



Global Enterprises Inc. Supplier Rating System Manual

Purpose:

- The purpose of the Supplier Rating System (SRS) Manual is to communicate Global Enterprises requirements to the suppliers. It is the expectation of Global Enterprises that all suppliers comply with all of the requirements and expectations documented herein.
- This manual serves as the foundation for improved communication between Global Enterprises and our suppliers.
- It is the goal of Global Enterprises and its suppliers to strive for continuous improvement in all areas of its business practices.

Scope:

- This manual applies to all Global Enterprises approved production part and material suppliers globally.

Global Enterprises Purchasing strategies include, but are not limited to; cost reduction initiatives, product and process innovations, quality improvements, delivery and effective program/product launch activities. Your organization's performance will be carefully monitored and your status will always be results based.

As a key supplier to Global Enterprises, your company will be rated on a monthly basis in three categories: Quality, Delivery and Responsiveness.

- Quality – Rejected parts per million (RPPM) 45 Points
- Delivery – On time delivery percentage 45 Points
- Responsiveness 10 Points

Total 100 Points

It is Global Enterprises expectation that the supplier achieves 100 points monthly.

Grade Scale:

95-100	Excellent
85-94	Above Average
80-84	Average
70-79	Needs improvement
<70	Unacceptable

Quality Performance

The quality category account for 45 points of the overall supplier rating. Supplier RPPM is calculated on the basis of the amount of nonconforming production and service materials versus the total amount of production and/or service material received in a given month.

EXAMPLE:

A supplier ships in 100,000 parts to Global, 10 of which are non-conforming. The calculation will be $10/100,000 \times 1,000,000 = 100$ RPPM's. The supplier score for this example is 40 points. (Refer to the table below for the rating range.)

RPPM	Quality Score
0-50	45
51-100	40
101-150	35
151-225	30
226-300	25
301-400	20
401-500	15
501-600	10
601-700	5
>700	0

Delivery Performance

The Delivery category accounts for 45 points of the overall supplier rating. On time delivery percentage is calculate by dividing the number of on-time shipments, by the total amount of shipments in a given month.

EXAMPLE:

During one month a supplier send 36 shipments to Global Enterprises. Out of the 36 shipments, 1 shipment is late. The delivery calculation would be $[36-1/36] \times 100 = 97.2\%$. The supplier score for this example is 40 points. (Refer to the table below for the rating range)

Delivery %	Delivery Score
100%	45
97-99%	40
94-96%	35
91-93%	30
88-90%	25
85-87%	20
82-84%	15
79-81%	10
75-78%	5
<75%	0

Responsiveness

The supplier responsiveness category accounts for 10 points of the overall score and includes the following:

- On time and accurate PPAP submissions, as required.
- On time and accurate response to quality issues
- On time and accurate documentation submission as required by each location (including, but not limited to: SPC, material certifications, invoices, packing slips, annual test results, etc.)
- On time and accurate quote response.

EXAMPLE

A supplier submission for the latest engineering level is not on time for the PPAP and a Corrective Action Report (CAR) response was not submitted on time. This example would count as 2 occurrences. (Refer to the table below for the rating range.)

Supplier Responsiveness Occurrences	Responsiveness Score
0	10
1	8
2	6
3	4
4	2
5 or more	0

Supplier Rating Letters

Global Enterprises will compile the previous month's information and submit a Supplier Rating Letter which outlines the suppliers overall Supplier Rating score. This letter will be sent by the Purchasing Manager to the supplier, via email, by the 15th of each month.

Supplier Performance Evaluation

Suppliers will be evaluated by the Purchasing Manager based on a rolling 3-month window. All suppliers will be reviewed monthly by averaging the previous 3 months of supplier ratings. Suppliers found to have an acceptable rating (>80) will not be notified of their standing. No further action is required.

Escalation Process:

Should suppliers have an average score of <80 for the previous 3 month, they will enter the Escalation Process. This process has been put in place to provide the supplier an opportunity to correct process issues that are negatively impacting their Supplier Rating.

Escalation Process

- Supplier Rating letters are sent to supply base	-Warning letters are sent to suppliers with Supplier Rating score of <80	-Letter are sent to supplier requiring Self Improvement Plan	- Review of supplier QMS - New Business Hold - Advise Supplier of possible de-sourcing -Directed supplier letter sent to Customer	-Executive Meeting -Determination of business withdrawal - Removal from Approved Supplier List	
SRS Letter	Warning Letter	Self-Improvement Plan	Review of QMS	Executive Meeting	
Notification	Notification	Monitoring	Monitoring	Critical	
SRS	Phase 1	Phase II	Phase III	Phase IV	
Monthly	Month 3	Month 4	Month 5	Month 6 -	

Phase 1 - Notification:

Suppliers found to have inferior performance during this 3 month time period (<80) will enter the Escalation Process. They will be sent a letter by the Purchasing Manager, via email, notifying them of their inferior performance. This letter will serve as a notification to the supplier that their performance is negatively impacting our business. They will be advised to perform an internal review their processes and make the necessary corrections needed to improve their overall Supplier Rating.

Phase II - Monitoring:

Phase 1 suppliers will be monitored again the subsequent month to determine if the internal corrective measures have resolved the issue. If their average score is >80 they will be removed from the Escalation Process. If not, the supplier will be requested by the Purchasing Manager, via email, to supply a Self-Improvement Plan, via email, within 5 business days from receipt of letter. The suppliers Self-Improvement Plan will be reviewed by Global Enterprises Purchasing Manager and Quality Manager.

Phase III – Monitoring

Phase II suppliers will be reviewed in the subsequent month. If supplier attains an average 3 month score above >80 the supplier will removed from the Escalation Process. Should the supplier still not have attained a 3 month average >80, the supplier will then be placed on 'New Business Hold', meaning no new business can be awarded to supplier until the supplier has attained a 3 month

average supplier rating >80. If the supplier is 'directed' by our customer/s a letter will be sent to our customer making them aware of the situation. In addition, a letter will be sent by the Purchasing Manager to the supplier, via email notifying them of this status. At Global Enterprises discretion, a meeting will take place between the supplier and Global Enterprises Purchasing Manager and Quality Manager, on site, at the supplier's location. During this meeting, a QMS review will be conducted. The supplier will be advised that failure to correct the issue could result in possible withdrawal of business.

Phase IV - Critical

Phase III suppliers will be reviewed again in the subsequent month. If supplier attains an average 3 month score above >80 the supplier will be removed from the Escalation Process. Should the supplier still not have resolved the issue, the supplier will be removed from the Approved Supplier List. A letter will be sent by the Purchasing Manager, to the supplier, via email, communicating this status. An executive review of the supplier's performance will be held to determine if the supplier should be selected for resourcing activity.