

PEGLER

Valve technology



Supplier Grading

Handbook



integrated
piping systems

Supplier Grading Handbook

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Supplier performance grading & monitoring system

Introduction

Purchasing and supplier quality representatives will evaluate Pegler's suppliers utilising Pegler's supplier grading system.

This supplier grading manual illustrates the supplier grading procedure and their respective scales.

This procedure effective date is 01/07/10.

Criteria & data

The data is not specific to a Pegler location; it encompasses all Pegler facilities.

Use of information collected:

The data will be used to continually improve suppliers and classify them under three different categories:

- a) Preferred Supplier B) Approved Supplier C) Provisional Supplier

These classifications will be based on the result of the 'Supplier assessment audit' (supplier grade) and the performance over the last twelve months (product performance rating). The classification will be reviewed on a monthly basis by the supplier development team. The result will be added to the 'Approved supplier list'.

Results:

Pegler's purchasing team will take information from the approved supplier list into consideration when developing their sourcing strategy. The classifications will trigger the following actions.

- ❖ Preferred Suppliers: These suppliers are eligible to be recommended for any new business
- ❖ Approved Suppliers: There will be typically no change in terms of priority of awarding new business to these suppliers
- ❖ Provisional Suppliers: These suppliers will be encouraged to participate in a joint supplier development improvement plan. If rating results do not improve over an agreed timescale, these suppliers are excluded from new business and phase-out may be considered.

Rating for supplier site assessment:

The format of a Site Assessment and Self Assessment is in accordance to the Supplier Assessment Report and awards scores for different areas of the supplier's business. The sum of the individual element scores is used to produce a combined site capability classification.

Site Classification	Combined Capability Scores Requirements
A	Minimum of 80 points scored for the site Assessment.
B	Minimum of 60 points scored for the site Assessment.
C	Minimum of 40 points scored for the site Assessment.

Note: - Pegler could look to 'phase-out' suppliers who have been awarded a score less than 40 points in the combined element capability and do not implement satisfactory plans to improve within a given timescale. Potential suppliers who achieve < 40 points will not be considered suitable for the sourcing of new product.

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Ratings for Product performance:

Pegler will rate product supplied utilizing 4 categories. These are Incident ratio, NCR's, supplier response to NCR's, and delivery to schedule.

Note: - Refer to scoring criteria for further detail

Product Rating	Requirement
100	80 points & above with no reported quality concerns
80	80 points & above with Quality concern reported within the last 6 months but appropriate corrective/preventive action taken
60	21 to 79 points with Quality concern reported within the last 6 months but appropriate corrective/preventive action taken
40	21 to 79 points with Quality concern reported within the last 6 months with no or inadequate corrective/preventive action taken
20	20 points or less with Quality concern reported within the last 6 months with no or inadequate corrective/preventive action taken

Pegler supplier performance grades:

Pegler allocates a supplier grade using the combined results of the assessment audit and the product performance rating. The classifications can be obtained from the table below:

Assessment Audit Grade	Product Performance Rating				
	100	80	60	40	20
A	Preferred		Approved		Provisional
B	Preferred		Approved		Provisional
C	Approved		Provisional		Provisional

The resultant 'Supplier Grade' will be added to the Approved Supplier List on a monthly basis. The Supplier Grade will determine the level of action that is required from the supplier development team.

Preferred - No Immediate action required. Continue to monitor performance.

Approved - Corrective Action plan required with supplier. Continue to monitor progress and performance.

Provisional - Corrective action plan required with supplier. Continue to monitor progress and performance.

Re-assessment and re-grading or possible 'phase-out'

It is Pegler's Intention to work with suppliers to achieve preferred supplier status wherever possible.

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Detailed Product Scoring Criteria

The details for each criteria are as follows:

a) Incident ratio (IR%)

Pegler adopted use of this calculation and utilises this data as measurable. Suppliers shall maintain their own data to record the number of quality incidents and identify quality performance trends within their own processes and make available to Pegler upon request.




Incident ration is calculated by the number of rejected deliveries divided by the total number of deliveries received and is expressed as a percentage. The IR category is based on a 40 point scale.

The following table displays IR ranges and respective points: It will be based on a 12 month rolling average. This measurement is based on the most recent 12 months data.

IR%	Points
0 to 0.5	40
0.51 to 1	 36
1.01 to 1.5	32
1.51 to 2	28
2.01 to 2.5	24
2.51 to 3	 20
3.01 to 3.5	16
3.51 to 4	12
4.01 to 4.5	8
4.51 to 5	 6
5.01 to 6	4
6.01 to 10	2
10 +	0




b) Number of supplier corrective action defect issues (NCR's)

The suppliers are awarded ten points if Pegler reports no NCR's over the 12-month period. The supplier will lose one point for each report occurrence. It will be based on a rolling 12 months. This measurement is based on the most recent 12 months data.

No of Occurrences	Points
0	10
1	9
2	 8
3	7
4	6
5	 5
6	4
7	3
8	 2
9	1
10	0

c) Supplier response to corrective actions







Suppliers are awarded ten points when responses to NCR's are received within the allotted time on the NCR form. Two points are deducted for each failure to respond within the allotted time requirement. This measurement is based on the most recent 12 months data.

No of Late Responses	Points
0	10
1	 8
2	6
3	 4
4	2
5+	 0

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d) Delivery to schedule

The delivery to schedule category is based on a forty point scale. On-time delivery is calculated each month on every item delivered, and the delivery rating for the report card is based on the year to date (YTD) ratio. It is based on a 12-month rolling average. This measurement is based on the most recent 12 months data.

<u>% On-Time & % YTD Ratio</u>			Points
% On-Time			
=>95			40
90 to 94.9			35
80 to 89.9			30
75 to 79.9			20
70 to 74.9			10
<70			0

Contacts

If you have any questions or concerns, please contact the Pegler supplier development team.

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Terms of Reference

Incident Ratio (IR%) Supplier Performance Requirement

Pegler tracks IR% performance and expects suppliers to calculate their own data to track IR% internally to identify quality performance trends within their own processes. Pegler utilises the following in calculating IR%: (quantity rejected / quantity received) = IR%

Quality IR% defective reporting is based on total shipment quantity and estimated number of rejects unless the product is screened, then the actual number of rejects is used in the calculation. Pegler's goal for quality from their suppliers is "0" IR%. The supplier quality engineer shall monitor these performance indices for compliance and take appropriate action.

Corrective Action Response

The supplier corrective action response is required to be in a five-step discipline format. This is normally referred to as a Non-Conformance report which can be abbreviated to NCR.

The following paragraphs below explain each of the five elements of the NCR and what is expected from the supplier when responding to the NCR.

1 Description of the non-conformance:

Pegler will describe in detail why the material was determined to be non-conforming. Additional information, such as material identification and inspection results are located in the boxes above the description of non-conformance on the NCR form

2 Containment action taken by supplier:

Once Pegler has identified a problem, this information is forwarded to the supplier so that any material in his stock or production can be segregated. If material has been shipped, is in Pegler's warehouse or is in transit that may have the identified non-conformance, the supplier must notify Pegler's purchasing and/or SQE immediately. The supplier must check 'read across' and report any possibility to Pegler. Material that has been shipped and is in Pegler's warehouse is to have their shipping containers marked with ½ inch minimum green dot. This dot is to be placed under the bar code label, if there is no bar code then it is to be next to the "ship to" address. The green dot shall be on every carton until irreversible corrective action has been implemented.

3 Root Cause:

This requires identification of the root cause both for the occurrence and the root cause of non-detection. Describe in detail the root cause of the problem. Was the problem process related? Did a machine or machine operator cause the problem? How was this determined to be the root cause? Could the non-conformance be duplicated under controlled conditions? Are changes required in the process? Will the process control plan be updated?

First pass at root cause and containment action need to be responded to this should be done via e-mail.

4 Irreversible corrective action (implemented)

What was implemented to correct the root cause? It is important that a detailed analysis has been completed to assure that this non-conformance does not reoccur. Pegler expects the supplier to state in writing the specifics of the changes made to correct the problem and the implementation date of the corrective action. The following are examples of the questions the suppliers may ask themselves in generating responses to Pegler.

- a) Was the machinery modified?
- b) What exactly was done to the machine?
- c) Was a sample run performed after the machinery was modified?
- d) How are the parts inspected and were they acceptable?
- e) If the machinery has multiple part cavities, were they all checked?
- f) Was there a change or addition to the process?
- g) Did the operator's need re-training?
- h) Was your supplier the root cause, if so, what action has been taken?
- i) Was the control plan updated, if so how?
- j) Was the PFMEA updated?

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Material that has been produced since implementation of the corrective action must be identified by placing a ½ inch minimum orange dot on the shipping container(s). This dot is to be placed under the bar code label, if there is no bar code label then it is to be placed next to the “ship to” address. The orange dot shall be on every carton for the next thirty calendar days after the corrective action was implemented.

Pegler ten business days for the supplier to respond with irreversible corrective action unless a time extension has been agreed to by the Pegler responsible SQE, or responsible SQD representative.

All parts of the NCR form should be completed and forwarded to Pegler, for the attention of the supplier quality engineer or supplier quality development representative with whom the supplier has been communicating.

5 Follow up Verification (Problem elimination)

What has been done to ensure that the corrective action has “fixed” the non-conformance permanently? Evidence of the effectiveness of the corrective action shall be documented. The type of documentation shall be stated on the corrective action form and be made available to Pegler if requested.

Corrective actions may include revisions to control plans and /or PFMEA’s. All documentation changes to these living documents shall accompany the NCR form.

Validated corrective action measures that ensure the prevention of the defective condition must be communicated in writing to Pegler within ten business days of the original defect notification date unless a time extension has been agreed to by the SQE, or SQD representative.

Pegler reserves the right to perform an on-site system review of any corrective action(s) for verification.

6 Corrective Action Failures

Continual quality concerns will significantly affect a supplier’s opportunity for additional business with Pegler. Suppliers are expected to use “lessons learned” and “things gone wrong” methodologies to eliminate potential risk factors and prospective defects. Suppliers should apply all analysis findings and action items to similar processes within their manufacturing facility. When corrective actions do not eliminate the defective condition, the supplier must re-evaluate the root cause and establish a new and effective corrective action. Continued failures will result in formalised quality improvement activities.