SUPPLIER PERFORMANCE EVALUATION
1. Process Topic: Supplier Performance Monitoring / Evaluation

1.1 Objectives

To state the quality assessment, correction and response processes of Suppliers and the requirements that needs to be fulfilled to ensure development of acceptable quality standards.

The main attributes of Suppliers’ Performance under review are as follows:

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Description</th>
<th>Weightage</th>
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</thead>
<tbody>
<tr>
<td>1. Quality:</td>
<td>Deliver superior products and services</td>
<td>40%</td>
</tr>
<tr>
<td>2. Delivery:</td>
<td>Provide products and services at the tight time, in the right quantity and at the right price.</td>
<td>20%</td>
</tr>
<tr>
<td>3. Technology:</td>
<td>Utilize the best information, product manufacturing and delivery technologies</td>
<td>5%</td>
</tr>
<tr>
<td>4. Service:</td>
<td>Placing the customer as the number one priority and ensuring communication across every step of the process.</td>
<td>5%</td>
</tr>
<tr>
<td>5. Pricing:</td>
<td>Delivering competitive pricing based on volume purchasing through global procurement.</td>
<td>20%</td>
</tr>
<tr>
<td>6. Flexibility:</td>
<td>Responding to customers’ market demands for product, service and solution delivery worldwide</td>
<td>5%</td>
</tr>
<tr>
<td>7. RoHS/REACH:</td>
<td>Respond to PCI on RoHS REACH timely</td>
<td>5%</td>
</tr>
</tbody>
</table>

Grand Total 100%

Emphasis on Quality

PCI currently prioritize the Quality attribute (40% of total) in evaluating suppliers’ performance as we feel that it is the most important factor in maintaining high levels of customer satisfaction at the end of the line. With better quality products, fewer costs will be incurred - hence maintaining a lean and profitable margin for the whole supply chain stakeholders. In turn, business continuity is ensured with returning, satisfied customers. Other attributes like Flexibility and Service are also significant to take note and be concerned of, as suppliers should aim to achieve a high performance of >75% in total to maintain their position in PCI’s approved vendor list.

Rejects and nonconformance of materials are all costly and complex to remedy with a lot of wasted resources spent on them. PCI strives to develop an integrated process with Suppliers with the aim to relieve materials and parts as defects-free. As such, strict implementation is needed at both PCI and Suppliers to be disciplined in applying Predictive & Preventive Maintenance, and fast deployment of resources to get rid of rejects and potential issues in future projects.

There are 2 Main process flows: SCAR response and Routine Quality Review
1.2 Process Flowchart

*PCI Reference: Document OF-30003*

**Audit & Supplier Reject Note (SRN)**

- SRN issued from PCI to Supplier
- Respond to SRN with containment action within 24 hrs and final response in 7 days, or request for a reasonable extension
- If SRN is not accepted by PCI (problem not solved), meet SQEs for discussion
- Allow PCI to audit the containment and corrective actions that were implemented
- Allow re-audit by PCI SQEs if necessary
- Correct procedures verified and achieved results

Need to do

1) Suppliers will from time to time, receive Supplier Reject Notes (SRN) and rejected samples from PCI.
2) Respond to SRN with containment action within 24 hours of receiving request and full SRN response within 7 working days of receiving request, giving a reasonable, specific date that a SRN report can be submitted to PCI
3) Submit SRN report according to the rejected part(s) involved using 8 Discipline (8D) methodology
4) If report is not accepted/not considered to be addressing the full scale of the issue, PCI SQEs will ask for a meeting with Supplier for further discussion
5) Supplier is requested to carry out improvement plans and allow SQEs to audit, and upon request and with full cooperation, in terms of the effectiveness of containment and corrective actions proposed
6) Correct procedures implemented and verified during the audit.
**Routine Quality Review**

1. **Consolidated Quality Problems and NCNRs / Quality Results**
2. **Notified for follow up on Quality issues**
3. **Submit Supplier Improvement Plan to Supplier Quality Engineers (SQEs)**
4. **Meeting with SQEs to discuss Improvement Plan**
5. **Verify Improvements and check for reoccurrence**
6. **If reoccur, allow PCI for on-site verification of Improvement Plan**
7. **Relook into Improvement plans by SQEs if verification failed**
8. **Allow re-audit by PCI SQEs if necessary**
9. **Correct procedures implemented and passes the audit**

*PCI Reference: Document OF-30003*

**Need to do**

1. Respond to notification of Quality issues
2. Supplier prepare and submit Supplier Quality Improvement Plan (QC tools, 6 sigma analysis, etc + documents & photographs) within 7 days upon notification
3. Verify effectiveness of corrective plans and monitor re-occurrence
4. If there is re-occurrence, Supplier shall allow PCI, upon request and with full cooperation, for an on-site audit on the Improvement Plan proposed
5. Correct procedures implemented and passes the audit

**1.3 Important Requirements**

1. Supplier Quality Improvement Plan
2. 8 Discipline (8D) Report
3. Respond to SCARs and NCMRs: containment action within 24 hours and full report within 7 days
4. Cooperate with SQEs with audit whenever necessary to allow swift settlement of issues and rejects.
1.4 Notes

Supplier Quality Improvement Plan

Suppliers have the liberty to submit their own Quality Improvement Plan. The main content should comprise of improvement procedures and instructions that will be implemented to prevent occurrence of the same/potential quality issues in the future. Some of the suggested contents that should be submitted together with the Plan are:

1) Quality Control tools
2) 6 sigma analysis
3) Verification photographs
4) 8 Discipline (8D) report

The brief structure of the plan shall include:

<table>
<thead>
<tr>
<th>Name of Supplier:</th>
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<tbody>
<tr>
<td>Type of Defect</td>
</tr>
<tr>
<td>1) Defect#1</td>
</tr>
<tr>
<td>2) &quot;&quot;</td>
</tr>
<tr>
<td>3) &quot;&quot;</td>
</tr>
</tbody>
</table>

Suppliers can approach PCI’s Supplier Quality Engineers to confirm the comprehensiveness of the Plan needed to pass our quality audit.

Supplier Audit Process

PCI’s audit of suppliers follows an extensive range attributes and coverage from Quality Control Administration, Incoming / Outgoing / Processing Control, to Environmental Protection Systems. Refer to Supplier Selection Audit Checklist Form for a full listing and their respective requirements to fulfill these quality attributes. However, at specific sections of rating like Quality Management and Performance Review stage, only some of the attributes which is related to that section’s failure will be audited.

Maintaining in the AVL

For Suppliers to remain in our AVL, Suppliers will have to pass PCI’s quality ratings from the audits. Failing to do so consistently with no sign of improvement efforts from the Supplier will constitute a halt on future award of projects and finally delisting from our AVL.
Nonconformance Settlement Procedures

1) Upon receiving notification from PCI NCMR Central, Suppliers are to advice PCI on the disposition of the reject within 5 working days. Else, PCI disposition for the reject will be consider as accepted by the supplier.

2) If corrective action is required, the Supplier will need to submit the CAR within 3 working days from SRN release. If additional time is required, please substantiate request with valid reason. Else, points will be deducted from the monthly scoring system.
3) In event of dispute, the Supplier are required to substantiate the reason of dispute with relevant data or supporting document to PCI via return mail within 7 working days. SQE will then work with the Supplier on the outstanding claim.

1.5 Forms Reference

1) 8 Discipline (8D) Report (to be hyperlinked)
2) Supplier Corrective Action Request (SCAR) (to be hyperlinked)
3) Supplier Reject Note (SRN) (to be hyperlinked)
4) Supplier Selection Audit Checklist (SSAC) (to be hyperlinked)