

Choose an item.	No.: PP-0005
Description: Supplier Performance Rating – Scorecard & Guidelines	Creation Date: 04/09/2010
Written By: Director of Strategic Sourcing & Supplier Quality	Revision Date: 07/12/2017
Approved By: Quality Engineering Intern	Revision Level: 002
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1.0 Purpose

To define the supplier performance rating scorecard and establish purchasing guidelines based on supplier performance.

2.0 Scope

This procedure applies to Velvac direct material suppliers.

3.0 Responsibility

It is the responsibility of the Sourcing Team to review supplier performance and follow the guidelines laid out in this procedure. It is the responsibility of the Supply Chain Management Director to authorize this process and to review all changes.

4.0 Procedure

4.1 Velvac’s Supplier Performance Scorecard is one of the key metrics used to measure supplier’s performance. It is composed of two high level measurements, On-Time-Delivery (OTD) and non-Conforming Material Return (NCRM) PPM.

4.1.1 On-Time-Delivery (OTD) Definition and Calculation changes:

The measurement is comparing the number of PO lines on time vs total number of PO lines in a certain period, month or quarter. The “on-time” is using the actual material “received date” comparing to the “promise date” in Velvac system. If the received date is the same or earlier than the promise date, it is considered “on-time”, otherwise it would be considered “late”.

Calculation of OTD

$$OTD\% = (\# \text{ of On-Time PO lines received} / \text{Total} / \# \text{ of PO lines received}) * 100\%$$

YTD performance monthly trend is also calculated

The OTD goal is 95% or higher. Below is the color code for OTD %.

OTD Metrics	
	95%+
	85%-95%
	below 85%

Note: Supplier on Consignments, Blanket PO or secondary operation are excluded from the above OTD calculations, instead the shortage will be monitored

4.1.2 Non-Conforming Material Return (NCRM) PPM

Velvac communicates most of the non-conforming material to suppliers. Non-conforming means the material does not meet Velvac drawings, specifications or label/packaging requirements. Besides drawings, some of the general requirements can be found on Velvac Website under Library and supplier documents section or Supplier Quality Manual (SQM).

Calculation of PPM

$$PPM = (\text{number of rejected parts} / \# \text{ of total received parts}) * 1000000$$

Note: PPM normally calculated based on a period of three months/quarterly PPM depends on the complicity of the products or commodity. We are more focus on measuring the tread or improvement of PPM based on the previous quarter(s).

4.1.3 Supplier Performance Scorecard & Guidelines

Supplier Status	Score	Performance Rating	Purchasing Guidelines
Preferred	OTD ≥95% PPM < 100 or continue reduction over previous quarter(s)	<ul style="list-style-type: none"> • Maintains OTD ≥95% score for two consecutive quarters • Maintains PPM < 100 score or continue reduction for two consecutive quarters • Follows Supplier Quality Manual (SQM) requirements 	<ul style="list-style-type: none"> • Actively direct new business quotes in the same commodity • Awarded new business within current commodity group(s) whenever is possible
Maintain	85% < OTD < 95% PPM <1000 or reduction over previous quarter(s)	<ul style="list-style-type: none"> • Maintains OTD ≥85% score for two consecutive quarters • Non-Conforming PPM < 1000 or reduction over previous quarter(s) 	<ul style="list-style-type: none"> • Maintains current business. • Quote on new business based on approval of Supply Chain Director
Marginal	70% < OTD <85% PPM >1000 or improvement over previous quarter(s)	<ul style="list-style-type: none"> • OTD < 85% score for two consecutive quarters • PPM >1000 and some improvement over previous quarter(s) 	<ul style="list-style-type: none"> • No new business • Increased inspection required through a Velvac Inspection Plan • Supplier to provide critical data and improvement plan
Disqualified	OTD <70% PPM >5000 and no improvement over previous quarter(s)	<ul style="list-style-type: none"> • OTD < 70% score for two consecutive quarters • PPM >5000 and no improvement over previous quarter(s) 	<ul style="list-style-type: none"> • Supplier must document effective corrective action. • Supplier must be approved by Director of Quality to move to New/Re-qualifying status

5.0 Reference Documents

None.

6.0 Records

All records shall be maintained on the network at Velvac.

7.0 Revisions

Date/Rev	Sections	Description
04/09/2010 /001	All	Policy release
07/12/2017 /002	All	1) Removed packaging and service level measures 2) Add NCMR PPM and OTD trend (YTD) 3) Updated to current format, added sections as appropriate to fit the format.