

Introduction

The Horton Europe Supplier Management Program is a program based on the basics of Quality, On-Time-Delivery and Lead-time. Horton Europe works with a limited supply base to achieve the best "Value" possible. The focus of this program is to measure and drive performance of the key supplier requirements.

Objective

The objective of the Horton Supplier Management Program is to assist Horton in exceeding its customers' expectations. Horton expects to accomplish this by driving improvement of the key performance requirements. Horton will work with suppliers who consistently and reliably perform at or above Horton's expectations.

How We Measure Success

The Horton Supplier Management Program has a total of 100 available points for evaluating Suppliers performance on a quarterly basis.

- Total number of points (rating, category)
 - o Quality points
 - PPM-Rate (Parts per Million)
 - SCAR-Rate (Supplier Corrective Action Request)
 - o Lead-time points
 - On-time delivery (OTD)
 - Lead-Time

Supplier performance information will be measured monthly and formally evaluated and sent to key suppliers on quarterly performance.

Approved suppliers must attain a minimum rating of 70 points (70%) on quarterly average, goal is 100%.

See Chapter 4 for containment actions.



Distribution of points

1. Quality (max. 50 Points Available)

1.1. Parts per Million (PPM) – 50 points

$$\text{PPM} = \frac{\text{Sum of the quantity of parts rejected}}{\text{quantity of parts received}} \times 10^6$$

Points for Parts per Million (PPM) defects are pro-rated as shown in the table below. Points will be awarded according to PPM achievement for the Horton fiscal year in which the rating is being made.

Supplier PPM	Points Awarded
0	50
1-50	45
51-250	40
251-500	35
501-1.000	30
1.001-5.000	25
>5.000	0

The casting industry is not currently capable of achieving the prescribed defect levels for non-machined castings. Shown below in the table is the schedule for points based on castings.

Supplier PPM	Points Awarded
0-2.500	50
2.501-3.500	45
3.501 – 4.500	40
4.501-5.000	35
5.001-10.000	30
>10.000	0

1.2. Number of open SCAR's (-50 – 0 points)

A 10 point deduction will be taken for each SCAR that is past due. Deductions will take place each month an overdue SCAR is still open.



2. Delivery Performance (max. 50 Points Available)

- **On-time Delivery 40 Points Available**
 - On-time delivery is percentage of line items received on time measured against the delivery date specified on the purchase order.
- **Lead-time 10 Points Available**
 - Sum of supplier lead-time (including transit time) in days, divided by the number of parts purchased from the supplier.

2.1. On-Time Delivery – 40 points

Points for the On-Time delivery are pro-rated as shown in the table. On-time delivery is percentage of line items received on time measured against the delivery date / promise date specified on the purchase order or order confirmation. The window for an order line to be received and be considered on-time is **three days early, one day late** of the request or accepted promise date:

Supplier On-Time Delivery Percentage	Points awarded based upon delivery
100%	40
≥ 95%	35
≥ 90%	30
≥ 85%	25
≥ 80%	20
≥ 75%	15
≥ 70%	10
≥ 65%	5
< 65%	0

2.2. Lead-Time – 10 points

Points for Lead-Time are assigned per the table below. Performance is based on Horton's fiscal year. Lead-Time is measured by adding the sum of the supplier lead-time (including transit time) in days, divided by the number of parts purchased from the supplier. There is an exception for material that needs to be shipped via sea freight. For those supply situations sea transit time is not included in the calculation. Example, supplier provides 4 part numbers to Horton, of the 4 part numbers the lead time in number of days defined in Oracle by part is as follows: 10 days + 15 days + 20 days + 30 days = 75 days/4 part numbers supplied = 18.75 days. This calculation results in the supplier receiving 8 points.

Lead-time measured in business days	Points awarded based upon days lead-
0 - 15	10
16 - 35	8
36 - 45	6
46 - 55	4
55	0

2.3. Value - Flexibility 5 points

There is a discretionary category that is reviewed by Purchasing and Quality and can be awarded based on several reasons. Some examples are flexibility to expedite requests, a consignment program, Kanban, and overall responsiveness to requests.

3. Overall Summary – 100 points

Total Points	Rating	Category
86 - 100	AAA	Top performer
70 - 85	BBB	Approved
< 70	CCC	Must Improve

Supplier scorecards are reviewed before awarding new business. Suppliers need to strive to achieve the Rating BBB or higher.

4. Containment Action

Suppliers who do not achieve the required minimum score of 70 points or even lie below 70, are asked to propose individual corrective action to fulfill the minimum requirements. These proposals have to be sent to Horton Europe latest 4 weeks after the last rating. Progress against the corrective action plan will be reviewed quarterly for a maximum of one year by Horton Europe.

If sufficient progress by the supplier is not made against the agreed plan, Horton Europe will determine the appropriate course of action. This may include the proposal of corrective actions by Horton Europe and monitoring the implementation for the next 6 months, and/or removal of the supplier from the "Approved" list, resulting in no new/additional business.

If all those actions don't show any improvements, the supplier will be eliminated from the Horton Europe supply base.