

**Performance Evaluation – Supplier Scorecard:**

Ortronics will monitor supplier performance through supplier scorecard which contains:

Category	Weight	Metrics	Sub weight	Minimum	Qualified
Quality	40	Quality System Effectiveness	40	60% compliance rate or higher	70% compliance rate or higher
		Product Performance	40	25 or higher	30 or higher
		Corrective Actions	20	12 or higher	16 or higher
Delivery	30	On time delivery rate	N/A	75% or higher	85 or higher
Commercial	30	Consignment	10 points	N/A	N/A
		Payment Terms	10 points	N/A	N/A
		Cost Reduction	10 points	N/A	N/A

Supplier scorecard may be provided through web based information system. Supplier scorecard will be published quarterly to top suppliers.

## 1. Quality

Supplier quality performance will be evaluated every three months upon the following aspects:

Category	Full Score	Minimum	Evaluation Interval	Data Update
Quality system effectiveness	40	60% compliance	6 months	Annually
Product PPM	40	25	6 months	Monthly
Corrective action	20	12	6 months	Monthly

## 2. Quality System Effectiveness

Ortronics will perform an annual quality system audit of suppliers based on ISO9001:2000 and Ortronics specific requirements.

Compliance Rate	Conclusion
90-100	Excellent
80-89	Good
70-79	Acceptable
60-69	Fair – needs improvement (90 days)
Less than 60	Unacceptable

### 3. Product Performance

Ortronics evaluates product performance through product PPM calculation and quality incidence that causes stop shipment to Ortronics customers and/or recalls.

### 4. Product PPM

Ortronics tracks product PPM performance from receiving, production, and customer returns. Product PPM calculation is based upon the MRR that is defined as supplier responsibility. Points will be deducted as the following table:

<b>Actual PPM = Qty Rejected/Received</b>	<b>Points Deducted</b>	<b>Final Score</b>
More than 100,000	-40	0
50,000 – 100,000	-30	10
30,000 – 50,000	-25	15
20,000 – 30,000	-20	20
10,000 – 20,000	-15	25
5,000 – 10,000	-10	30
4,000 – 5,000	-9	31
3,000 – 4,000	-8	32
2,000 – 3,000	-7	33
1,000 – 2,000	-6	34

500 – 1,000	-5	35
250 – 500	-4	36
100 – 250	-3	37
50 – 100	-2	38
0 – 50	-1	39
0	0	40

When a shipment is rejected, the entire quantity will be counted as defective regardless of the actual rejection quantity after sorting. “USE AS IS” in MRR will be counted as defective if the concession is the supplier’s responsibility.

**5. Stop Shipment and Recall**

Any quality incident that leads to stopping shipment to Ortronics’ customers due to defects will result in a deduction of 5 points.

Any quality incident that leads to recall from customers will result in a deduction of 10 points.

**6. Corrective and Preventive Actions**

Ortronics will track the feedback and effectiveness of CAPAR/8D from suppliers. A deduction of 2 points will incur when:

- Failure to respond with a containment solution in five business days
- Failure to complete CAPAR/8D report in ten business days
- CAPAR/8D is rejected by Ortronics and failure to resubmit within ten business days from the date of initial CAPAR/8D requested
- Rejection occurs within three shipments after CAPAR/8D is issued because of the same Problem

A deduction of 2 points will occur when:

- Repeated problem within six months after the CAPAR/8D is issued

## 7. On Time Delivery

Ortronics tracks delivery performance for each shipment to Ortronics facilities from suppliers. Individual delivery will be scored as detailed in the follow table:

<b>Ortronics Receive Date vs. Scheduled Delivery Date</b>	<b>Points</b>	<b>Performance</b>
More than 9 days early	66	Okay
8 days early– 4 days late	100	Excellent
5 day late – 6 days late	66	Good
7 days late – 8 days late	33	Acceptable
9 days late or more	0	Not Acceptable

**Total Delivery Performance =  $\Sigma$  (Number of delivery x delivery points) / (Number of delivery x 100)**

Example: A supplier shipped a total of 10 shipments to Ortronics. 5 shipments arrived at Ortronics. 1 day earlier than scheduled, 3 shipments arrived 1 day late, 2 shipments arrived 4 days late. Total delivery performance =  $[(5 \times 100) + (3 \times 66) + (2 \times 33)] / (10 \times 100) = 76.4\%$

<b>Delivery Performance</b>	<b>Points</b>	<b>Performance Rating</b>
95% -- 100%	28.5 -- 30	Excellent
90% -- 95%	27 – 28.5	Good
85% -- 90%	25.5 -- 27	Acceptable
75% -- 85%	22.5 – 25.5	Fair – need improvement

< 75%	22.5	Not Acceptable

### 8. Commercial

Ortronics Supply Chain will evaluate the performance of suppliers regarding the aspects of commercial activities. Criteria of evaluation are shown below:

Category	Performance	Points	Criteria
Consignment stocking	8-10 weeks	10	Excellent
	6-8 weeks	8	Good
	4-6 weeks	6	Acceptable
	2-4 weeks	4	Fair– Need to improve
	0-2 weeks	2	Not acceptable
Payment Terms	≥ 60 Days	10	Good
	≥ 45 Days	7	Acceptable
	≥ 30 Days	4	Fair – Need to improve
	< 30 Days	1	Not acceptable
Annual Price	≥ 5% after inflation	10	Excellent
	≥4% after inflation	8	Good

Reduction	$\geq 3\%$ after inflation	6	Acceptable
	$\geq 2\%$ after inflation	4	Fair – need to improve
	$\geq 1\%$ after inflation	2	Not acceptable

### 9. Supplier Re-evaluation and Probation

Suppliers will be re-evaluated annually on their overall performance in quality, delivery, and commercial. Additional re-evaluation may be conducted upon unusual trend in supplier performance, change in design or business necessities. Suppliers will be categorized as:

- Qualified, when supplier scorecard is 70 or above consistently
- Need to improve, when scorecard is less than 70 for one quarter
- Probation, when scorecard is less than 70 for two quarter or more in one year
- Disqualified, when supplier fails to improve as specified in probation corrective actions

Supplier in probation period may not be qualified for new business from Ortronics unless action plans are accepted by Ortronics. Existing part numbers with the supplier may be continuously supplied until alternate suppliers are developed and qualified. Suppliers in probation period may result in lesser supply opportunities when alternate sources are available. Disqualified suppliers may not receive further purchase orders from Ortronics until re-qualified.

### 10. Awards and Recognitions

The Ortronics team, which includes Supply Chain, Engineering, and Quality, will recognize top ranking suppliers with “Good” or above rating annually based upon overall performance. Ortronics will issue an “Supplier of the Year” certificate to suppliers upon the overall rating:

Overall Score	Conclusion
90-100	Excellent
70-80	Acceptable
60-70	Fair – need to improve

0-60	Unacceptable

Ortronics will consider top ranking suppliers the priority in new product development, and will give them favorable consideration in purchasing decisions.



