Supplier Quality Scorecard Rules

Global Supplier Quality

Warning: this is just a transduction of the former Supplier Quality Scorecard Rules
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Quality Score and Rating
 QUALITY RATING SYSTEM

Supplier Scorecard is based on:

- Rating scale from 0 to 100 for each product/supplier manufacturing location.

- **Monthly** evaluation for each supplied product

Points will be subtracted from initial amount of 100 in accordance to the customer rules and criteria shown in this document.

Suppliers have the possibility to see their Quality performances extracting the Quality Scorecard from SQP EVO system.
QUALITY RATING SYSTEM

Supplier Quality performance evaluation is a criteria that will be used in the sourcing process for development of new or existing designs.

The Final Status for every supplier code will be:

- **Green** Ok to proceed
  if the Final Score (Supplier Rating) will be \( \geq 80 \).

- **Yellow** Conditional Ok to proceed
  (approved Business Case is needed)
  if the Final Score will be \( \geq 60 \) and \( < 80 \).

- **Red** Supplier cannot be recommended.
  if the Final Score will be \(< 60\) or in case of:
  - New Business Hold (NBH) status;
  - Missing ISO Quality Certification;
Quality KPI’s
QUALITY PERFORMANCE

It’s evaluated through an overall quality score that includes the contribution of different KPI as PIQ, PPM, Customer countermeasures (CSL), Supplier responsiveness on SQP usage, APQP and PPAP results, WCM audit score.

<table>
<thead>
<tr>
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<th>KPI’S</th>
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<tr>
<td>Quality Index</td>
<td>PIQ / PPM</td>
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<td>CSL’s Qty, TWS notifications</td>
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<td>SQP Responsiveness</td>
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<td>APQP and PPAP</td>
<td>Program Review and Process Audit score, PPAP results</td>
</tr>
<tr>
<td>WCM</td>
<td>Audit Score</td>
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</tbody>
</table>

- **Rating scale** from 0 to 100 for each product/supplier/manufacturing location.
PERFORMANCE INDEX QUALITY (PIQ)

The KPI is represented by the following value:

\[ \text{PIQ} = \frac{\text{PQ}}{\text{Quantity of delivered parts}} \times 10^6 \]

\( \text{PIQ} \) Target is assigned to all product families

QUALITY IMPACT (PIQ Quality 6M rolling, each product family):

<table>
<thead>
<tr>
<th>Out of target value</th>
<th>&gt;0 ( \leq 5% )</th>
<th>&gt;5% ( \leq 50% )</th>
<th>&gt;50% ( \leq 100% )</th>
<th>&gt; 2 times target</th>
<th>&gt; 3 times target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subtracted points qty.</td>
<td>0</td>
<td>5</td>
<td>10</td>
<td>15</td>
<td>25</td>
</tr>
</tbody>
</table>

Special rule for “Low Volume” Suppliers: for a supplier code product family with a PIQ value out of Target, having a PQ \( \leq 60 \) on 6 months rolling (without any bill 40Q), 15 points as maximum sub-tractable from the scorecard.
NON CONFORMING PARTS PER MILLION (PPM<sub>NC</sub>)

The KPI is represented by the following value:

\[ \text{PPM}_{NC} = \frac{\text{Non Conforming Quantity}}{\text{Quantity of delivered parts}} \times 10^6 \]

A non-conforming part is any part that does not meet customer specifications before any reworking/reprocessing operations.

QUALITY IMPACT (PPMNC 6M rolling):

<table>
<thead>
<tr>
<th>Out of target value</th>
<th>&gt;0 \leq 5%</th>
<th>&gt;5% \leq 50%</th>
<th>&gt;50% \leq 100%</th>
<th>&gt; 2 times target</th>
<th>&gt; 3 times target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subtracted points qty.</td>
<td>0</td>
<td>5</td>
<td>10</td>
<td>15</td>
<td>25</td>
</tr>
</tbody>
</table>

Special rule for "Low Volume" Suppliers: for a supplier code product family with a value of PPM NC out of Target, but with a number of Not Conforming parts ≤ 10 on 6 months rolling (but not linked to any bill 40Q), 15 points as maximum sub-tractable from the scorecard.
CUSTOMER COUNTERMEASURES - CSL

Controlled Shipping Levels (CSL) are customer countermeasures with three different levels (CSL1, CSL2, CSL3) according to the gravity and repetitions of non-conformities detected in the supplies.

**CSL1 (Controlled Shipping Level 1):** An additional inspection process focused on a specific set of product characteristics 100% checked by supplier.

**CSL2 (Control Shipping Level 2):** The supplier must appoint a qualified third-party Certifying Body that, focused on a specific set of product characteristics, must carry out 100% checks on the batches, to be delivered to the Customer Plants.

**CSL3 (Control Shipping Level 3):** after confirming the systematic inadequacy of the production and/or control system, supplier must appoint a qualified third-party Certifying Body, which, besides all the activities required in a CSL2, will provide the necessary support for a guided development of supplier processes (guided growth).

**QUALITY IMPACT (CSL1, CSL2, CSL3, 6M Rolling):**

- 10 points subtracted for each CSL1 in status “open” at the Scorecard date;
- 25 points subtracted for each CSL2 in status “open” at the Scorecard date;
- 25 points subtracted for each CSL3 in status “open” at the Scorecard date;

Supplier will be considered RED if this condition will be present:

- Nr. of CSL 1 opened >2
TOP WORST SUPPLIERS NOTIFICATION

Top Worst Suppliers are identified through a risk assessment coming from the QA Matrix and Supplier Quality Top Contributors based on PQ/PIQ performance. Reporting of TWS status is delivered through a monthly and yearly report in order to track improvements / recurrences.

If a Supplier is retrieved in the report more than four times along the year, an official communication letter is sent by Supplier Quality to the supplier and – consequently - SQP bill 41Q item having impact on supplier scorecard is issued into SQP system. If a Supplier does not appear in the report for more than four consecutive months, it will be removed from the list.

QUALITY IMPACT (TWS, 6M Rolling):

10 points subtracted for each TWS notification at the Scorecard date;
**PROGRAM MANAGEMENT - APQP**

**Program Review** of APQP components is a periodical meeting with the goal to put in evidence, as early as possible, potential job stopper or risk for the project and to identify actions to prevent potential quality issues. Red status of Process Planning Reviews shall be escalated at platform leadership level for evaluation and risk management.

**Process Audit** is a supplier process assessment applied on APQP components. The output is the early identification of supplier process control plan’s weak points that deserve corrective actions within defined periods. Until a PA is positive, the process audited cannot be considered fully stable and in control.

**QUALITY IMPACT - APQP trouble issue 31Q (6M Rolling):**

5 points subtracted for each Program Management (APQP) bill opened due to:

- Process Planning Review / Process Audit (PA) with score <3 - with open issues having a clear Supplier responsibility (see QPS08018 - Annex1 trouble issue 31Q1 31Q2) or in case of missing responsiveness by suppliers
PROGRAM MANAGEMENT - PPAP

The Production Part Approval Process (PPAP) is a multidisciplinary activity that defines activities and responsibilities in order to ensure that customer requirements (in terms of specifications and design) have been understood and parts are compliant with them.

QUALITY IMPACT - PPAP trouble issue (6M Rolling):

- 5 points subtracted for each Program Management bill opened due to:
  - Rejected PPAP level 4/5 (see QPS08018 - Annex1 trouble issue 31Q3) due to a clear Supplier responsibility

- 2 points subtracted for each Program Management bill opened due to:
  - Rejected PPAP level 1/2/3 (see QPS08018 - Annex1 trouble issue 32Q) due to a clear Supplier responsibility
SUPPLIER RESPONSIVENESS (SR%)  
KPI that evaluates the supplier involvement in problem resolution, through the usage of SQP EVO customer system

SR% - 6M Rolling  
Percentage value based on the number of Bills filled with supplier containment action on the total number of Bills opened (N).

QUALITY IMPACT :  
- 5 points if the responsiveness is < 70 % of the total bills opened  
- 2 points if the responsiveness is: 70% ≤ SR% ≤ 80%

SUPPLIER COLLABORATION (CB) - 6M Rolling  
Collaboration measures how many times the suppliers has not shown a cooperative attitude in the communication process. KPI is the total quantity of Collaboration bills opened (see QPS08018 - Annex1 trouble issue 19C-35C-36C).  
This information is just for the record, it doesn’t subtract points from the score.
ADDITIONAL CRITERIA

Supplier will be considered RED in Scorecard if at least one of the following conditions will be present:

- Nr. of CSL 1 opened >2
- NBH (New Business Hold) = Y
- ISO 9001 (AG, CE, IVECO BUS and Special Vehicles) = N
- IATF 16949 (FPT, IVECO Truck & Commercial Vehicles) = N

Additional informations are:

- ISO 14001: Missing certification is just for the record; it doesn’t subtract points from the score
- WA: Warranty Agreement availability and contract typology.
  - Percentage of Turn Over (PoT)
  - Claim by Claim (CBC)
  - Technical Factor (TF)
World Class Manufacturing
WORLD CLASS MANUFACTURING:

This KPI is based on Audit results, and calculated only for those Suppliers involved by IVECO Group WCM program.

QUALITY IMPACT:

Δ%* is the difference between Supplier Self-assessment Score and the Official Audit Score.

<table>
<thead>
<tr>
<th>Δ%*</th>
<th>0</th>
<th>&gt;25%</th>
<th>&gt;50%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subtracted points qty.</td>
<td>0</td>
<td>0</td>
<td>5</td>
</tr>
</tbody>
</table>

**Rule 1:** If the Δ%* between Supplier Self-evaluation and the Official Audit Score is more than 50%, 5 points will be subtracted to the scorecard and WCM red status will be assigned.

*Note: this rule is not applicable to the suppliers having a score ≥ 50 points.*

**Rule 2:** If the time between the audits is over 12 months due to supplier unavailability or deletion, 10 points will be subtracted to the scorecard and WCM red status will be assigned.

**Rule 3** (valid only for suppliers with a score ≥ 50): If the last audit score is lower than the previous one 5 points will be subtracted to the scorecard. WCM green status will be maintained.

SCORECARD BONUS PACK (10 points total – one shot):

If the Audit results are aligned to the target, a bonus pack of 10 points will be assigned to the Supplier Scorecard with the following criteria:

- **FIRST AUDIT**: +5 points will be added if 1° Audit Score is ≥10
- **SECOND AUDIT**: +3 points will be added if 2° Audit Score is ≥15
- **THIRD AUDIT**: +2 points will be added if 3° Audit Score is ≥24
Sustainability
**SUSTAINABILITY**

This KPI is based on supplier collaboration, self assessment and customer audit score, and calculated only for those Suppliers involved by IVECO Group Sustainability Questionnaire.

- **Availability of the filled Sustainability Questionnaire (Y/N status);** it’s just for the record, it doesn’t subtract points to the score.

- **Sustainability Supplier Score** based on a Supplier self-evaluation; it’s just for the record, it doesn’t subtract points to the score.

- **Sustainability Audit Score** based on Customer evaluation;
  - Audit result is considered **Red if the value is ≤ 50**; it’s just for the record, it doesn’t subtract points to the score.
  - Audit result is considered **Yellow if the value is > 50 and ≤70**; it’s just for the record, it doesn’t subtract points to the score.