Finance) demonstrates leadership with, and is responsible for, the establishment of the QMS and ensures that it is effectively implemented and maintained. The Leadership Team may delegate aspects of the QMS as needed to provide the necessary support and resources for carrying out the QMS.

Responsible persons for various processes of the QMS are identified within each section of this Quality Manual, where policy or procedures are described. Where no position or title is identified in any given section of this manual, the responsibility falls on the CEO.

The Leadership Team engages and directs personnel responsible for and operating within the QMS and communicates the importance of the effective operation of the QMS during various meetings, training, and related documentation. They promote continuous improvement of the QMS by way of the Quality Policy, Quality Objective tracking, internal audits, and Annual Resets.

For a current view of the organizational positions at Microchip USA, see the Accountability Chart on the company server.

1.4 PLANNING, COMMUNICATIONS & AWARENESS

Scope: This section outlines the policies, methods, and responsibilities of communication that have been established by Microchip USA to ensure that company personnel, clients, and other interested parties have all necessary information regarding the company and its products and services.

Various methods of communication are utilized as appropriate by Microchip USA personnel. These methods may typically include email, text, phone, in-person verbal, teams, video conference, documentation, etc.

The following subsections describe typical internal and external communications methods, responsibilities, and frequencies that are currently in practice.

Performance tracking, regular meetings, and annual audits and Annual Resets help to promote quality performance and awareness regarding the implications of not following the QMS.

1.4.1 INTERNAL COMMUNICATION

Responsibility: Leadership Team

The top management has ensured that appropriate communication processes are established within this organization and that communication takes place regarding the effectiveness of the quality management system.

Individual personnel information is always protected and only discussed with authorized persons as needed.

1.4.2 MEETINGS

The following lists the currently established regular meetings at Microchip USA

Annual Reset Meeting:

- Attendees: Leadership Team
- Frequency: Annual
- Topics discussed: Strategic direction, changes in the business environment, performance against objectives and metrics, internal audits of QMS processes, risks, resources, QMS improvement, etc.
- Records: Annual Reset minutes

Sales Level 10 Meeting:

- Attendees: Sales Team
- Frequency: Weekly
- Topics discussed: Headlines and accomplishments from previous week, quarterly goal review, issues facing the team
- Records: Level 10 Sales Scorecards

Operations Level 10 Meeting:

- Attendees: Operations Team

- Frequency: Weekly
- Topics Discussed: Headlines and accomplishments from previous week, quarterly goal review, issues facing the team
- Records: Level 10 Operations Scorecards

Management Level 10 Meeting:

- Attendees: Leadership Team
- Frequency: Weekly
- Topics Discussed: Headlines and accomplishments from previous week, quarterly goal review, issues facing the team
- Records: Level 10 Management Scorecards

Finance Level 10 Meeting:

- Attendees: Finance Team
- Frequency: Weekly
- Topics Discussed: Headlines and accomplishments from previous week, quarterly goal review, issues facing the team
- Records: Level 10 Finance Scorecards

1.4.3 EXTERNAL COMMUNICATION

Responsibility: Leadership Team

The Leadership Teams are the persons responsible for communicating with external parties and using accepted and appropriate methods of communication as follows:

- The website is maintained with accurate information regarding products and services and is managed by the Director of IT.
- Salespeople and Customer Service are responsible for communicating with customers.
- Anyone can discuss public information with external parties, however NDAs are executed with all employees to maintain client and sensitive information confidentiality.
- Regulatory or legal affairs are only communicated to and by the CEO and COO and contracted legal representation.

1.4.4 AWARENESS

Responsibility: Leadership Team

Awareness regarding customer focus and the need to meet requirements is promoted by way of:

- A documented and distributed Quality Policy and Quality Objectives. The policy and objectives are communicated and reviewed in staff meetings and all personnel are made aware of their impact and contribution on quality product and service delivery and the implications of not conforming with the quality management system.
- The Customer Relationship Management system (CRM), job tracking system, project management system, and purchasing documentation clearly identify all customer, project, product, and service requirements.
- Training is performed to ensure awareness of responsibilities, tasks, and the need for competence in performing work.

1.5 RESOURCES

Scope: This section details the infrastructure, knowledge, and training provided by Microchip USA to ensure the delivery of quality products and services to our clients.

1.5.1 INFRASTRUCTURE & WORK ENVIRONMENT

Responsibility: Leadership Team, Accounting, COO

Management ensures appropriate infrastructure and work environment are provided and maintained to ensure resulting products and services conform to customer and all applicable requirements.

Infrastructure resources may include buildings/workspace, utilities, company vehicles, equipment, tools, hardware/software, communications, information systems, etc.

Anyone can report a need for additional infrastructure needs to a supervisor or manager who will report the need to a Leadership Team member for review, approval, and provision.

Management oversees that a conducive work environment is provided for its employees. The work environment includes physical, social, and psychological considerations.

The physical work environment is provided and monitored by department leaders. The Leadership Team ensures appropriate physical working conditions are provided, such as heating/cooling, airflow, lighting, comfortable, clean work areas, restrooms, breakrooms, parking, water, etc. Work environments are also monitored for safe conditions, and appropriate safety measures are taken and communicated clearly to personnel.

The social and psychological work environment is also managed by way of providing sufficient behavioral policies and procedures in the Employee Manual. This includes anti-harassment and safe workplace behavior policies to ensure all persons feel comfortable and safe in their work environment.

Psychological considerations include the provision of daily breaks, vacation time, sick leave, benefits, etc. Microchip USA also believes in team-building activities such as company events, parties, recognition, etc.

1.5.2 PERSONNEL COMPETENCE

Responsibility: Leadership Team, HR, Supervisors

All personnel have been hired based on experience, training, skills, and willingness to meet any requirements related to the work being performed. A good, teachable, and positive attitude with a willingness to work is sought after for all employees. The Microchip USA employee hiring process (section 1.5.2.1) details the company's method for hiring competent individuals.

Job descriptions are developed by department leads. When hiring new employees is necessary, resumes are obtained to determine that candidates meet competency requirements, and interviews are performed with appropriate Leadership Team members to confirm competency. Resumes of individuals hired are retained in their personnel files.

Many individuals who are hired may still need additional competence to perform their job well. Management will provide training resources in such cases (see section 1.5.2.2).

1.5.2.1 HIRING

Responsibility: Leadership Team, Department Leads

Microchip USA department leaders have developed Job Descriptions for every role within the company. When it is determined that a new employee need to be hired, the following process takes place.

1. The job description is published via online job search platforms.
2. A contract recruiter gathers and reviews resumes.
3. The contract recruiter calls and qualifies candidates whose initial requirements have the best match the job description requirements.
4. The contract recruiter sets up secondary interviews with the department leader and CEO.
5. For leadership team positions, if the candidate passes the department leader and CEO interview, they proceed to a panel interview with all department heads and the CEO.
6. If the candidate passes the panel, they proceed to a DISC assessment (Dominance, Influence, Steadiness, Conscientiousness).
7. The panel selects a candidate and an offer letter is sent. The offer letter covers the start date, salary, benefits, job title, reporting, etc.

1.5.2.2 TRAINING

Responsibility: Department Leads

Microchip USA regularly evaluates the knowledge and abilities of our employees. When it is determined that additional training is required, that training is provided by appropriate Leads and documentation of the training is kept.

Employees are given one week Pass/Fail training programs. These programs are created for each role within the company and are designed to ensure that critical competencies are met.

The 5-5-5 document describes alignment with the core values of the organization, job duty completion, feedback, improvements, etc. This document is reviewed monthly between each employee and the department lead they report to.

Employee competencies and training programs are reviewed and discussed annually by leadership as part of the Annual Reset Meeting.

1.5.3 ORGANIZATIONAL KNOWLEDGE

Responsibility: Leadership Team

Microchip USA obtains and gathers organizational knowledge from the following sources:

- Hiring knowledgeable personnel
- Internal training
- Outsourced consultants
- Outsourced training
- Industry documentation (standards, guidelines, trends, etc.)

Microchip USA shares knowledge internally in the following ways:

- Verbal sharing
- Meetings
- Training
- Document repositories

Any training provided throughout a given year will be discussed and evaluated for effectiveness as part of the Annual Reset Meeting (see section 3.3).

1.5.4 DOCUMENTATION

Microchip USA maintains and safeguards documents and records that are necessary for the effective operation of the QMS and the provision of quality products and services. These documents include internal documents, external documents, and records.

1.5.4.1 INTERNAL DOCUMENTS

Responsibility: Leadership Team, Department Leaders, IT

Internal documents that are developed, maintained, and safeguarded by Microchip USA include policies, procedures, standard templates and forms, employee handbook, company logos, etc.

The employee over the department or function typically drafts the document and submits it to the Leadership Team for review and approval. Once a document is approved by a leadership team member, it is added to the Master Document List and uploaded to the cloud server by the department leader. Obsolete copies are removed from the location to restricted Archive.

All internal documents are stored on a cloud server with a departmental directory. Documents are identified by way of document title and revision level. Revision levels indicate version and change control. Access rights are controlled to ensure that users cannot see or edit any documents that are not applicable to them or under their authorization.

All personnel are instructed to access documents only from the cloud server and not to store copies in their own storage locations, so as not to use an obsolete document.

The cloud server is hosted by reputable document storage companies that provide data security and constant redundant backups of all information.

Documents are retained indefinitely unless removal/deletion is required by law or upon customer request.

1.5.4.2 EXTERNAL DOCUMENTS

Responsibility: Leadership Team, Department Leaders, All Employees

External documents that are developed by government, regulatory bodies, or clients that are used by Microchip USA can include laws, regulations, standards, codes of practice, etc.

These documents can be provided, referenced, or required by a customer or regulatory body. They can also be accessed on regulatory body website(s). If external documents are retained internally by Microchip USA, these documents are retained in the cloud server and clearly identified and verified by users to be the current version when being referenced.

1.5.4.3 RECORDS

Responsibility: HR, Sales, Leadership Team

Records that are kept by Microchip USA include personnel records and customer interactions.

Microchip USA retains records in a number of ways and locations. Personnel records are kept confidential and stored in a secure cloud server. Customer interactions and records are retained in the company CRM and cloud server.

All records are clearly labeled in secure locations with backups, access rights, and controlled permissions. Records are retained indefinitely unless removal/deletion is required by law or upon customer request.

Records are generated in un-editable formats to prevent unintended alterations with authorized approvals required by management when changes are requested.

Name(s) of Record	Electronic/Hard Copy	Storage location	Retention period
Employee files (including contracts and training records)	**Electronic/Hard copy**	**Locked filing cabinet in President's office, labelled files by employee name and cloud drive**	**Indefinitely**
AP records (non-QuickBooks) – Purchasing, Vendor Invoices, pay stubs, etc.	**Electronic**	**All pay records kept electronically in cloud-based ERP system**	**Indefinitely**
Test Reports	**Electronic**	**Individual test reports store on cloud drive**	**2 years**
Zoho Books Records (AP & AR)	**Electronic**	**ERP books cloud storage, backed up quarterly to external drive**	**Indefinitely**
Internal Corrective Action Log	**Electronic**	**Cloud drive**	**Indefinitely**
Internal Audit Worksheets and reports	**Electronic**	**Cloud drive, filed under "Internal Audits"**	**Indefinitely**
Annual Reset Meeting Minutes	**Electronic**	**Cloud drive, filed under "Annual Reset"** **In the admin filing cabinet**	**indefinitely**

1.6 QMS CHANGE MANAGEMENT

Responsibility: Leadership Team, COO

When top management determines that changes to the QMS are in order, proposed changes will be considered carefully and planned thoroughly to ensure the integrity of the QMS is maintained and changes are communicated clearly to all impacted team members.

Changes are controlled using the following procedure:

1. Any person may request a change in process and submit it to the department supervisor and on to a local Leadership Team member. If the change does not impact the high-level QMS (tactical production changes, etc.), the floor supervisor or upper management at the location can approve the change without the Leadership Team's approval.
2. If a Leadership Team member determines a change to the QMS is necessary to impact high-level QMS, it is submitted to the Leadership Team's remaining members.
3. The Leadership Team reviews and approves changes.
4. The Director of Operations or their approved designee makes needed changes to the Quality Manual or related procedure or form documents as per section 1.5.4.1.
5. The Director of Operations or their approved designee sends out a company-wide email to all affected personnel.
6. A department leader where the change is being implemented ensures that impacted personnel understand their roles and responsibilities and any need training.

This Quality Manual addresses all applicable requirements of ISO 9001:2015, and this is demonstrated using the ISO 9001 Clause Matrix (Appendix A). When any changes to this document are made, they are carefully reviewed by the Leadership Team or an outsourced consultant against the ISO 9001 standard to ensure continued compliance. The clause matrix is updated as necessary.

SECTION 2: CORE OPERATIONAL PROCESSES

Microchip USA plans operational processes and controls to ensure all applicable requirements are met and customers are satisfied with products and services.

Operational planning at Microchip USA has been integrated with the following activities and processes:

- Sales and contracting
- Vendors and purchasing
- Fulfillment
- Control of nonconformities
- Post-delivery support

Operational planning activities and methods include:

- Clear communication and documentation of product/service requirements with customers, vendors, internal departments.
- Provision and utilization of competent personnel.
- Resources and systems adequate to transfer and record information related to products and services.

2.1 MARKETING & SALES

Scope: The following sub-sections describe the methods implemented to determine and review customer requirements and applies when RFIs, RFQs, or RFPs are received from potential customers/opportunities or when direct sales inquiries are received.

2.1.1 MARKETING

Responsibility: Sales

The Microchip USA Sales team communicates with current and potential customers using the following methods:

- Outbound sales calls
- Trade specific website listings
- Social media
- Client referrals

Sales Reps may also perform a capabilities presentation for interested parties and potential customers.

Company website: www.microchipusa.com

2.1.2 SALES

Responsibility: Sales

Microchip USA utilizes a web hosted Customer Relationship Management (CRM) system to track leads, opportunities, quoting activities, and order status tracking.

When a lead is received:

1. Sales Support receives and qualifies the lead and passes it on to a Sales Rep.

2. The Sales Rep contacts the customer to determine and review their needs.
3. The Sales Reps enters the needed product requirements into the CRM.
4. Product availability and pricing are requested from approved Vendors.
5. Vendors submit pricing and availability.
6. The Sales Reps provides market analysis (speculative pricing, availability, forecast, etc.) to the customer based on availability and pricing received from Vendors.
7. An Official quote is developed, if requested.
8. The Sales Rep awaits the customer's decision and follows up as needed.

Changes to customer requirements are documented and communicated by way of revised quotes and proposals and corresponding order documents.

2.1.3 ORDER PROCESSING

Responsibility: Orders Team, Sales, Finance Team, Operations Team, Purchasing, Leadership Team

When orders are received, the following process occurs:

1. The order is received, and a Sales Rep submits the PO electronically and any reference documents and requirements to the Orders Team.
2. The Orders Team reviews the order with the Finance and Operations Teams to look for any discrepancies on payment terms, buyer terms, or order details (part ID, quantity, price).
3. The Operations Team requests a lab test quote unless it is not required by the client.
4. The Orders Team sends a Sales Order confirmation with Microchip USA terms including financial terms, seller terms, and the outline of the order info. Any time parts are shipped out of the country, export and compliance documents are requested from the client.
5. The Client must confirm the order in writing.
6. The Orders Team will move the order to the Purchasing stage.
7. Purchasing verifies the order again by reviewing the client PO vs. the internal PO to the Vendor. They also review the lab test quotes.
8. Purchasing submits an internal Vendor PO for approval by management.
9. Management reviews the PO for approval or denial.

2.2 VENDORS & PURCHASING

Scope: This process applies when selecting vendors for existing or future projects. Vendors are chosen based on several criteria, including customer requirements, capacity, lead-time, etc.

2.2.1 SELECTING & EVALUATING VENDORS

Responsibility: CEO, Purchasing

Microchip USA uses the following criteria for Vendor selection:

- Availability
- Price
- Quality (see Vendor Quality Survey form)

All Vendors must complete a Vendor Quality Survey (organizational information, quality system, process, counterfeit controls, etc.) and agree to Microchip USA Vendor terms and conditions (Sale of Goods Agreement). This document outlines requirements with a description and quantity of goods, risk of loss, inspection requirements, payment requirements, warranty requirements, legal terms, confidentiality/non-solicitation requirements, etc.

Approved labs must have all required certifications [i.e., ISO9001, AS9120, AS6081 (preferred), ISO17025 (preferred)] to be used for testing products. Facility tours to ensure Vendor compliance may also be performed.

The CEO reviews and approves all Vendors. Approved Vendors are added to the Purchasing system and the Approved Vendor List (ASL).

As Vendor product is received, components are tested. Vendor performance is also tracked and monitored for OTD, accuracy of orders, shipment labeling, ability to deliver, and ability to handle return requests. Microchip USA conducts periodic performance evaluation of Vendors. Vendors who do not meet the requirements will be subject to corrective action which may include disapproval of Vendors that do not meet requirements. Vendor performance is also reviewed as part of the Annual Reset.

2.2.2 PURCHASING

Responsibility: Purchasing, Director of Operations, CEO, Accounts Payable, Orders Team

Microchip USA will only purchase products and services from Vendors that are currently on the Approved Vendor List. Purchasing will issue a PO when orders have been submitted by the Orders Team to the Purchasing system.

When a PO is issued, it contains purchasing requirements, terms & conditions, delivery expectations, and drop shipping information. When parts are imported, necessary information is provided to the Vendor for each line item on the PO. Lab Quote PO's must be included on the Vendor PO.

When orders are approved, Purchasing creates a PO and submits it to management for approval. Director of Operations or CEO approval is required for all POs . The Director Operations and CEO have administrative/approval authority in the purchasing system. CEO approval is required for POs at or above $20,000.

Lab POs are processed by Purchasing and must be included on Vendor POs. These must include shipping account and address information. Lab POs include parts type/ID, quantity, test type to be performed, terms & conditions, etc. Lab POs are approved by the Director of Operations. Once a Vendor PO is sent, the Lab PO is sent to the lab to notify them of the incoming shipment of product.

Vendors are invoiced when product has shipped. Labs are invoiced when testing is complete. Invoices are sent to the Accounts Payable department. Accounts Payable reviews the invoices against the PO and confirm with the Director of Operations on completion/delivery status. The Director of Finance also approves payment of each invoice. Accounts Payable then makes the payments according to terms established with the Vendor or lab.

2.2.3 VENDOR PERFORMANCE MONITORING

Responsibility: Purchasing, Leadership Team

Microchip USA regularly monitors Vendor performance to ensure customer needs are met. Vendors are evaluated on product quality, OTD, accuracy of orders, labelling, and RMAs. Purchasing monitors the delivery dates for labs.

Vendor product nonconformities are recorded on the Internal Corrective Action Log. Late deliveries are also added to the Internal Corrective Action Log.

On an annual basis, vendor delivery performance and product conformity are reported on and vendors are re-evaluated as part of the Annual Reset. Any problem areas are discussed and action to improve the issue(s) is planned.

2.3 FULFILLMENT

Scope: Microchip USA procures and distributes electronic components to their clients. This section details the processes for drop shipments from Vendors and labs.

2.3.1 DROP SHIPPING

Responsibility: Director of Operations, Purchasing

Microchip USA finds and procures electronic components for our clients. The products are shipped from vendors to labs for testing and labs ship direct to clients (a.k.a. “drop shipping”).

Drop shipping instructions are provided on purchase orders to Vendors and labs.

When product is drop shipped from a Vendor to a lab:

- The Vendor PO includes a shipping address to the lab and a lab quote #.
- The Vendor notifies purchasing at time of product shipment to the lab.
- Purchasing monitors the delivery to the lab.

When product is drop shipped from the lab to the client:

- The drop shipping requirement is included as a line item on the PO to the lab.
- The PO includes the clients shipping address and shipping account on lab PO.
- The PO is approved by the Director of Operations. Purchasing obtains tracking information from the lab and monitors successful delivery to the client.

Clients are invoiced when parts are shipped from the lab.

2.3.2 IDENTIFICATION & TRACEABILITY

Responsibility: Director of Operations

Microchip USA identifies the product by suitable means throughout product procurement and testing. This is accomplished by unique unit or part number and lot code assigned by the manufacturer.

Microchip USA identifies the product status with respect to testing status by way of lab provided test reports.

The identification of product status is maintained throughout procurement, testing, and delivery to ensure that only product that has passed the required inspections and tests (or released under an authorized concession) by way of release requirements documented on order documents and lab test reports.

2.3.3 CUSTOMER PROPERTY

Responsibility: Leadership Team

Any customer or third-party Electronic/digital/intellectual property is safeguarded in locked files with limited access and subject to regular data backups.

If any informational property belonging to customers or third parties is lost, damaged, or compromised in any way, the owner will be notified by a Leadership Team member in writing (email), and appropriate attempts at corrective/preventive action will be taken to resolve the issue.

NOTE: No customer or external party physical property is held. See section 1.1.4 Exclusions from ISO 9001.

2.4 CONTROL OF NONCONFORMITIES

Scope: Microchip USA closely monitors products and services to ensure that all applicable customer and regulatory requirements are met. This section outlines the processes for detecting and correcting nonconforming (NC) outputs.

Responsibility: Director of Operations, Quality Control (QC)

Microchip USA ensures that the products it sources meet all applicable customer, regulatory, and quality requirements. Nonconformities can be any product or service that does not meet requirements and are verified by third-party test labs during product testing.

When any part nonconformity is identified by a lab during testing:

1. The Lab notifies Microchip USA of the NC part(s) and provides the test report. The testing lab will not ship parts without Microchip USA approval and/or instruction.
2. The Director of Operations reviews the test report to determine the nature and severity of the issue.
3. The Director of Operations communicates with the customer and describes the issue and potential resolution options.
4. The Director of Operations captures internally discovered nonconformities using the Internal Corrective Action Log. This log will capture at a minimum, a description of the nonconformity, the related action to correct the issue, and the person approving the action (including concessions by customer or other authority).
5. The client makes a final determination about the NC and selected course of action.
6. Courses of action may include acceptance of parts, refund, or credit.
7. If the parts are not accepted, Microchip USA will contact the vendors and determine corrective actions.

If the client discovers a nonconformity or other issue with parts after delivery, returns (RMAs) are processed as per section 2.5.1. Corrective action such as refunds or credits are issued as determined necessary.

2.5 POST DELIVERY SUPPORT

Scope: Microchip USA procures and delivers 3rd party products to its clients. This section outlines warranty support and follow up with customers to ensure that their needs have been met.

Based on the contract requirements, additional post-delivery technical and customer support methods are utilized to assist customers with issues and gather feedback concerning their experience with Microchip USA products and services.

Post-delivery support for products is performed through warranty/RMA services. Microchip USA offers a standard 60-day functional warranty or a warranty as otherwise negotiated. The warranty is documented on the terms and conditions included in every sales order confirmation.

2.5.1 RETURNS

Responsibility: QC, Director of Operations

Warranties are honored by way of RMA processing.

When returns are processed the following procedure takes place:

1. The client contacts Microchip USA and the issue is routed to QC.
2. The Director of Operations is notified and provides the customer with the RMA form.
3. When the RMA form is returned, the Director of Operations reviews it to determine the warranty status.
4. The customer returns the product if warranty covers the issue.
5. The Director of Operations gathers any additional information from the customer.

6. The Director of Operations investigates the issue with the QC team and test lab and determines the cause and appropriate corrective action.
7. The Director of Operations notifies the client of the action to be taken.
8. Corrective action requests are captured via email.
9. The Vendor or lab corrects the issue and provides Microchip USA with confirmation of the corrective action.
10. Microchip USA provides the customer with either new product or a credit note.
11. The RMA Master Sheet is used to record details of each RMA being processed.

2.5.2 CUSTOMER FEEDBACK

Responsibility: Leadership Team, Sales, Office Manager

Microchip USA monitors customer satisfaction in a variety of ways and through a variety of indicators that may include follow-up on orders, increased revenues, referrals to other users, complaints, on-time delivery performance, nonconformities reported by customers, and supplier quality ratings.

Sales leads handle feedback from the customers. Complaints are recorded and action tracked using the Internal Corrective Action Log.

Supplier quality ratings are published by industry networks and indicate feedback on surveys from industry client companies. These ratings are based on the following categories of performance: Responsiveness to RFQs, Ability to quote parts listed, Ability to ship parts ordered, delivered parts met order specifications, and Handling of return requests.

The Leadership Team reviews the above factors as part of the Annual Reset and develops a customer satisfaction assessment summary recorded in the Annual Reset Meeting record.

SECTION 3: SYSTEM MONITORING

3.1 SYSTEM ANALYSIS AND EVALUATION

Microchip USA has determined which aspects of the quality system are to be monitored and measured and the methods needed for monitoring, measurement, analysis, and evaluation needed to ensure valid results.

These methods include the measurement of process performance through objectives and associated KPIs, internal audits, product testing, non-conformance tracking, customer feedback that is captured, etc.

Monitoring and measuring are performed and reported regularly. The results from monitoring and measurement and other relevant information and data are analyzed and evaluated periodically and annually as part of the Annual Reset Meeting (see section 3.3). The performance and the effectiveness of the quality management system are evaluated during the Annual Reset by using the various reports and indicators from monitoring and measurement.

3.2 INTERNAL AUDITS

Responsibility: Leadership Team

Scope: This section describes the procedure utilized to internally audit the QMS to ensure it is implemented and effective.

Internal audits of the QMS will be performed annually as a minimum and more often as needed. Management may expand the scope or increase the frequency of QMS audits when deemed necessary. This manual will be the basis for the criteria of QMS audits as it addresses both the requirements of ISO 9001 and Microchip USA 's own internal quality requirements.

Internal audits are performed either by select internal personnel or by a third-party organization. When performed by a qualified external organization, records as evidence of the audit process will be retained.

When performed by internal personnel:

- Internal auditors must be trained in auditing, and they should be as independent as possible of the process being audited so that they do not audit their own work.
- Audit worksheets are prepared either by creating electronic audit worksheets (editable pdfs or spreadsheets) or by printing hard copy worksheets to allow room on the worksheets to be able to record audit notes and comments.

Each auditor determines compliance with the Quality Manual by interviewing employees involved with the process being audited and reviewing company records.

1. When preparing audit worksheets, auditors will mark or highlight audit criteria prior to performing the audit.
2. The Quality Manual is read and reviewed between the auditor and interviewee for accuracy. Any corrections that need to be made to the process are notated on the audit worksheet.
3. The auditor reviews all supporting evidence (i.e., sample records, interviewees, etc.) against the identified criteria to verify compliance with the process. This can be accomplished by checking on a grid or matrix to show compliance to the audit criteria or writing sentences that mention how the sample does or does not comply with the audit criteria may be more suitable in some cases. Any relevant notes or findings of non-compliance are recorded on the audit worksheet. It is important to identify specifically which samples were observed and which (if any) were not compliant.
4. All discrepancies/non-conformances or revisions to the Quality Manual are noted on the audit worksheet (changes to internal documents must be performed in compliance with section 1.5.6 Internal Documents). These will be summarized on an audit report by the Lead Auditor and are provided to the Leadership Team.

5. Where immediate corrective action is needed, appropriate action will be taken, and the action taken will be recorded on the audit worksheet.
6. Upon reviewing audit worksheets and reports, the Leadership Team or designee enters any discrepancies/non-conformances from the audit into the Internal Corrective Action Log and any action being taken.

The internal audit results are reviewed, and any further corrective actions are identified and addressed as per sections 2.7 and 4.1. Results of Internal Audits are also reviewed and discussed during the Annual Reset meeting as per sections 3.2 and 3.3.

3.3 ANNUAL RESET (MANAGEMENT REVIEW)

Responsibility: Leadership Team, (other department staff as invited)

Frequency: Annual

Attendees include: Leadership Team

Topics discussed include SWOT Analysis (strategic planning, risk/opportunity), interested parties and their requirements, and a review of the effectiveness of the QMS. During this meeting, the Annual Reset Meeting form's agenda is followed and is filled out and kept as a record regarding the following topics:

- Follow-up actions from previous Annual Resets
- SWOT Analysis (Internal & External)
- Interested Parties and their requirements
- Scope of the QMS
- Suitability of the Quality Policy
- Review of performance against Quality Objectives
- Update the Quality Objectives if required
- Customer Satisfaction
- Results of internal audits
- Process performance (audits) and product conformity (objectives reports)
- Status and effectiveness of corrective actions
- Resource needs:
    - Effectiveness of training performance evaluations
    - Evaluation of vendors
    - Other resources: financial, knowledge, facilities, equipment, work environment, etc.
- Further changes to the QMS that are needed
- Additional recommendations for improvement

Minutes and actions from the Annual Reset Meeting will be kept on the Management Review Meeting Minutes form. Any actions identified during the Annual Reset will be added to the Internal Corrective Action Log for quarterly management tracking and evaluation.

SECTION 4: IMPROVEMENT

4.1 NON-CONFORMANCES, RISK, & CORRECTIVE ACTION

4.1.1 PRODUCT NON-CONFORMANCES AND DISCREPANCIES

Product-related discrepancies/non-conformances are controlled by way of the processes outlined in section 2.4. Swift action is taken to address discrepancies/non-conformances and deal with their consequences. Documentation is retained to review and analyze the discrepancies/non-conformance, determine cause including human factors, and determine if there is a risk that similar issues may occur.

A review by the Leadership Team of the effective activities which have been taken is compiled in the Internal Corrective Action Log to assist in determining if further actions are warranted.

4.1.2 SYSTEM-RELATED NONCONFORMANCES, RISKS AND CORRECTIVE/PREVENTIVE ACTION

Responsibility: Leadership Team

All personnel at Microchip USA are encouraged to report identified risks or opportunities to management whenever they are discovered. Risks may include product-related risks, customer feedback-related risks, raw material risks, financial risks, production risks, equipment failure risks, personnel issues that present a risk, etc. Opportunities may include process improvements, product improvements, infrastructure, environmental improvements, training, etc.

Microchip USA also addresses risks and opportunities during planning processes in the following ways:

- Annual SWOT Analysis in the
    - Review of internal and external issues, risks, and opportunities
    - Business risk and opportunity
    - Customer relationship risks
- Annual Reset Meeting

Risks or opportunities that require action are discussed and documented in meeting minutes and/or the Risk and Opportunity tab of the Internal Corrective Action Log for action planning and tracking. Action being taken is evaluated for results and effectiveness in the Annual Reset Meeting (3.3).

4.2 CONTINUOUS IMPROVEMENT

Responsibility: President, Leadership Team

Microchip USA is committed to continuous improvement to ensure customers are satisfied and processes are effective and efficient.

This quality management system was established using ISO 9001:2015, which uses the "Plan-Do-Check-Act" model of continuous improvement. This process approach and the required checkpoints have been established to promote continual improvement of the QMS and the business.

Processes established as part of this QMS that have a direct impact on continuous improvement efforts include:

- Establishment of the Quality Policy (section 1.2.1)
- Measuring quality objectives (section 1.2.2)
- Communication (1.4)

- Customer feedback (section 2.5.1)
- Non-conformance and risk tracking and analysis (sections 2.4 & 4.1)
- Internal auditing (section 3.2)
- Annual Resets (section 3.3)

The Annual Reset is a key meeting for the continuous improvement of the QMS and overall business. One output from this meeting is a requirement to indicate any opportunities for improvement and be followed-up on using the Internal Corrective Action Log regularly reviewed by the President to ensure action is being taken and evaluated for effectiveness.

APPENDIX A: ISO 9001 CLAUSE MATRIX

Scope: This section contains a reference table or "matrix" that cites locations in the Microchip USA Quality Manual where Microchip USA shows that its QMS meets specific requirements from the various clauses of ISO 9001:2015.

ISO 9001:2015 Clause reference	Microchip USA Quality Manual Reference, Records cited, or justification described
4 Context of the organization	
4.1 Understanding the organization and its context	1.1.2 Context and Interested Parties
4.2 Understanding the needs and expectations of interested parties	1.1.2 Context and Interested Parties
4.3 Determining the scope of the QMS	1.1.3 Scope of the QMS
4.4 QMS and its processes	1.5.1 QMS Processes (Entire Quality Manual)
5 Leadership	
5.1 Leadership and Commitment 5.1.1 General	1.3 Responsibility & Leadership, 3.3 Annual Reset
5.2 Policy 5.2.1 Establishing the Quality Policy 5.2.2 Communicating the quality policy	1.2.1 Quality Policy
5.3 Organizational roles, responsibilities, and authorities	1.3.1 QMS Responsibility
6 Planning	
6.1 Actions to address risks and opportunities 6.1.1 6.1.2	1.1.2 Context and Interested Parties, 3.1 System Analysis & Risk, 3.3 Annual Reset
6.2 Quality objectives and planning to achieve them 6.2.1	1.2.2 Quality Objectives
6.2.2 Planning to achieve objectives	1.2.2 Quality Objectives
6.3 Planning of Changes	1.6 QMS Change Management
7 Support	
7.1 Resources 7.1.1 General	1.5 Resources
7.1.2 People	1.5.2 Personnel Competence
7.1.3 Infrastructure	1.5.1 Infrastructure & Work Environment
7.1.4 Environment for the operation of processes	1.5.1 Infrastructure & Work Environment
7.1.5 Monitoring and Measuring resources	NOT APPLICABLE
7.1.6 Organizational Knowledge	1.5.3 Organizational Knowledge
7.2 Competence	1.5.2 Personnel Competence
7.3 Awareness	1.4.4 Awareness
7.4 Communication	1.4 Planning, Communications & Awareness
7.5 Documented Information	1.5.4 Documentation
8 Operation	
8.1 Operational planning and control	2.1 Marketing & Sales
8.2 Requirements for products and services	2.1 Marketing & Sales
8.3 Design and development of products and services	NOT APPLICABLE
8.4 Control of externally provided processes, products, and services	2.2 Vendors & Purchasing
8.5 Production and Service Provision 8.5.1 Control of production and service provision	2.3 Fulfillment
8.5.2 Identification and traceability	2.3.2 Identification and Traceability
8.5.3 Property belonging to clients or external providers	2.3.3 Customer Property
8.5.4 Preservation	2.3 Fulfillment

8.5.5 Post-delivery activities	**2.5 Post-delivery Support**
8.5.6 Control of changes	**2.1 Marketing & Sales**
8.6 Release of products and services	**2.2.3 Vendor Performance Monitoring**
8.7 Control of nonconforming outputs	**2.4 Control of Nonconformities**
9 Performance evaluation	
9.1 Monitoring, measurement, analysis, and evaluation **9.1.1 General**	**3.1 System Analysis and Evaluation**
9.1.2 Customer Satisfaction	**2.6.1 Customer Feedback**
9.1.3 Analysis and evaluation	**3.1 System Analysis and Evaluation**
9.2 Internal Audit	**3.2 Internal Audits**
9.3 Annual Reset **9.3.1 – 9.3.3**	**3.3 Annual Reset**
10 Improvement	
10.1 General	**4.2 Continuous Improvement**
10.2 Nonconformity and corrective action **10.2.1**	**4.1 Non-conformances, Risk & Corrective Action**
10.2.2 (retain records about nature of non-conformity and results of any action)	**4.1 Non-conformances, Risk & Corrective Action**
10.3 (Continually improve the QMS)	**4.1 Non-conformances, Risk & Corrective Action, 3.2 Internal Audits, 3.3 Annual Reset, 4.2 Continuous Improvement**