

Supplier Manual - Section V Supplier Rating System

5.1 Objectives

The objectives of Shape/NetShape's Supplier Rating System are:

- Provide our strategic supply base with formal feedback on their overall performance to our expectations.
- Identify and prioritize supplier development needs.
- Serve as a key element of our strategic sourcing process.

5.2 General Information

- The Supplier Rating System will be updated on a quarterly basis. Ratings will not be adjusted between rating periods.
- The Supplier Rating System is based on a 100-point scale.
- Purchasing will encourage and solicit feedback from the greater team when tabulating Supplier Ratings. These team members may include Program Managers, Quality Engineers, Buyers, and Material Planners.
- Whenever possible, Purchasing will facilitate a quarterly ratings review at Shape/NetShape to allow discussion concerning the Supplier Rating.

5.3 Quality Section Overview

- The prior six months PPM performance will be considered for each rating. The maximum amount of points that can be earned is 25 for this section. A supplier's PPM performance will be calculated as follows:

$$PPM = \# \text{ of nonconforming pieces or pounds shipped} / \# \text{ of total pieces or pounds shipped} \times 1,000,000$$

5.4 Delivery Section Overview

- The prior six months PPM performance will be considered for each rating. The maximum amount of points that can be earned is 25 for this section. A supplier's PPM performance will be calculated as follows:

$$PPM = \# \text{ of late pieces or pounds shipped} / \# \text{ of total pieces or pounds shipped} \times 1,000,000$$

5.5 Cost Reduction/Cost Competitiveness Section Overview

- Cost reduction and cost competitiveness calculations will be based on calendar year-to-date achievement. Each January 1, supplier's cost reduction percentage will be reset
- Approved engineering savings on pre-production programs will be credited in the calendar year in which they were approved.
- The maximum amount of points for this section is 25.

5.6 Service Section Overview

- Input from the team will be solicited to develop the scoring for this section.
- The maximum amount of points for this section is 25.

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5.7 Performance Level Definition

- The total points scored through the Supplier Rating System will determine the Performance Level of the Supplier. There are four performance levels:
 - Level One: Suppliers** performing at this level will be given every opportunity to quote business opportunities that fall within their capabilities.
 - Level Two: Suppliers** performing at this level are in good standing with Shape/NetShape and should expect to see growth opportunities.
 - Level Three:** Suppliers performing at this level need to demonstrate sustained improvement. Growth opportunities will be limited.
 - Level Four:** Suppliers performing at this level for two consecutive ratings will be subject to a management review of all current business.