

This manual is intended for use by Kohler Engines Division suppliers as a supplement to the Kohler Co. Global Supplier Quality Manual. To verify the latest version of this document, go to <http://www.kohlerengines.com/sqr/index.htm>. To access the Kohler Co. Global Supplier Quality Manual, go to www.kohler.com; Suppliers; Conducting Business.

Appendix G: Supplier Performance Scorecard

Revised 12/1/2012

Purpose: The Kohler Co. Supplier Scorecard will measure supplier performance on a monthly basis. Supplier performance data will be collected and used for periodic supplier business reviews and decision making in the following areas:

- Continuation of supply
- Extension of supply (additional business)
- Termination of supply
- Performance recognition

Scope: The scope of this scorecard includes all purchased materials, primarily focused on direct materials. One scorecard per supplier will be generated*, encompassing all parts procured, on a monthly basis. A scorecard can be completed for a supplier at specific location/division or across multiple locations/divisions. This is left up to the discretion of the applicable purchasing organizations and the preference of the supplier.

*The Kohler Engine Division commodity teams determine which suppliers will receive a monthly scorecard. This is not an all-inclusive program due to resource limitations.

Scorecard Categories	Points	Weight	
Quality		50	
Defective PPM	15		SAP Quality Module data as collected in the Data Warehouse
SCARs – Count	15		SAP Quality Module – quality notifications
– Response	5		SAP Quality Module – quality notifications
Supplier Audits	15		Supplier audit records/audit database
Delivery		25	
On-Time % net of Stock-outs	15		PDW Delivery Cube for OTD%, Stock-outs are manual
Lead Time	10		PDW Spend Cube
Price		25	
Trend	15		Manual evaluation – see Kohler Engine Division Price Trend
Terms	10		guidelines used by buyers to determine trend scores.
			Vendor Master in SAP, convert manually to Equivalent Days
Total Points	100		
Ease of Doing Business		12	
Responsiveness	4		Informational score only. Not included in overall score.
Governance	4		Manual evaluation by commodity team members.
Technical Support	4		
Advanced Procurement		8	
Leading Edge Procurement	4		Informational score only. Not included in overall score.
Electronic Data Interchange	4		Manual evaluation by commodity team members

Quality – Comprised of four parts: Defective Parts Per Million (DPPM), count of Supplier Corrective Action Requests (SCARs) initiated during the current month only, an evaluation of the supplier's responsiveness to the SCAR(s) open yet from previous months and those closed during the current month that had remained open from previous months, and the supplier's audit score.

Defective PPM	15
SCAR Count	15
SCAR Response	5
<u>Supplier Audit</u>	<u>15</u>
Total Quality Points	50

UNCONTROLLED IF PRINTED

This manual is intended for use by Kohler Engines Division suppliers as a supplement to the Kohler Co. Global Supplier Quality Manual. To verify the latest version of this document, go to <http://www.kohlerengines.com/sqr/index.htm>. To access the Kohler Co. Global Supplier Quality Manual, go to www.kohler.com; Suppliers; Conducting Business.

Scoring Parameters and Corresponding Points:

SCAR response calculation applies to Kohler Engines division specifically.

	Range	Points
Defective PPM	< or = 0	15
Finished Goods	< or = 100	14
	< or = 500	13
	< or = 1,000	10
	< or = 5,000	5
	< or = 10,000	3
	> 10,000	0

New SCARs issued within current month

Count (Ref. Not 1 below)	Plant Avg. Count	Points
	0	15
	1	10
	2	5
	3 or more	0

	Range	Points
Defective PPM	< or = 500	15
Raw Castings	< or = 1,000	14
	< or = 3,000	13
	< or = 10,000	10
	< or = 20,000	5
	< or = 30,000	3
	> 30,000	0

Supplier Response- Avg. No. of Days Past Due

Response

Total Possible Points	5.0
- Avg. No. of Days Past Due	0.0
= SCAR Response Score	5.0

Note 1: Consequences of HIGH and URGENT priority level SCARs

Containment Levels Defined

- Level 1 Containment: Supplier, at supplier's facility, 100% inspects material before shipment to Kohler Engines.
- applies to specific material number(s) where a defect(s) is suspected/known.
- Level 2 Containment: Supplier sends material to be 100% inspected by a third-party before shipment to Kohler Engines.
- can apply to all materials provided to Kohler Engines by the supplier, or a specific material number(s).

NOTE FOR CASTING SUPPLIERS:

Depending on the level of containment required, casting suppliers will provide personnel from their own facility, or a third-party inspection facility, to Kohler to perform inspection/sort of product after the machining process.

SCAR Priority Level	Consequence to supplier
URGENT	Monthly Q Score drops to 0, Level 2 Containment (applies to specific material no.)
HIGH	Monthly Q Score drops to 10, Level 1 Containment

Data Sources:

The DPPM and SCAR Count information will ultimately be collected in the Data Warehouse through the SAP Quality Module, but for the locations not on SAP or that do not have the Quality Module yet implemented, alternative methods will need to be used. Communication between the buyer, quality department, and receiving/inspection for the respective locations will be necessary until the SAP QM or other quality reporting system can be utilized. The SCAR Response will also be measured by the SAP Quality Module, however, prior to implementation should be determined between the buyer and other parties previously mentioned.

This manual is intended for use by Kohler Engines Division suppliers as a supplement to the Kohler Co. Global Supplier Quality Manual. To verify the latest version of this document, go to <http://www.kohlerengines.com/sqr/index.htm>. To access the Kohler Co. Global Supplier Quality Manual, go to www.kohler.com; Suppliers; Conducting Business.

Low quality scores (based on a rolling 12 month average) will affect the supplier's ability to do business with Kohler Engines as follows:

		Consequences to supplier (based on rolling 12 month Quality Scores)		
	Component Type	Q Score <23	Q Score <19	Q Score <15
RI	Critical	Level 1 Containment, RI inspection	Level 2 Containment, RI inspection	Level 2 Containment, RI inspection
	Non-critical		RI inspection	Level 1 Containment, RI inspection
Commercial	Critical	New business hold	Prepare to re-source	Re-source business
	Non-critical	New business hold	Prepare to re-source	Re-source business

Calculations:

$$\text{Defective PPM}^* = \frac{\text{\# of Defective Parts}}{\text{Total Part Received}} \times 10^6$$

$$\text{SCAR Count}^{**} = \text{Total new SCARs issued during current month}$$

$$\text{SCAR Response} = \frac{\text{Total \# of days past due for open SCARS and those responded to in the current month.}}{\text{Total \# of open and responded to SCARS}} = \text{Avg. Days Past Due}$$

* DPPM will be a weighted average by number of parts received across all plants served

** SCAR Count is averaged across number of plants served so as not to penalize multi-plant suppliers

Delivery – Comprised of two parts: on-time delivery percentage net of stock-outs, and lead-time, which is weighted by spend. Stock-outs will only be counted if the supplier is at fault for the stock-out. Parts considered on an LEP program will be considered on-time 100% of the time.

On-Time Delivery – Net of Stock Outs 15

Lead-Time 10

Total Delivery Points 25

Scoring Parameters and Corresponding Point

		Range	Points	Count	Points
On-time %	> or =	98	15	< 1 day (24 hrs)	10
	> or =	93	13	< 3 days	8
	> or =	85	10	< 7 days	6
	> or =	80	7	< 15 days	4
	> or =	70	4	< 30 days	3
				30+ days	2

Lead Time

UNCONTROLLED IF PRINTED

This manual is intended for use by Kohler Engines Division suppliers as a supplement to the Kohler Co. Global Supplier Quality Manual. To verify the latest version of this document, go to <http://www.kohlerengines.com/sqr/index.htm>. To access the Kohler Co. Global Supplier Quality Manual, go to www.kohler.com; Suppliers; Conducting Business.

	Count	Points
Stock-outs	0	0
	<=2	-5
	<=4	-10
	>4	-15

Data Source:

The On-time delivery data is collected in the Data Warehouse. "On-time" includes receipts from 3 days early up to 0 days late. No formal tracking of stock-outs has been established, but communication between the buyer and the materials manager should occur for this information. Including stock outs in the calculation is only applicable to suppliers with parts on an LEP program, and will only be measured when resulting from the supplier's actions or failure to act.

Calculation:

$$\text{On-time Delivery} = \frac{\text{Number of Orders Delivered On-time}^*}{\text{Total Number of Orders Delivered}} \times 100\%$$

$$\text{Stock-outs} = \text{Total Count of Stock-outs (supplier at fault)}$$

$$\text{Lead Time}^{**} = \frac{\text{Lead Time in days} \times \text{Spend for each material number}}{\text{Total Spend for each material number}}$$

* On-time delivery is defined as the range from 5 days early to 0 days late. Number of orders is measure by receipts in the current month.

** Lead Time calculation is weighted by spend on individual material numbers

Price – Comprised of two parts: trend and terms.

Trend	15
Terms	<u>10</u>
Total Price Points	25

Price Scoring Parameters and Corresponding Points:

	Rating	Points		Equivalent	Points
Trend	Positive Trend	12	Terms (Days)	60+	10
	Neutral	8		50+	8
	Negative Trend	4		40+	6
				30+	4
				< 30	0

Data Source:

The Trend rating (ref. Note 2 below) will be determined by the best judgment of the buyer. The Data Warehouse Pricing & Savings cube collects historical pricing information which should be used in the evaluation, but it does not include factors such as industry pricing trends or improvements to the purchased item. The buyer should utilize all information sources available in determining the rating for Price Trend. To reduce subjective variation, the target price for a strong supplier performance in price is 12, average is 8, and poor is 4. These are guidelines from which buyers should use discretion in increasing or decreasing points. The full 15 points for this category should rarely be awarded.

UNCONTROLLED IF PRINTED

This manual is intended for use by Kohler Engines Division suppliers as a supplement to the Kohler Co. Global Supplier Quality Manual. To verify the latest version of this document, go to <http://www.kohlerengines.com/sqr/index.htm>. To access the Kohler Co. Global Supplier Quality Manual, go to www.kohler.com; Suppliers; Conducting Business.

The Terms information is available in SAP in the vendor master file. Any terms which include a discount or PROX terms should be converted to the equivalent days. This conversion takes discount or PROX terms and calculates how many days Kohler would need to delay payment at the current cost of capital to achieve similar savings as the discount. A chart of all payment terms in SAP and what each converts to, along with supporting equations, is available on the Global Procurement website under Operating Measures – Days Payable Outstanding.

Note 2: Kohler Engine Division Price Trend Scoring Guidelines

Pricing Trend Score Defined Scale 0-15

Definitions

Market Forces- Impacts to supplier's cost that are totally out of supplier's control. i.e. Commodity Raw Materials, Energy, Currency
Other Costs considered in Kohler Cost- Freight Terms, Warranty Participation

Score

15	3% decrease in actual to actual cost to Kohler year over year
12	Supplier absorbs market forces and decreases Kohler's cost > 3%
10	No change in Kohler cost but market forces are absorbed positive and negative
8	Market forces shared Kohler cost sheltered from full market impacts
6	Market forces shared in an unfavorable manner to Kohler token effort to share impact
4	Kohler absorbs any and all impacts of market conditions
2	Kohler cost increase in excess of market conditions or non-substantiated or pricing not tied to recognized market indices
0	Kohler cost increase in excess of market conditions or non-substantiated implemented in a non consensual manner

Informational Scores Only - The Ease of Doing Business and Advanced Procurement Scores are provided for information purposes only and are not included in the overall supplier score.

Ease of Doing Business – Comprised of three parts: responsiveness, governance, and technical support.

Responsiveness	4
Governance	4
Technical Support	<u>4</u>
Total Ease of Doing Business Points	12

Scoring Parameters and Corresponding Points (for each):

	Never		Average		Always
	0	1	2	3	4
Responsiveness - Quick and thorough to requests, reasonably accommodates changes					
Governance - Very little required in areas of Quality, Technical, or Delivery					
Technical Support - Provides accurate and acceptable solutions in timely manner					

Data Source:

The buyer, who should discuss the supplier's performance with other parties such as quality, engineering, and accounts payable, will determine this rating.

These three ratings are to be used for judging a supplier's performance in general areas that cannot be quantifiably measure. For example:

Responsiveness:	Is the supplier quick to make changes as requested, easy to deal with, and makes an effort to meet and exceed Kohler expectations?
Governance:	Does continual attention need to be paid to this supplier, monitoring of price changes without communication, or repeated contact to resolve issues?
Technical Support:	Does the supplier strive to find creative and sound solutions where applicable, working to improve costs, reduce defects, etc.?

UNCONTROLLED IF PRINTED

This manual is intended for use by Kohler Engines Division suppliers as a supplement to the Kohler Co. Global Supplier Quality Manual. To verify the latest version of this document, go to <http://www.kohlerengines.com/sqr/index.htm>. To access the Kohler Co. Global Supplier Quality Manual, go to www.kohler.com; Suppliers; Conducting Business.

Advanced Procurement – Comprised of two parts: Electronic Data Interchange (EDI) for purchase orders and invoices, and Leading Edge Procurement (LEP) for inventory.

Electronic Data Interchange	4
Leading Edge Procurement	4
Total Advanced Procurement	8

Scoring Parameters and Corresponding Points:

	% On	< 25	25+	50+	75+	100
LEP	Points	0	1	2	3	4

EDI One (1) point for electronic transactions occurring in each category

Purchase Orders from Kohler Co.

Invoices to Kohler Co.

Advanced Shipment Notice (ASN) to Kohler Co.

Electronic Funds Transfer (EFT) for payment from Kohler

Data Source:

LEP is determined by the percentage calculated below. This information is pulled from the Data Warehouse Spend Cube where available. Note that LEP can only be tracked for spend with material numbers, therefore when capturing information be sure to only measure LEP spend against total spend on material-numbered items (Denoted in the Data Warehouse as “SAP”).

Calculations:

$$\text{Leading Edge Procurement} = \frac{\text{Spend on LEP Materials}}{\text{Total Spend on Material-numbered Items}} \times 100\%$$

A sample scorecard is shown in the following pages.

This manual is intended for use by Kohler Engines Division suppliers as a supplement to the Kohler Co. Global Supplier Quality Manual. To verify the latest version of this document, go to <http://www.kohlerengines.com/sqr/index.htm>. To access the Kohler Co. Global Supplier Quality Manual, go to www.kohler.com; Suppliers; Conducting Business.

UNCONTROLLED IF PRINTED

This manual is intended for use by Kohler Engines Division suppliers as a supplement to the Kohler Co. Global Supplier Quality Manual. To verify the latest version of this document, go to <http://www.kohlerengines.com/sqr/index.htm>. To access the Kohler Co. Global Supplier Quality Manual, go to www.kohler.com; Suppliers; Conducting Business.

Quality

[illegible]

Supplier Corrective Action Requests

SCAR Count	SCAR #	Issue Date	Priority *	Part No.
New SCARs issued	0			
within the current scorecard month.				
Ref. Note 1.				

SCAR Response	SCAR#	Due Date	Response Date	Days Past Due
Avg. number of days past due	0			0.0
Includes SCARs responded to in current month, plus SCARs still open from previous months.				

Supplier Audits	Date	Rating	Audit Score
	8/17/2011	Approved	65.40

Plant Average Count	0	0.0
Points Awarded	15	5.0

Average Days Past Due	0.0
Points Awarded	5.0

New SCARs issued within current month		
Count	Plant Avg. Count	Points
	0	15
	1	10
	2	5
	3 or more	0

Supplier Response- Avg. No. of Days Past Due		
Response		
Total Possible Points		5.0
- Avg. No. of Days Past Due		0.0
= SCAR Response Score		5.0

Plant Average Count	0	0.0
Points Awarded	15	5.0

Average Days Past Due	0.0
Points Awarded	5.0

Supplier Audits	Date	Rating	Audit Score
	8/17/2011	Approved	65.40

Audit Score	Points
>= 60%	15
>= 40%	5

Delivery

[illegible]

Lead Time Improvement

Improvement	Lead-Time	Points
Points Awarded	< 1 day (24 hrs)	10
	< 3 days	8
	< 7 days	6
	< 15 days	4
	< 30 days	3
	> or = 30 days	2

Lead Time **	=	$\frac{\text{Lead Time in days} \times \text{Spend for each material number}}{\text{Total Spend for each material number}}$
--------------	---	-----------------------------------------------------------------------------------------------------------------------------

Price

		Trend		Terms		
Trend (ref. Note 2)	Buyer Rating (Points Awarded)	8	Rating Guideline	Points	Equivalent	Points
			Outstanding	15	60+	10
Payment Terms	Average DPO Equivalency		Positive Trend	12	50+	8
	Points Awarded	10	Neutral	8	40+	6
			Negative Trend	4	30+	4
					< 30	0

Ease of Doing Business

Doing Business		Points Awarded	Range
Responsiveness	Quick and thorough to requests, reasonably accommodates changes	4	4 Always
Governance	Minimal monitoring required in areas of Quality, Technical, or Delivery	4	3 Often
Technical Support	Provides accurate and acceptable solutions in timely manner	4	2 Average
			1 Rarely
			0 Never

Advanced Procurement

ed Procurement					%	Points
Leading Edge Procurement	LEP Spend	\$22,949			100	4
	Total Spend	\$50,014			75+	3
	LEP %	46%	LEP Points Awarded	1	50+	2
					25+	1
					>25	0
Electronic Data Interchange			EDI Points Awarded	4		

This manual is intended for use by Kohler Engines Division suppliers as a supplement to the Kohler Co. Global Supplier Quality Manual. To verify the latest version of this document, go to <http://www.kohlerengines.com/sqr/index.htm>. To access the Kohler Co. Global Supplier Quality Manual, go to www.kohler.com; Suppliers; Conducting Business.

Revision History			
Rev. Level	Date	Change Description	Changed By
M	12/1/2012	Significant changes to Quality section – weights, scores, calculations. Updated Advanced Procurement and Ease of Doing Business sections. Updated example scorecard.	Supplier Quality