**PURPOSE**

Dayco Suppliers will be rated on their overall performance. Supplier performance is monitored through the following indicators: delivered product quality; customer disruptions including field returns; delivery schedule performance (including incidents of premium freight); special status customer notifications related to quality or delivery issues; customer service/support. This document details the performance requirements and the Supplier performance rating system.

**SCOPE**

North American Manufacturing Operations

**REFERENCE DOCUMENTS**

Global Supplier Performance Manual

**PROCEDURE**

Each Supplier will have a scorecard with an overall performance rating. The rating will be calculated using scores derived from the three key elements of Supplier performance, Quality, Delivery, and Service/Support. The weighting of the overall score using the key elements will be as follows:

**Quality 40%**

**Delivery 40%**

**Service/Support 20%**

A Supplier with perfect scores in all key elements will receive an overall score of 100.

**Quality Performance Scoring**

Supplier quality performance will be rated using a composite of a parts per million (PPM) score, a quality reject (QR) score, and a Supplier quality event (SQE) score.

PPM will be calculated with the following formula:

PPM = (total rejected parts / total parts received) x 1,000,000

Dayco will then take the calculated PPM total and, using an algorithm, assign a point score for the time period. An example of the PPMs and derived scores is shown in the table below.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| PPM | Point score | PPM | Point score | PPM | Point score | PPM | Point score | PPM | Point score |
| 0 | 100 | 51-61 | 89 | 205-257 | 78 | 788-840 | 67 | 4707-5235 | 55 |
| 1-6 | 99 | 62-72 | 88 | 258-310 | 77 | 841-893 | 66 | 5236-5765 | 54 |
| 7-11 | 98 | 73-83 | 87 | 311-363 | 76 | 894-946 | 65 | 5766-6294 | 53 |
| 12-17 | 97 | 84-94 | 86 | 364-416 | 75 | 1000 | 63 | 6295-6823 | 52 |
| 18-22 | 96 | 95-105 | 85 | 417-469 | 74 | 1001-1530 | 62 | 6824-7353 | 51 |
| 23-28 | 95 | 106-116 | 84 | 470-522 | 73 | 1531-2059 | 61 | 7354-7882 | 50 |
| 29-33 | 94 | 117-127 | 83 | 523-575 | 72 | 2060-2589 | 60 | 7883-8411 | 49 |
| 34-39 | 93 | 128-138 | 82 | 576-628 | 71 | 2590-3118 | 59 | 8412-8941 | 48 |
| 40-44 | 92 | 139-149 | 81 | 629-681 | 70 | 3119-3647 | 58 | 8942-9470 | 47 |
| 45-49 | 91 | 150 | 80 | 682-734 | 69 | 3648-4177 | 57 | 9471-9999 | 46 |
| 50 | 90 | 151-204 | 79 | 735-787 | 68 | 4178-4706 | 56 | 100000 | 0 |

Note: The table above does not contain the complete rating data.

The number derived from the calculation is recorded as the Supplier’s PPM score.

The number of QRs for a Supplier during the rating period will be displayed in the scorecard and is subtracted from the total number of shipments during the rating period to get the number of shipments accepted. The number of shipments accepted is divided by the total number of shipments and is multiplied by 100 to calculate the QR score.

QR score = 100 x (shipments accepted/total shipments).

SQEs are defined generally as events caused by poor Supplier quality that have larger negative impact on Dayco than simple QRs. Such events could include, but are not limited to, rejection and sorting of finished goods at Dayco locations, customer quality rejects, returns and/or sorts, warranty issues, field returns, customer field actions, etc. Dayco takes these quality issues seriously; therefore, Suppliers will be penalized twenty-five points for each SQE. Dayco receiving location Purchasing and/or Logistics functions will assign the SQE scores.

SQE score = number of SQEs x 25.

To arrive at the total Supplier quality score, the PPM score and QR scores will be added together and then divided by two. The resulting score will then have the SQE score subtracted from it.

Quality score = ((PPM score + QR score)/2)-SQE score.

The number derived from the calculation is recorded as the Supplier’s quality performance score in the scorecard and is then multiplied by 0.4 to determine the quality performance contribution to the overall performance rating. No score less than zero will be awarded.

# Delivery Performance Scoring

Delivery performance is a ship-based measure and will be scored on a hit or miss basis. A hit will be an on-time delivery of the correct amount of product. A miss will be a delivery, which is either outside of the allowed delivery or quantity tolerance limits. The delivery date will be the basis for determining a hit or miss delivery. The receiving locations will establish the delivery targets and tolerances. Any instance of a premium freight shipment will result in a one-point reduction in the delivery performance score. The respective Dayco Logistics and Purchasing functions have the discretionary authority to adjust individual delivery hits or misses (including premium freight) based on circumstances.

Supplier delivery performance will be scored as percent hits of total deliveries less premium freight occurrences. The score will be calculated using the following formula:

Delivery performance = (100 x (hits / total deliveries)) – premium freight deliveries.

The number derived from the calculation is recorded as the Supplier’s delivery performance score in the scorecard and is then multiplied by 0.4 to determine the delivery performance contribution to the overall performance rating. No score less than zero will be awarded.

# Service/Support Performance

Suppliers will be rated on how well they support their Dayco receiving locations in **five** areas. The overall score for Service/Support will be the sum of the point scores weighted as follows:

1. PPAP performance 20 points

2. Responsiveness 35 points

3. EDI compliance 15 points

4. NAFTA compliance 15 points

5. ASN accuracy 15 points

Total Points Possible 100 points

**PPAP Performance**

It is Dayco’s expectation that Suppliers will deliver PPAP packages that arrive on or before the date scheduled by the receiving location purchasing function. PPAP packages must have all required documentation and samples, and submitted materials must meet all dimensional, chemical, physical, appearance, and performance requirements. All process capability requirements must be met. All Suppliers must also submit an IMDS Substance of Concern report before, or at the time of PPAP. For IMDS information, see www.markivautoSupplier.com.

Failure of Suppliers to meet PPAP requirements can cause problems with build schedules, process validation, and the ability of Dayco to achieve on-time delivery of product samples to customers. Suppliers will be awarded a PPAP performance score between 0 and 20. PPAP performance will be scored by subtracting 5 points for each unsuccessful PPAP. The minimum score will be zero. Suppliers having no PPAP submissions in the rating period receive a default score of 20.

**Responsiveness**

It is Dayco’s expectation that Suppliers will respond promptly and proactively to all problems and concerns, or other needs that are identified by the Dayco receiving location(s) or their customers. Suppliers will be judged on the following:

Reactions to complaints or requests for action;

Timely submission of corrective actions;

Adequacy of corrective actions;

Adequacy of containment and stock certification activities;

Availability of support personnel;

Promptness and completeness of responses to RFQs;

Early communication of potential problems.

Suppliers will be assigned a responsiveness performance score by the appropriate receiving location purchasing and quality personnel. The assigned score will be a point score between 0 and 35. Each failure in any of the above listed areas will result in a deduction of 5 points. The minimum score will be zero.

**EDI Compliance**

It is Dayco’s expectation that Suppliers are to implement systems to support electronic interchange of data between themselves and Dayco facilities. EDI is important for reduction in time and errors during information exchange and improvement in the flow of critical information needed for forecasting and scheduling activities. Dayco may at their discretion waive this requirement for some Suppliers. EDI information may be found at www.markivautoSupplier.com.

Suppliers successfully supporting this requirement will receive a score of 15. Suppliers not meeting this requirement will receive a score of zero unless waived by Dayco. If the requirement is waived, the default score of 15 will be awarded.

**NAFTA Compliance**

It is Dayco’s expectation that Suppliers provide NAFTA Certificates of Origin for all eligible materials and/or parts. Certificates that are valid for the applicable calendar year must be submitted to the Dayco receiving locations on or before the specified due date. Suppliers that are in full compliance with this requirement after the specified due date will receive a score of 15 points. All others will receive a score of zero.

**ASN Accuracy**

It is Dayco’s expectation that Suppliers support the receiving locations by transmitting timely, accurate ASNs. ASNs are critical to purchasing because they provide feedback confirming that the releases or kanbans have been filled and the product is being shipped as required. Dayco receiving locations may, at their discretion, waive the ASN requirement for some Suppliers.

Purchasing at the receiving locations will award a score between zero and 15 relative to timeliness and accuracy of the Suppliers’ ASNs. For Suppliers who have had the ASN requirement waived, the default score of 15 will apply. Three points will be subtracted for each ASN that fails to meet the timeliness or accuracy requirments. The minimum score will be zero.

**Supplier Service/Support Rating Calculation Example**

For example, if Supplier “X” was late on one PPAP, sent two inadequate corrective action reports and a late quotation, fully supports EDI, had two noncompliant ASNs, and was late submitting NAFTA Certificates of Origin, the support overall score would be calculated as follows:

|  |  |
| --- | --- |
| **Category (Calculation)**  | **Score** |
| PPAP Performance (20-5)  | 15 |
| Responsiveness (35-15) | 20 |
| EDI Compliance (15) | 15 |
| NAFTA Compliance (0) | 0 |
| ASN Accuracy (15-6)  | 9 |
| **Total Service/Support Score (Sum)** | **59** |

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# Overall Performance Scorecard Rating Calculation Example

The same Supplier “X” had shipped 100,000 units during a rating period containing 20 shipments, and had 50 parts rejected as nonconforming in one of the shipments (one QR). A bent part was found at a customer plant and Dayco sorted product at the customer location (one SQE). Using the formulas supplied, the PPM would be 500 and the PPM score from the table would be 73. The QR score would be 95. The overall quality score for the rating period is ((73+95)/2)-25, which is 59. During the same period, one shipment was late and quantities shipped were all within tolerance limits, resulting in a score of 95. One premium freight shipment occurred. The delivery performance score would be 95-1, which is 94. Taking the support score from the example above, the overall rating calculation would be as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Performance Area** | **Area Score** | **Factor** | **Adj. Score** |
| Quality Performance | 59 | .40 | 23.6 |
| Delivery Performance | 94 | .40 | 37.6 |
| Service/Support Performance | 59 | .20 | 11.8 |
| **Overall Performance Rating** | **73** |

The matrix below will be used in evaluating Suppliers with scores in the following ranges:

|  |  |  |
| --- | --- | --- |
| **Point Score Range** | **Category** | **Explanation of Score** |
| 95 – 100 | Excellent | Preferred candidates for additional and future business. Level needed to maintain **preferred** Supplier status. |
| 85-94 | Acceptable | Candidate for future business.  |
| 70 – 84 | Marginal | If score is in this range for 3 consecutive monthly rating periods, the Supplier may be placed on probation and will only be considered for future business with Dayco under OE customer direction or after reinstatement criteria are met. |
| 0 – 69 | Unacceptable | Suppliers’ top management may be requested to attend an inquiry where the performance will be reviewed. Market testing and requoting activities could occur. |

Suppliers that consistently fail to achieve acceptable performance ratings may be placed on probationary status. Suppliers on probation may forfeit the right to quote new business and, if the performance problems are severe and repeated, are subject to removal from the approved Supplier list(s) of the receiving location(s). Suppliers’ top management may be required to attend meetings with Dayco Quality, Purchasing, and Operations management at the Dayco receiving locations to assist in resolution of performance problems and to present action plans designed to raise performance to acceptable levels. Suppliers that have been placed on probationary status will be required to perform at acceptable levels for two consecutive rating periods before they can be removed from probation. Dayco Logistics and plant purchasing functions control Suppliers’ probationary status. Improvement action will be required for *any* rating category consistently scoring below the acceptable range.

Performance rating summaries will be calculated, published, and distributed to the supply base, on a monthly basis, by the receiving location purchasing functions. The report cards will contain 12 month performance histories for all scoring categories. Distribution of the reports will be done using the Suppliers’ primary contacts’ email addresses. If email is not available, ratings may be faxed

or sent by regular mail.

|  |  |
| --- | --- |
| **Revision** | **Revision History** |
| Rel. |  Initial release in support of the Global Supplier Quality Manual |
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