



# Supplier Performance Rating

Delivery (40%) Quality (40%) Price Efficiency (10%) Ease of Doing Business (10%)

**Delivery** - Number of purchase order receipts that were received up to **five (5) business days before or one (1) day after** Purchase order line item due date. **40% of total score**

**$[(\# \text{ of On Time Deliveries} / \# \text{ of Total PO Line Item Receipts}) \times 100] = \text{Delivery Score}$**

Purchase Order (PO) Line Item Due Date is defined as:

- Supplier confirmed date when order is placed or per contract
- May be revised:
  - NORDAM request to postpone delivery
  - NORDAM request and Supplier confirmation of earlier delivery date
  - Supplier notification and NORDAM agreement to revise committed delivery date

Delivery Classifications – Goods received at NORDAM dock:

- Early** – 6 or more business days prior to PO line item due date
- On Time** – up to 5 business days before or 1 business day after PO line item due date
- Late** – 2 or more business days after PO Line item due date

**Quality** – Metrics are weighted based on their impact to the business. Defects in period. **40% of total score**

**$100\% - \text{NOE (5\%)} \text{ and/or Failed C/A (5\%)} - [(Quality Factor/Total PO Line Item Receipts) \times 100] = \text{Quality Score}$**

Quality Metrics:

- Notice of Escape (NOE) – 5% score reduction
- Failed Corrective Action (C/A) – 5% score reduction
- MRB Major – Product Quality Nonconformance - 1
- MRB Minor – Paperwork or other non-product-related issue – 1/3
- Audit Finding Major - On-site Audit Finding determined to directly impact quality system – 1/2
- Audit Finding Minor – On-site Audit Finding determined to indirectly impact quality system – 1/4

**Scoring example based on 1,198 receipts with 1 NOE and 1 Failed C/A:**

NOE or Failed C/A causes a reduction of 5% from baseline score

Defects in Period:

MRB Major	28 x 1 =	28.0
MRB Minor	6 x 1/3 =	2.0
Audit Major	3 x 1/2 =	1.5
Audit Minor	4 x 1/4 =	1.0

**Quality Factor** **32.5**

**QA Score:  $(100\% - 5\% - 5\%) - \left[ \frac{32.5}{1,198} \times 100 \right] = 87.3\%$**

*NOTE: Supplier notification of impending late delivery does not constitute NORDAM agreement to revise committed delivery date for performance.*

*On time changed to 5 days prior or 1 day after PO due date effective March 1, 2017.*

*NOTE: This metric is revised effective January 1, 2015. The metric weight changed from 35% to 40%. Additional metrics of NOE, Failed C/A, and Audit Findings are added as these are important factors that impact NORDAM ability to meet customer requirements.*

*Quality notifications determined to be responsibility of supplier corrective action will impact supplier score. Thus quality notifications are reflected in supplier score after root cause has been determined and quality notification closed.*

*It is important to remember there may be a lag time in receipt of nonconforming product or paperwork issue and the month reported on supplier performance.*



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**Price Efficiency** – Analysis of price changes, early pay discount, consignment stock, and payment terms. Analysis is performed on an annual basis and updated throughout the year as needed. Analysis period is for the changes that have occurred during the past thirty-six (36) months. **10% of total score**

**Price Changes score + Early Pay Discount score + Consignment Stock score + Payment Terms score = Price Efficiency Score**

- + Price Changes during the past 36 months
  - o Decrease - 85%
  - o Flat - 65%
  - o Increase with Pain Share -45%
  - o Increase and Unwilling to Share/Negotiate - 0%
- + Early Pay Discount - 5%
- + Consignment Stock - 5%
- + Payment Terms  $\geq$  45 Days 5%

**Ease of Doing Business** – Analysis of responsiveness to NORDAM, willingness to implement NORDAM projects, long term agreements (LTA), and acceptance of standard terms and conditions (T&Cs). Analysis is performed on an annual basis and updated as needed throughout the year. Analysis period is for changes that have occurred during the past twelve (12) months. **10% of total score**

**Responsiveness score + NORDAM Initiatives/Projects score + LTA score + Agreement to Standard T&Cs = Ease of Doing Business Score**

- + Responsiveness
  - o Always - 80%
  - o Sometimes -30%
  - o Seldom - 5%
  - o Never -0%
- + NORDAM Initiatives/Projects
  - o In Progress - 5%
  - o Implemented - 10%
- + LTA in Place - 10%
- + Agreement to Standard T&Cs - 5%

*NOTE: Price Efficiency and Ease of Doing Business are subjective metrics that are determined by the respective NORDAM Supply Chain buyer and management.*

*Price Efficiency weight changed from 20% to 10% effective January 1, 2015.*

*Effective January 1, 2017, the Overall Rating is based upon the 6 month-rolling average total score. The Scorecard rating categories changed to Gold, Performing, Progressing and Underperforming.*

**Overall Supplier Scorecard Rating:** Gold 100% Performing 95% - 99.9% Progressing 90% - 94.9% Underperforming <90%

Supplier scorecards are issued upon completion and review of performance to NORDAM identified critical suppliers. Contact your respective NORDAM buyer if you have questions regarding your performance score.