

SQR
003

SUPPLIER
RATING
SYSTEM



Effective Date
1st Jan 2020

REVISION HISTORY

Revision	Date	Description of Changes
NC	01- Jan 2020	Initial Release



Table of Contents

1.0	Introduction.....	4
2.0	Purpose.....	4
3.0	Scope.....	4
4.0	Supplier Rating System.....	4
5.0	Periodic review of supplier performance's result.....	7
6.0	Cost of Poor Quality and Delivery.....	8
7.0	Supplier Recognition Program (SRP).....	8
	Attachment A.....	10
	Attachment B.....	11
	Attachment C.....	12
	Attachment D.....	12

ATTN : CTRM AC Suppliers

SUBJECT : CTRM AC Supplier Rating System

Dear Supplier,

In line with customer expectation and making sure CTRM AC performance to our customer progressively improve, CTRM AC has realigning its supplier management process with our strategy to enhance on Quality and Delivery criteria.

The attached SQR-003 – Supplier Rating System defines CTRM AC expectation and outlines a formal process by which CTRM AC will measure and communicate supplier performance. CTRM AC expects continual growth and success for both CTRM AC and its suppliers in providing world class quality, on time delivery and service to our customers.

Last but not least, CTRM AC requested your team involvement and full support to embrace this process to achieve the objective.

Thank you for your continued support.

Yours sincerely,



Hisham Marjohan

Head of Division,

Supplier Management

1.0 Introduction

This document defines CTRM AC minimum expectations and delivers a formal process by which CTRM AC will measure and communicate performance to suppliers through disciplined methods. The Supplier Rating System defines the standard processes and measurements, which will be monitored and are critical components of CTRM AC's supplier development initiatives. By establishing a process for monitoring, measuring and communicating supplier performance, CTRM AC can identify areas for improvement while also recognizing outstanding performance.

2.0 Purpose

The purpose of this manual is to clearly define CTRM AC expectations for supplier performance.

3.0 Scope

All active and approved suppliers providing direct materials, parts or services that directly influence the quality of CTRM AC manufactured parts.

4.0 Supplier Rating System

- a. CTRM AC monitors supplier's performance on a monthly basis.
- b. The rating system will enable CTRM AC to manage oversight activities, including but not limited to the following:
 - Audit frequency
 - Corrective action plans
 - Continuous improvement initiatives
 - Commitment to Supplier Improvement Plan (SIP)
 - Place new business / workpackage
 - Identify suppliers that need CTRM AC assistance.
 - Identify suppliers that deserve recognition
- c. Suppliers will be rated on the following:
 - **Quality Performance**
Quality Performance will be tracked using PPM (Parts Per Million) measurement.
 - **Delivery Performance:**
On-time delivery (OTD) is measured against late deliveries. Suppliers are required to provide 100% on-time delivery.
- d. The supplier performance Rating Card will show: (See example Attachment E)

- Data and Graph of Supplier Quality (PPM).
- Data and Graph of Supplier Delivery (% OTD)
- An Overall Supplier Performance Rating

4.1 Quality Performance (PPM)

Conformity for Item of supplier shipped quantity at CTRM AC.

CTR M AC calculates a current month and rolling 6-month PPM figure using the following calculation:

$$\text{PPM} = \frac{\text{Number of parts rejected}}{\text{Total number of parts received}} \times 1,000,000$$

A supplier reject can be generated from one of the following sources:

- CTRM AC Incoming Quality Control or CTRM AC production
- CTRM AC's Customer Return or Complaint

NOTE: Only those rejects that are documented via a written non-conformance report (GDR, SCAR) are included in this calculation.

Material in roll that do not conform to requirements of the applicable specifications shall be rejected and count in PPM

The following table describes the range for PPM Performance levels:

Level	Range
GREEN	<= 5000
AMBER	<= 10000
RED	> 10000

4.2 Delivery Performance

The calculation applies to each individual Purchase Order (PO) Number and PO due date. This is reported as a percentage of the total number of P.O.'s received within the On-Time Delivery window.

The due date tracked for monthly OTD performance, so it is important for the supplier and CTRM AC buyer to agree on this date on the PO. This date is the date when CTRM AC expects the supplier ship out parts from their facility.

The On-Time Delivery Window: On-Time delivery window of 3 days early up to 3 days late (+/- 3 days.).

CTR AC calculates a current month and rolling 6-month OTD figure using the following calculation:

$$\text{OTD \%} = \frac{\text{Number of schedule line completely received in the 'On time window' during a period}}{\text{Total number of planned schedule lines during the same period}} \times 100$$

The following criteria will reflect as appropriate the OTD Calculation:

No.	Item	Description
1	Missed delivery windows (Late / Early deliveries) +/- 3 days	Exceed /earlier agreed timeframe
2	Incorrect shipping quantity (Over / Short)	Supplier supply over /short quantity from the ordering.
3	Incorrect / missing documentation	Incomplete documentation & impact to delivery activities (such as invoice, pick list etc.)

The following table describes the range for OTD Performance levels:

Level	Range
GREEN	100.0%
AMBER	>= 90.0%
RED	< 90.0%

Supplier Discrepancy Report (SDR) form will be issue by CTRM Procurement for a supplier's monthly delivery performance below 100.0% to request supplier's root cause and corrective action to prevent the recurring.

NOTES:

A supplier may deviate from the delivery schedule under the following circumstances:

- a. A supplier makes a delivery adjustment request.

A supplier can request to change a previously fixed delivery quantity/date, as long as:

- The request is made in good time normal expectation is within 48 hours of the PO being issued.
- CTRM AC production is not disrupted in any way.

b. CTRM AC makes a delivery adjustment request.

- If CTRM AC requests to change a previously fixed delivery quantity or date, and the supplier cannot fully meet the requirement, then that delivery schedule shall be adjusted and agreed upon to facilitate On-Time Delivery.

3. Other circumstances which may cause a delivery deviation.

If the supplier cannot deliver because of an issue that is AGREED to be CTRM AC responsibility then that delivery is NOT included in the calculation. e.g. PO submitted to supplier not in supplier lead time.

The following two supplier performance categories are measured to generate the overall Supplier Rating.

Overall Performance will be based on the lowest score. Where monthly performance for OTD is GREEN, but AMBER for QUALITY (or vice versa), the performance will be AMBER

Performance	Quality (PPM)	On Time Delivery (%)	Overall Supplier Rating
RED	> 10 000	< 90	Underperform
AMBER	<= 10 000	>= 90	Needs Improvement
GREEN	<= 5000	100	Well Performing

5.0 Periodic review of supplier performance's result

The results of the periodic review of supplier performance (On Time Delivery and quality Issues), CTRM AC shall launch relevant action to underperform supplier depends on risk level, but not limited to:

- Performing product audit/system audit in any time.
- Onsite quality fix / onsite meeting
- Launch and monitor supplier improvement action
- Set up scheduling conference call with supplier, CTRM and customer
- CTRM AC escalation process according to guideline Attachment C is applied.
- Initiate Supplier Improvement Plan (SIP) as per guideline attachment A, B & C
- Escalate to CTRM's customer
- Capacity and capability assessment
- Buffer stock

- Recovery plan
- Dual source

6.0 Cost of Poor Quality and Delivery

CTR M AC may share associated costs due to the supplier's failure to meet CTR M AC's quality requirements. Below is a list of typical events or examples that may be considered as associated costs, but not limited to:

- Rework
- Line / Production disruption
- Cost of increased inspection
- Costs associated with CTR M AC's customer returns
- Late Delivery
- Expedited freight costs incurred as a result of supplier past due parts, avoidance of past due parts, or discrepant material
- Additional Manpower
- Downtime
- Overtime costs required to meet customer requirements as a result of supplier fault past due parts or discrepant material
- Outside processing required
- Rework at customer premises, travel, manpower
- Reimbursement of all charges from customer
- Air Freight

7.0 Supplier Recognition Program (SRP)

- a. The Supplier Recognition Program (SRP) will be an annual program to recognize supplier performance as measured in CTR M AC Supplier Performance Rating System. CTR M AC will announce SRP recipients each January through email and CTR M Website.
- b. The Supplier Recognition Program honors suppliers that have made significant contributions to advancing or supporting key CTR M AC's initiatives, CTR M AC's products, CTR M AC's processes and CTR M AC's customer satisfaction.
- c. The selection committee for the Supplier Recognition Program includes CTR M AC Management from Supply Chain and Supplier Management Division.
- d. CTR M AC will issue and award certificate to the deserved suppliers.

CTRM AC Supplier Recognition Program will be awarded for below categories

- **Supplier Excellence Award**

Given to suppliers who meet on-time delivery requirements, conform to quality requirements, and prove continual improvement through significant, documented value-add projects

- **Supplier Outstanding Quality Performance Award**

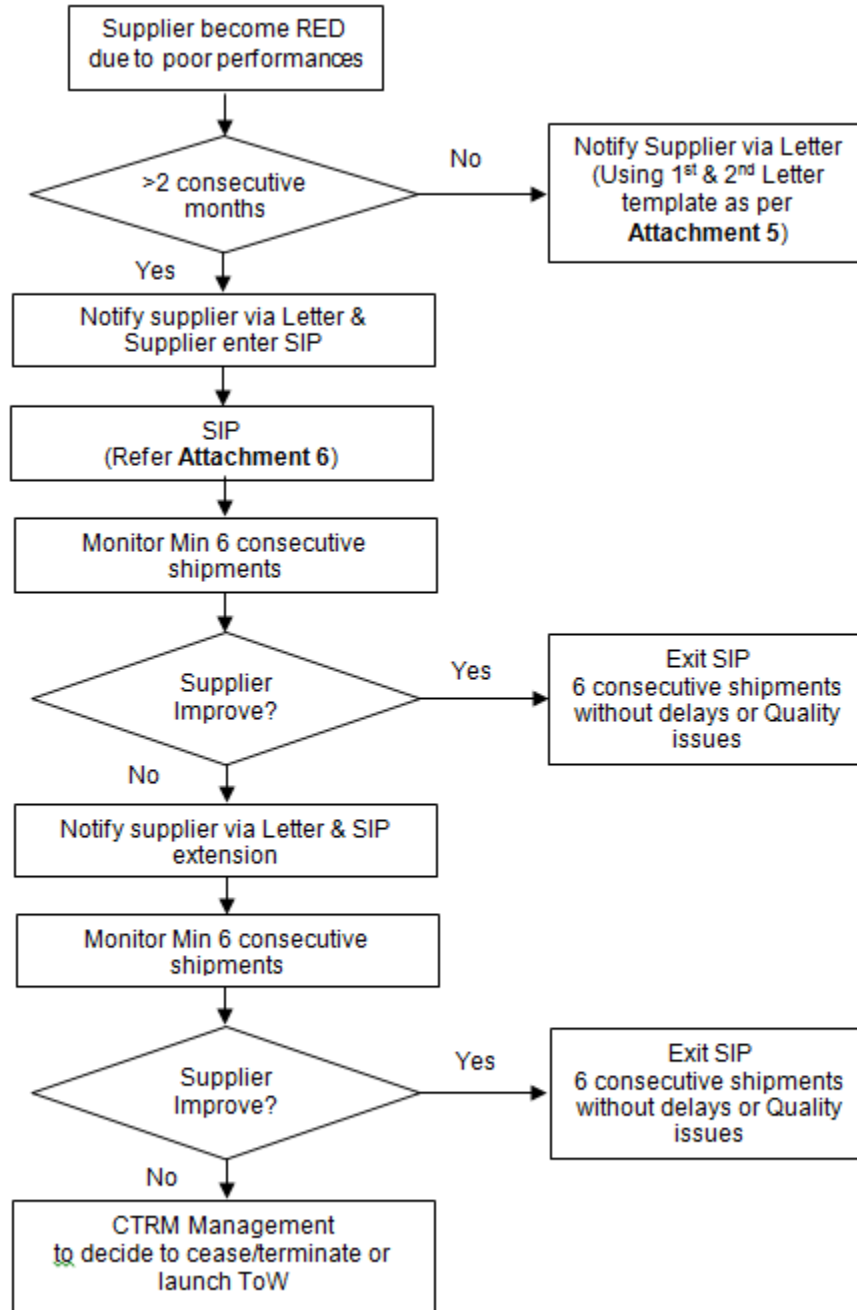
Given to suppliers who able to maintain Green status and 0 PPM for the last 12 months

- **Supplier Outstanding Delivery Performance Award**

Given to suppliers who able to maintain Green status and 100% On Time Delivery for the last 12 months

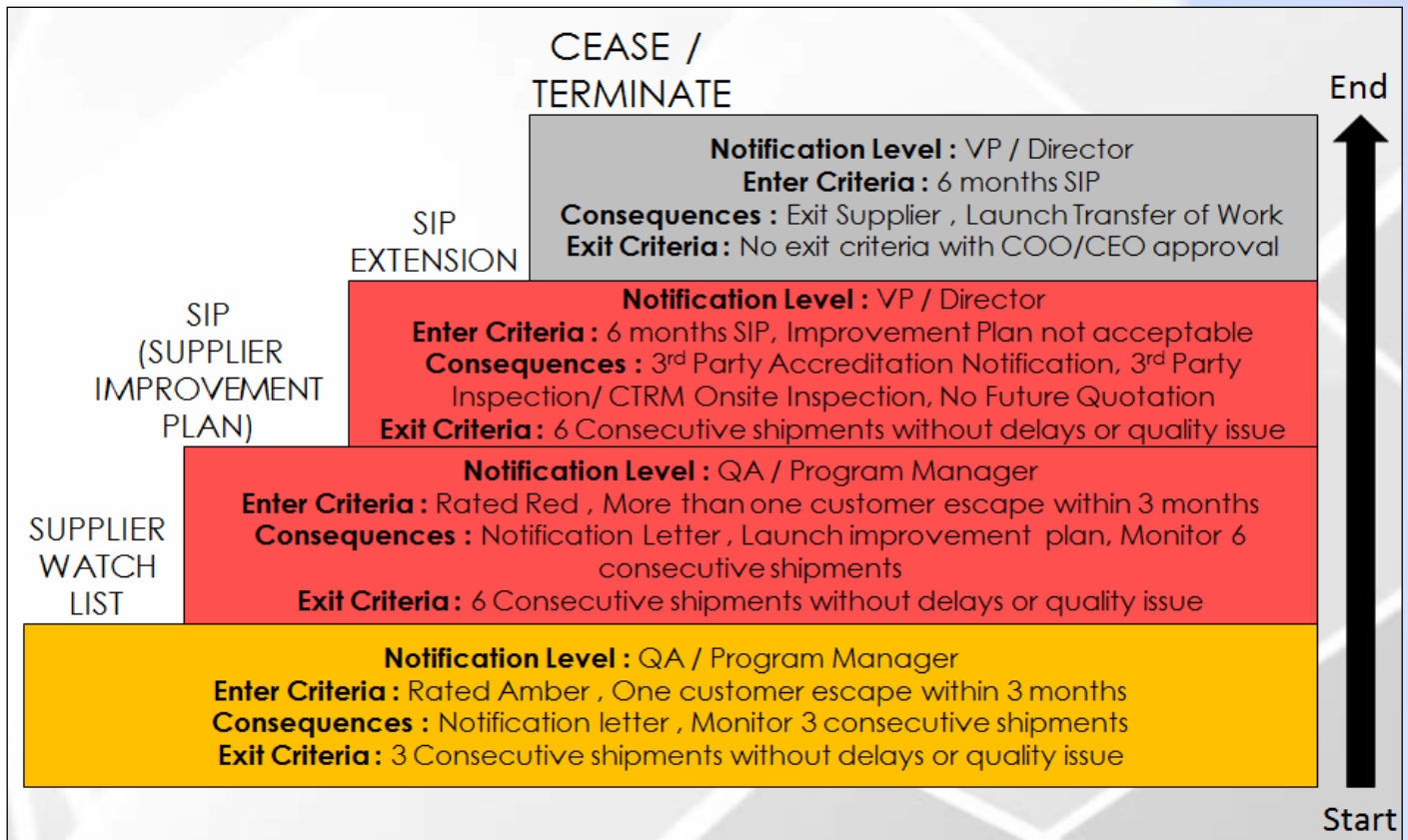
- e. In absence of qualified suppliers as per criteria, this program shall be deferred to the following year.

Attachment A



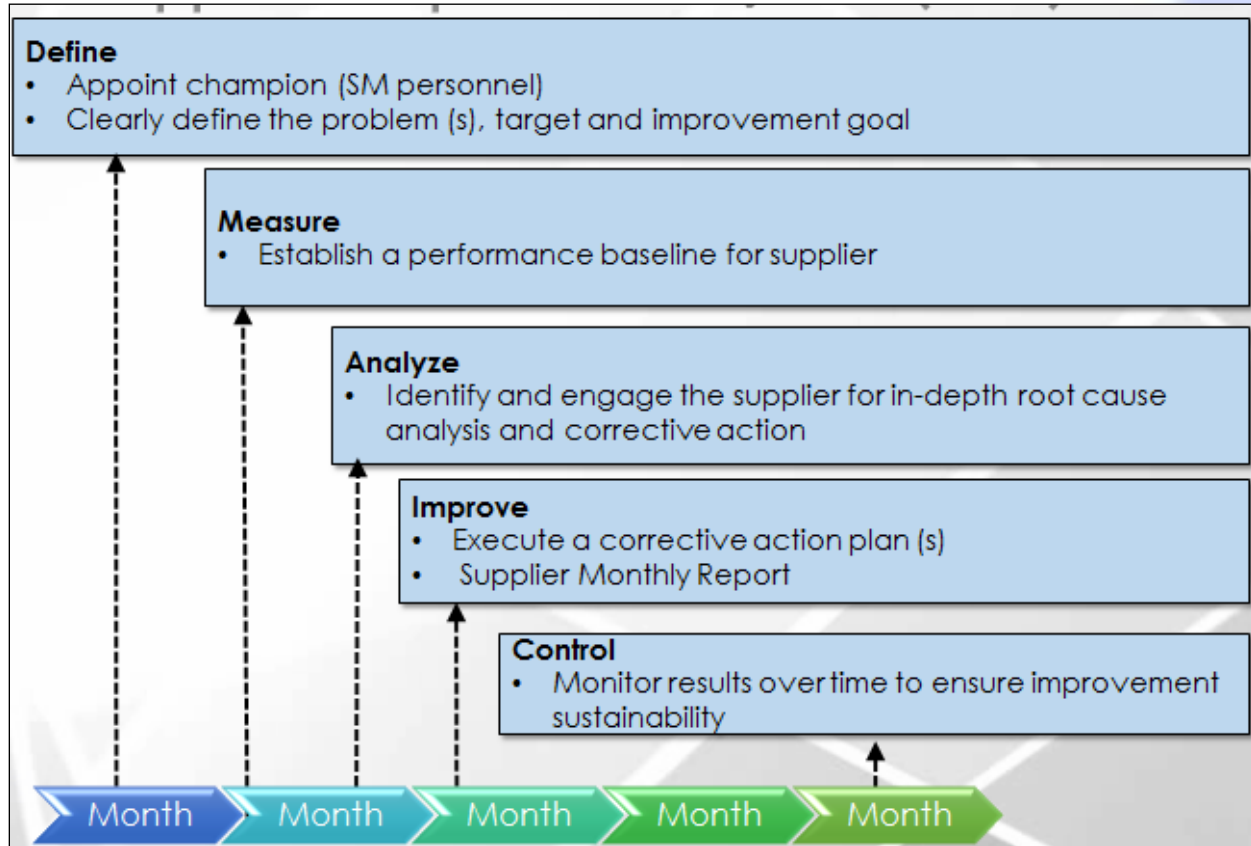
Attachment B

Supplier performance shall be regularly reviewed. This includes communicating to suppliers their level of performance and requiring improvement actions when performance is considered unsatisfactory. This shall be followed- up to ensure that information is used for improvement activities.



Attachment C

Generic Supplier Improvement Plan (SIP) as figure below.



Attachment D

CTRM AC has established proactive escalation process and can be / recommend used to define the process and actions for issuing and conducting reviews to suppliers who not meet on quality and delivery.

For each of these levels, related letters are submitted describing the deviation and the required next steps. Each letter has to be acknowledged, confirmed and appropriate actions have to be submitted.

- Level 1 review: Manager
- Level 2 review: General Manager
- Level 3 review: Management level (COO)
- Level 4 review: Executive Management level (CEO)

Letter	*Condition	CTR M		SUPPLIER / CUSTOMER	
		From	CC	To	CC
1st Letter	<ul style="list-style-type: none"> Poor Performance based on Supplier Rating Card (Red for 3 consecutive months), Product Conformity Audit, and Non – Conformance activity. CTR M production / process interruption due to quality issue or parts shortage. 	HoD	HoDiv	Program / Quality Manager	CEO
2nd Letter	<ul style="list-style-type: none"> Risk to CTR M and CTR M customers. (quality & delivery) Supplier's failure to demonstrate improvement in performance to acceptable levels with agreed timeline 	HoDiv	GCEO COO	CEO	Customer (CTR M Account's Customer)
3rd Letter	<ul style="list-style-type: none"> Risk to CTR M, CTR M's customers, and OEM.(quality & delivery) Continual / on going performance issues of quality, delivery and commercial. Resolution of the issue is not completed within the timescales agreed Performance deteriorates, without any commitment to recover 	COO	GCEO	CEO	Customer's Quality / Supply Chain
4th Letter	<ul style="list-style-type: none"> Continual / on going performance issues of quality, delivery and commercial. Impact to CTR M, CTR M customers, OEM & Airworthiness Supplier's service termination for CTR M Program if necessary. 	GCEO	-	Customer	IAQG – OASIS (International Aerospace Quality Group – Online Aerospace Supplier Information System)

** Recommendation only based on concern / Appropriate SQA HoD / HoDiv approval prior the implementation*

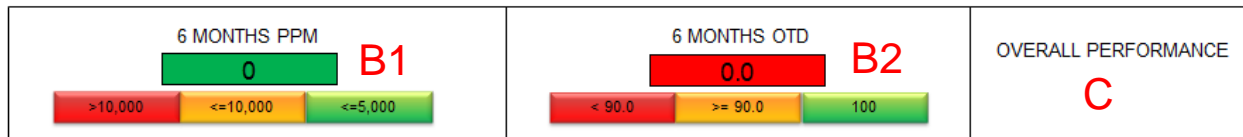
Attachment D

CTRM AC's Supplier Rating Card



SUPPLIER RATING CARD Feb-20

Supplier Code: Mandatory Field Supplier Name: **A**



MONTH	TOTAL INSPECT	TOTAL REJECT	PPM	GDR NO	LINES ON TIME	LINES DUE	OTD%	6 MONTH PPM	6 MONTH OTD%	6 MONTH PERFORMANCE
Jan-19	0	0	0	0	0	0	0	0	0.0	
Feb-19	0	0	0	0	0	0	0	0	0.0	
Mar-19	0	0	0	0	0	0	0	0	0.0	
Apr-19	0	0	0	0	0	0	0	0	0.0	
May-19	0	0	0	0	0	0	0	0	0.0	
Jun-19	0	0	0	0	0	0	0	0	0.0	
Jul-19	0	0	0	0	0	0	0	0	0.0	
Aug-19	0	0	0	0	0	0	0	0	0.0	
Sep-19	0	0	0	0	0	0	0	0	0.0	
Oct-19	0	0	0	0	0	0	0	0	0.0	
Nov-19	0	0	0	0	0	0	0	0	0.0	0
Dec-19	0	0	0	0	0	0	0	0	0.0	0
Jan-20	0	0	0	0	0	0	0	0	0.0	0
Feb-20	0	0	0	0	0	0	0	0	0.0	0

D1 D2 D3 D4 E1 E2 E3 F1 F2 F3

Legend	Description
A	Supplier Name / Company Name
B1	6 Months Rolling Details (PPM)
B2	6 Months Rolling Details (OTD)
C	Overall Performance –7 consecutive months (each evaluated using 6 month totals) – GREEN Performing Supplier AMBER Supplier Need Improvement RED Not Performing Supplier
D1	Monthly Total Inspect
D2	Monthly Total Reject
D3	Monthly PPM
D4	GDR No

Legend	Description
E1	Monthly Lines on time
E2	Monthly Lines Due
E3	Monthly OTD%
F1	6 Months Rolling Details (PPM)
F2	6 Months Rolling Details (OTD)
F3	6 Months Performance: GREEN AMBER RED