Standard Operating Practice

S.O.P. No. 52-10-005.1-00-001

SUPPLIER RATING SYSTEM

1.0 PURPOSE

This procedure defines the Supplier Rating System, outlines the input of data to the system and action to be taken in the event the individual supplier is deemed unsatisfactory.

2.0 SCOPE

The Supplier Rating System is applicable for all qualified product- related suppliers in accordance with QCP 5.1 - Selection of Qualified Suppliers.

3.0 APPLICABLE DOCUMENTS

	QCP 5.1	Selection of Qualified Suppliers
ø	SOP 52-10-012.0-00-002	Supplier Corrective Action Request Approval and Effectiveness Follow-up Procedure

4.0 SUPPLIER RATING SYSTEM

4.1 Components of the Supplier Rating System

Delivery Component	The receival date is compared to the current negotiated delivery promise date. An allowance is made for time spent processing material through the system. On-time deliveries will receive a 100%; late deliveries will receive a 0% for their component value.
Quality Component	Upon completion of receiving inspection on each receival, the supplier will be awarded either 100% for full compliance to quality requirements or a 0% when discrepancies are detected. Full compliance includes certifications along with dimensional requirements.

ø 4.2 Data Input for the Supplier Rating System

Purchasing will make adjustments to delivery component values when authorized schedule changes occur. Supplier rating is not affected when Eaton is responsible for missed deliveries.

ø Quality Component data is entered by Receiving Inspection upon stocking supplier's material. The supplier will receive a rating of 100% if all parts are acceptable. If a non-conformance is found, the supplier receives a 0%. Source inspected parts will receive 100% when, at the initial visit, no discrepancies are discovered. During that initial visit if a non-conformance is discovered and corrected before the source inspector has left the supplier's premise, the supplier will still receive a 0% for the quality component value. Post inspection rejections on supplier's stocked material will change that receival's Quality Component value.

4.3 Calculation of the Supplier Rating Value

The supplier rating is an average of the quality and delivery performance calculated monthly for each supplier. Delivery and quality performances are equally weighted in its calculation.

For example:

Delivery Component values	Quality Component values
0%	100%
0%	100%
100%	100%
100%	100%
100%	100%
100%	0%
100%	100%
0%	100%
100%	100%
100%	100%
Average = 70%	Average = 90%
50% weighted value = 35%	50% weighted value = 45%

Supplier Rating Value
35% + 45% = 80%

Current supplier rating value for this period is 80%.

5.0 EATON'S RESPONSE TO SUPPLIER RATING

ø The supplier rating summary report is generated and issued by Eaton's MRP system on a monthly basis. A summary is charted by the Supplier Quality function which also incorporates Supplier documentation errors (e.g. certifications, inspection reports, etc).

5.1 Supplier Rating Evaluations

The monthly evaluation will consist of reviewing each supplier's overall rating along with individual component values. (delivery and quality) Values falling to 70% or below may require a cause and corrective action response from the supplier. A supplier's overall rating which falls to 70% or below may necessitate corrective action in accordance with SOP 52-10-012.0-00-002.

5.1.1 Quarterly summary reports are generated and sent to each supplier informing them of their performance for the previous three months. A review of the monthly supplier rating, trends, repeat issues, corrective actions and other areas for improvement occurs annually during management review.

5.2 Supplier Rating Cause and Corrective Actions

The Material Cell Corrective Action Board may issue a formal corrective action request to the supplier when their individual component (delivery or quality) average value falls to 70% or below.

For example:

Delivery values	Quality values
100%	100%
100%	100%
100%	100%
100%	100%
100%	100%
100%	100%
0%	100%
0%	0%
100%	100%
0%	100%
Avg. value 70%	Avg. value 90%

To prevent a supplier rating that is unsatisfactory and the below actions being initiated, a cause and corrective action request may be issued.

When a Supplier's Rating value becomes unsatisfactory, the Materials Cell will review the reasons for the rating and decide whether a formal notification to the supplier will be issued. Actions to be taken may include the following:

- No new business to be placed at supplier.
- Supplier approval status may be changed to "conditional"
- Disqualification and removal from Eaton's Approved Vendor List (AVL)
- Corrective Action Request may be issued per SOP 52-10-012.0-00-002

Current Supplier Rating data will be reviewed by Supplier Quality. Supplier Quality will use this information to verify corrective actions and effectiveness.