

Procedure SumiRiko AVS group: Supplier evaluation	Reference:
	P-Group-26-12.0
	Process owner:
	Director Purchasing

1. Purpose / Objectives / Targets

The supplier evaluation system serves to evaluate the quality performance, delivery performance and reactivity performance of suppliers of the SumiRiko AVS group on a monthly basis as well as on a half consolidation. The half year evaluation is based on the SumiRiko AVS fiscal year, which starts in April and ends in March. That means, 1st half year will end in September and second half year will end in March

Goals of the half yearly supplier evaluation system are:

- to make quality, delivery and reactivity performance transparent and comparable as basis for placing of orders and suppliers' delivery rates,
- to identify weak points concerning quality and logistics in order to support good suppliers and to either qualify or eliminate under-performing suppliers,
- to evaluate suppliers' capability to satisfy continuously growing demands on quality and delivery performance.

2a. Scope

This procedure applies to all sites and departments of the SumiRiko AVS group.

2b. Departments involved

(only if no process flow is described)

Department / Functional division	Location (Country)
Quality assurance	all sites + headquarter
Purchasing	all sites + headquarter
Logistics	all sites + headquarter

3. Expressions and abbreviations

SQE	Supplier Quality Engineer
Fiscal Year	SumiRiko AVS fiscal year April to March

4. Job description (only if no process flow is described)

The supplier evaluation system serves to evaluate the quality performance, delivery performance and reactivity performance of suppliers of the SumiRiko AVS group. Therefore SumiRiko AVS checks at all of its sites all incoming material for quality and logistics aspects.

All serial suppliers have been evaluated following the defined criteria for quality and logistics; only product quality performance is different between rubber / industry suppliers and all other suppliers, due to the fact that PPM is not a relevant indicator for rubber and industry suppliers.

4.1. Evaluation of product quality performance

4.1.1. PPM rating for all suppliers except rubber and industry suppliers (100 points)

PPM rating	Evaluation (points)
0 ppm	100
between 0 and 20 ppm	50
between 20 and 100 ppm	25
> 100 ppm	0

Calculation method:

If sorting actions have been conducted by SumiRiko AVS plants, then please count the detected defects in the ppm calculation

If sorting actions have been conducted by the supplier (in the SumiRiko AVS plant or at the supplier, if the container has been sent back to the supplier) please don't count the detected defects in the calculation method of ppm

4.1.2. Product quality rating for all rubber and industry suppliers (100 points)

Monthly product quality rating for rubber and industry suppliers has been calculated according to following method:

Average of all good delivered lots or batches per month (with no defect) = number of delivered lots without any defect / Total number of delivered lots / batches (in %)

Product quality rating	Evaluation (points)
100%	100
98 % <= average < 100 %	80
96 % <= average < 98 %	60
94 % <= average < 96 %	40
90 % <= average < 94 %	20
< 90 %	0

4.2 Evaluation of quality and logistics incidents / disturbances / complaints (100 points)

Disturbances may concern quality issues (quality complaints) as well as logistics issues (logistics complaints).

Quality or logistics incident / disturbance / complaint (for which supplier is responsible for)	Evaluation (points)
Incident / complaint found at end customer location: field reject, breakdowns etc.	loss of 100 points per incident / complaint
Repetitive complaint (i.e. complaint already happened for the same article during the last year)	loss of 100 points per incident / complaint
Complaint found at SumiRiko AVS (breakdown, shutdown, rework, sorting actions, logistics problems etc.)	loss of 50 points per incident / complaint

4.3 Evaluation of quality management system / accredited certification (max 40 points)

Certificate	Evaluation (points)
IATF 16949	40
ISO 9001 (minimal requirement = KO)	10
No system / certificate expired, not valid any more	0

Evaluation of Environment, Work safety and Energy management system / accredited certification (max 30 points)

Certificate	Evaluation (points)
ISO 14001 or EMAS + ISO 45001 or OHSAS 18001 + ISO 50001	30
ISO 14001 or EMAS + ISO 45001 or OHSAS 18001	25
ISO 14001 or EMAS + ISO 50001	25
ISO 14001	20
ISO 45001 or OHSAS 18001	5
ISO 50001	5
No system / certificate expired, not valid any more	0

4.4 Evaluation of the delivery performance: accuracy of the quantity (50 points)

Calculation method is based on the average of all deliveries in % :

$$1 - ((\text{ordered quantity} - \text{delivered quantity}) / \text{ordered quantity})$$

100% performance means 100 points and 50% performance means 50 points.

4.5 Evaluation of the delivery performance: accuracy of the delivery date (50 points)

The accuracy of delivery date has been calculated with the average of all deliveries per month (delivery time respected or not) and has been consolidated after 6 months.

Calculation method = number of deliveries per supplier delivered in right time (delay starts only with 2 days late or 1 day in advance) / Total number of deliveries per supplier (in %)

Late or in advance deliveries have to be counted / registered only if they have a bad influence in our process / flow, it means that we have a disturbance in our production.

Delivery performance (accuracy of delivery date in %)	Evaluation (points) for 1 month and 6 months
100%	100
98 % <= average < 100 %	80
96 % <= average < 98 %	60
94 % <= average < 96 %	40
90 % <= average < 94 %	20
< 90 %	0

4.6 Evaluation in case of status in Escalation

Supplier in Escalation level	Evaluation (points) Each month
Escalation level 1	Minus 50 points
Escalation level 2	Minus 100 points

4.7 Evaluation of reactivity performance after non conformity

(by half-yearly consolidation)

The accuracy of reactivity performance after non conformity has been calculated after 6 months based on: 8D / alert not answered in time (bad adherence to delivery dates) + 8D not answered correctly (bad quality of analysis).

Reactivity performance (accuracy: +/- 5 points)	Evaluation (points) for 6 months
No complaint	No evaluation
Complaints with 8D not answered in time and/or 8D not complete and/or quality of analysis is not sufficient (no root cause analysis or action plan not complete or effectiveness cannot be verified)	Minus 5 points
Complaints with 8D reports complete and effectiveness can be checked and no repetitive problem	Plus 5 points

4.8 Audit result with C-rating or red evaluation (by half-yearly consolidation)

Audit result	Evaluation (points) for 6 months
Audit result with C-rating or red evaluation	Minus 10 points

4.9 Final classification and distribution

The result of the supplier evaluation is a number of points between 0 and 350 and then weighted between 0 and 100 percent. According to the number of percentage achieved, a supplier belongs to one of the 3 following categories:

Category for supplier rating:	Signification
A. Supreme	Suppliers with a number of percents over 90 belong to the best of their category and will be preferred for strategical cooperations
B. Standard	Suppliers with a number of percents between 70 and 90 fulfill the requirements of the SumiRiko AVS group to a large extent
C. Poor	<p>Suppliers with a number of percents between 0 and 70 show strong need for improvement and particular attention should be paid for optimization</p> <p>Suppliers with a number of percents < 70 should be blocked for new business, if possible, because they cause repetitive additional expenses (extra costs) + audit should be planned within 6 months by SumiRiko AVS or self audit should be required to supplier or other agreed action plan.</p> <p>C ratings with < 50 percent lead automatically to the status: blocked for new business.</p>

Each supplier will be evaluated every month by each SumiRiko AVS plant, which has been delivered by this supplier. These supplier evaluations will be collected by the SQE of the group with support of the central quality departments and local SQE of each SumiRiko AVS plant.

The headquarter, i.e. the SQE of the group will send the supplier evaluation results of each delivered SumiRiko AVS plant to all the individual suppliers in following cases:

- C rating
- strategical supplier for SumiRiko AVS according to turnover

On request by supplier, the local SQE of the SumiRiko AVS plant is allowed to send supplier evaluation results to supplier according to SumiRiko AVS group scheme, always in copy to headquarter.

The results of the supplier evaluation should be sent at the latest end of October for 1st half of each fiscal year respectively end of April for 2nd half of each fiscal year.

The lowest evaluation and ranking will be valid for the group. It means that even if one supplier delivers 3 plants with good quality, he may be blocked for new business if just 1 SumiRiko AVS plant delivered evaluated the supplier with class C.

4.10 Corrective and preventive actions to be conducted by SumiRiko AVS and the suppliers

After C ratings, SumiRiko AVS will perform audit at the supplier or request self audits or request other agreed action plan within 1-6 months.

SumiRiko AVS could appoint alternative suppliers in case audit results are not in line with the SumiRiko AVS requirements (C rating) and/or action plan after audits have not been implemented or effectiveness of actions cannot be shown.

SumiRiko AVS reserves the right also to start an escalation approach and put series suppliers in escalation levels before the 6 months evaluation after critical quality or logistics incidents. It means that after C ratings during several months, a supplier may be blocked for new business or desourced. He will be informed about the levels of escalation decided by the Group and the expected actions (Level 1: Supplier has a problem; Level 2: Supplier doesn't manage to solve the problems; Level 3: Supplier needs outside help to ensure capacity to deliver; Level 4: Supplier is not appropriate for SumiRiko AVS - see more details in the procedure "supplier release and blocking").

5. Reference and related documents

Forms "monthly supplier evaluation" (2 forms)	Procedure "supplier release and blocking"
Form "escalation approach for critical series supplier"	