

Horton Supplier Management Program



Engine **Cooling Solutions** Worldwide®



Global Supply Chain Management Program

Introduction

The Horton Supplier Management Program is a program based on the basics of Quality, On-Time Delivery, and Lead-time. Horton 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.

Note: This information can also be found on the Horton Inc. website. To access, go to www.hortonww.com. “About Horton ► Supplier Information”

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.

- **Quality** **50 Points Available**
 - **PPM 50 or less** – Exceptions noted in scoring section
 - Sum of the quantity of parts rejected divided by the quantity of parts received, multiplied by 1,000,000.
 - **Number of open SCAR’s**
 - A 10 point deduction will be applied for each SCAR that is past due. Deductions will take place each month an overdue SCAR is still open.
- **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.
- **Impact to Customers**
 - A 10 Point deduction will be taken for each disruption to Horton customers, due to supplier fault. This could be due to a late shipment, discrepant material, part failure, or other issue that causes disruption to Horton customers. Deductions will take place each month the disruption is unresolved.

Quality score is based on PPM’s, percentage of shipments accepted and the number of open SCAR’s that are past due

Delivery Score is based on on-time delivery

Lead-Time is based on the number of days that it takes from the time of order until parts are delivered

Impact to Customers is a possible deduction for disruption to Horton customers, due to supplier fault.

How We Measure Success ...

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

Approved suppliers need to strive to achieve Top Performer category or higher, and must attain a minimum rating of (70%) 70 points on quarterly average. Supplier performance information will be sent to key suppliers on a monthly basis and formally evaluated on quarterly performance. Approved suppliers who fall below this rating may be requested to submit a corrective action plan approved by an executive of their company to the Horton Commodity Team. Progress against the corrective action plan will be reviewed by the Commodity Team. If sufficient progress by the supplier is not made against the agreed plan, the Horton Commodity Team will determine the appropriate course of action. Action may include the removal of the supplier from the “Approved” list, resulting in no new business awards and/or elimination from the Horton supply base.

Parts per Million (PPM) – 50 points

Points for Parts per Million (PPM) defects are pro-rated as shown in the table below.

Supplier PPM	Points Awarded
0	50
1-50	45
51-250	40
251-500	35
501-1000	30
1001-5000	25
>5000	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
0-2500	50
2501-3500	45
3501 - 4500	40
4501-5000	35
5001-10000	30
>10000	0

PPM is calculated by dividing the total number of units rejected [as recorded by a Horton Plant each time a Non-Conformance Report (NCR) is issued for a purchased part defect] by the total number of units received for the period (as recorded at the time of Horton dock receipt), and then multiplying by 1,000,000 to arrive at a PPM value.

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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 specified on the purchase order. The window for an order line to be received and be considered **on-time is five days early, zero days late** of the request date found on the purchase order.

Supplier On-Time Delivery Percentage Score	Points awarded based upon delivery percentage
100%	40
≥ 98%	35
≥ 96%	30
≥ 94%	25
≥ 92%	20
< 92%	0

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-time
0-15	10
16-20	8
21-25	6
26-30	4
31-35	2
>35	0

Value - Flexibility 5 points

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

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Overall Summary – 100 points

Total Points	Category
96-100	Exceptional
86-95	Top performer
70 – 85	Approved
< 70	Must Improve

Supplier scorecards are reviewed before awarding new business. Suppliers need to strive to achieve the Top Performer category or higher.

Notes:

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