

CNI's SRS (Supplier Rating System) Guidelines

As a key supplier to CNI, you will now begin to be rated on a monthly basis by each of the CNI facilities that you supply on the following:

• Quality (rejected parts per million)	30 Points
• Delivery	25 Points
• Quality Notices / Written Complaints	30 Points
• Responsiveness	15 Points
TOTAL:	100 Points

It is CNI's expectation that all suppliers achieve 100 points per month.

QUALITY - REJECTED PARTS PER MILLION (RPPM)

The Quality category accounts for 30 points of the overall Supplier rating. Supplier RPPM is calculated on the basis of the amount of nonconforming production and service materials versus the total amount of production and service materials received in a given fiscal month.

EXAMPLE:

A Supplier ships 100,000 parts to a plant, 10 of which are non-conforming. The Scorecard calculation will be $(10/100,000) \times 1,000,000 = 100$ RPPM's. The Supplier's score for this example is 13 points.

REFER TO THE TABLE BELOW FOR THE RATING RANGE:

ACTUAL RPPM	RPPM SCORE
0-25	30
26-38	28
39-52	25
53-66	22
67-80	19
81-94	16
95-108	13
109-122	10
123-136	7
137-150	4
150 <	0

DELIVERY

The Delivery Score accounts for 25 points of the overall Supplier Rating. Delivery ratings are calculated on the basis of the amount of shipments that have errors versus the total amount of shipments in a given fiscal month. This information is then calculated into a percentage.

Delivery ratings are based on the number of occurrences when it is determined to be the Supplier's responsibility, including the following:

- **LATE DELIVERIES (INCLUDING SERVICE REQUIRMENTS)**
- **PREMIUM FREIGHT OCCURRENCES**
- **DAMAGED PARTS**
- **OVER SHIPMENT OF THE QUANTITY ORDERED / MIXED PARTS**
- **EARLY DELIVERIES**
- **SHORT SHIPMENT OF THE QUANTITY ORDERED**

The potential for more than one occurrence, per shipment does exist.

The delivery percentage and associated points are based on the following formula:

$$\text{[(TOTAL SHIPMENTS - NUMBER OF OCCURRENCES) / TOTAL SHIPMENTS] X 100}$$

EXAMPLE

During one month, a Supplier sends 36 shipments to CNI. Out of the total 36 shipments, 1 shipment is late and 1 shipment is short of the quantity ordered.

The Delivery Percentage calculation will be $[(36-2) / 36] \times 100 = 94.4\%$ The score for this example is 13 points per the table below.

DELIVERY OCCURRENCE PERCENTAGE	SCORE
100	25
99.9 – 99.5	24
99.4 – 99.0	23
98.9 – 98.5	22
98.4 – 98.0	21
97.9 – 97.5	20
97.4 – 97.0	19
96.9 – 96.5	18
96.4 – 96.0	17
95.9 – 95.5	16
95.4 – 95.0	15
94.9 – 94.5	14
94.4 – 94.0	13
93.9 – 93.5	12
93.4 – 93.0	11
92.9 – 92.5	10
92.4 – 92.0	9
91.9 – 91.5	8
91.4 – 91.0	7
90.9 – 90.5	6
90.4 – 90.0	5
89.9 – 89.5	4
89.4 – 89.0	3
88.9 – 88.5	2
88.4 – 88.0	1
87.9 or less	0

QUALITY NOTICES / WRITTEN COMPLAINTS

The Quality Notice / Written Complaint category accounts for 30 points of the overall score. The system rates suppliers on the number of formal rejection notices or written complaints, by level and the severity of each complaint with the following formula:

(THE # OF OCCURRENCES PER CLASSIFICATION CODE) X (SEVERITY INDEX) = Rating

EXAMPLE:

A supplier receives one written complaint in Level 1, two written complaints in level 2. The rating will be calculated as $(1 \times 0.20) + (2 \times 0.40) = 1.00$. A rating of 1.00 corresponds to 6 points.

LEVEL	TYPE	SCORE
Level 1 occurrence	MINOR ISSUES	0.20 rating /
Level 2	REPEAT MINOR ISSUES	0.40 rating / occurrence
Level 3	PLANT DISRUPTION	0.50 rating / occurrence
Level 4	CUSTOMER INCIDENT	1.00 rating / occurrence

TOTAL QUALITY NOTICE RATING

0.00
0.001 -0.19
0.20-0.25
0.26-0.30
0.31-0.35
0.36-0.40
0.41-0.45
0.46-0.50
0.51-0.55
0.56-0.60
0.61-0.65
0.66-0.70
0.71-0.75
0.76-0.80
0.81-0.90
0.91-1.00
1.01-1.10
1.11-1.20
1.21-1.30
1.31-1.40
1.41-1.50
1.51- or greater

TOTAL SCORE

30
29
28
24
20
18
15
14
13
12
11
10
9
8
7
6
5
4
3
2
1
0

RESPONSIVENESS

The Supplier Responsiveness category accounts for 15 points of the overall score and includes the following criteria:

- ON TIME AND ACCURATE PRODUCTION PART APPROVAL PROCESS (PPAP), AS REQUIRED
- ON TIME AND ACCURATE RESPONSE TO QUALITY ISSUES.
- ON TIME AND ACCURATE DOCUMENTATION, AS REQUIRED BY EACH LOCATION. (INCLUDING, BUT NOT LIMITED TO; SPC, CERTIFICATIONS, INVOICES, PACKING SLIPS, ETC.)
- ON TIME AND ACCURATE QUOTE RESPONSES

EXAMPLE :

A Supplier submission for the latest engineering level is not on time for the Production Part Approval Process (PPAP) and 2 8D responses were not submitted on time. This would count as 3 occurrences and the supplier would receive 4 points.

SUPPLIER RESPONSIVENESS OCCURRENCES	SCORE
0	15
1	10
2	8
3	4
4	2
5 or greater	0

NOTE: This category can be used at the discretion of the receiving plant to include situations of severe nature such as production shutdown incidents.

CONCLUSION

CNI will compile the previous month's information and submit a Supplier Rating Letter via email to the supplier by the 15th of each month.

Suppliers that have been selected as having dramatically inferior performance will be required to submit a corrective action report to the manufacturing plant's Quality Manager by the 25th of the month. The corrective action should include the description of the issue, the containment action, the status of the issue, the root cause, interim corrective actions, and the permanent corrective actions. This information needs to be submitted for each scorecard section for the issues that have been noted on the monthly scorecard.

At the plant's discretion, it may require that inferior performing suppliers participate in a conference call to review their corrective actions with the plant management team. If a supplier is on the list for consecutive months, for the same issue, then the supplier may be asked to give the presentation in person to the CNI plant. A third infraction in a row for the same issue may result in the supplier giving the presentation to CNI Corporate Purchasing, Quality and Manufacturing Managers and may ultimately result in CNI's re-sourcing of the product. If the supplier is customer directed, then the customer will be notified of the supplier's issues. The outcome of these meetings will determine if the supplier will be required to attend any follow-up meetings to close any unresolved issues.

These SRS Guidelines are not intended to, and they do not, alter or terminate (a) the provisions of any CNI purchase order (including any terms and conditions incorporated into that purchase order) or any other contract, (b) CNI's right to re-source any product to another supplier at any time, (c) CNI's right to at any time notify a customer in a directed-source arrangement of a supplier's performance, or (d) CNI's right to at any time take any other action permitted by contract or law.