

AM General

Supplier Scorecard Guide

Revision Date: April 30, 2020

Approved

Approved

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General Information

The AM General Supplier Scorecard System is a tool used to facilitate open communication between AM General and our suppliers. The System is comprised of both weekly progress reports as well as a monthly scorecard that encompasses performance metrics for specified categories. The System is used to assist in the day to day management of our parts and materials and is an integral part of the AM General supplier source selection process. This Guideline discusses the generation of the weekly progress reports and scorecards as well as the execution of the supplier scorecard system.

Progress reports and scorecards are generated for each individual supplier who provides material or parts to any of the AM General facilities. Using a multi-departmental approach (Materials, Quality, Finance and Supply Chain Management), supplier performance metrics are captured on a weekly basis and are used to create weekly progress reports that will be shared with suppliers. Weekly metrics are tracked and depict the supplier's performance related to Ontime Delivery (Percent Ontime), Parts per Million Defective (PPM), Disruptions (Corrective Action Request (CAR), Cost Recovery, Controlled Shipping), Cost Reduction and Invoice Accuracy. Weekly reports are also distributed internally within the AM General departments. Both suppliers and AM General are made aware of any potential emerging issue that can then be rectified at the outset.

Weekly metrics for each of the above specified categories are summarized into a supplier's monthly scorecard which is also provided to suppliers and distributed internally. The monthly scorecard identifies the supplier's overall rating and is considered within sourcing strategies and final source selection determinations. Both weekly progress reports and monthly scorecards convey historical as well as current performance data. Weekly tracking of performance metrics enables the supplier and AM General to work together to identify and address any potential issues on a timely basis.

For Scorecard System purposes, a week is defined as Saturday through Friday. A month begins on the first Saturday of a month and ends on the Friday immediately preceding the first Saturday of the next month. Likewise, a year begins on the first Saturday of a year and ends on the Friday immediately preceding the first Saturday of the next year.

Scorecard Elements and Derivation

- **Ontime Delivery-** A supplier's Ontime Delivery metric comprises 25% of the supplier's overall weighted average. Ontime Delivery is calculated by deriving the ratio of Open Schedule Items-Late Open Schedule Lines divided by Open Schedule Lines.

The Ontime Delivery percentage is compared to the Ontime Delivery scale (see page 2 of the attached supplier scorecard). AM General identifies an Ontime Delivery scale of 1 to 10, with 10 being the supplier's goal. The achieved measure (1 through 10) is then multiplied by the 25% Ontime Delivery weighted average to derive the Ontime Delivery contribution to the overall scorecard rating.

- **Parts Per Million (PPM)-** A supplier's PPM metric comprises 25% of the supplier's overall weighted average. PPM is calculated by tallying the number of nonconforming parts, dividing by the total number of received parts, and then multiplying by 1,000,000. AM General's Discrepant Material Process is used to determine the number of nonconforming parts, with materials either returned to the supplier or scrapped (and designated "supplier responsible") considered to be "nonconforming". "Received" parts is the sum of receipts for all AM General facilities.

The supplier's PPM ratio is compared to the PPM scale (see page 2 of the attached supplier scorecard). AM General identifies a PPM scale of 1 to 10, with the supplier's goal being a 9 or 10. The achieved measure (1 through 10) is then multiplied by the 25% PPM weighted average to derive the PPM contribution to the overall scorecard rating.

- **Disruptions-** A supplier's disruptions metric comprises 25% of the supplier's overall weighted average. Disruptions include CARs, Cost Recovery and Controlled Shipping and are weighted based on severity. The severity weighting reflects the level of disruption to the issuing organization and the additional administrative burden resulting from the disruption. The Disruptions metric is calculated by summing the (number of Supplier Initiated CARs * 1) + (number of Plant Initiated CARs * 2) plus (number of Cost Recoveries * 3) plus (number of Controlled Shipping * 10).
 - CARs- (Corrective Action Requests)
 - Supplier Initiated: Proactive notification from supplier of possible nonconforming material spill
 - Plant Initiated: Discovery of nonconforming material by AM General's manufacturing or quality organization
 - Cost Recovery- Recovery of costs because of nonconforming material in the manufacturing facility
 - Controlled Shipping- Breaks in containment or ineffective corrective activities for a known nonconformity

The sum total of the above weightings is compared to the Disruptions scale (see page 2 of the attached supplier scorecard). AM General identifies a Disruptions scale of 1 to 10, with the supplier's goal being a 9 or 10. The achieved measure (1 through 10) is then multiplied by the 25% Disruptions weighted average to derive the PPM contribution to the overall scorecard rating.

- **Cost Reduction-** A supplier's cost reduction metric comprises 15% of the supplier's overall weighted average. Achieved cost reductions are recognized through a higher rating. Cost reduction is assessed as follows:
 - Cost reduction is recognized, representing a decrease = 10
 - Cost remains constant = 5
 - Cost reduction is not recognized- representing an increase = 1

The supplier's assessment is compared to the Cost Reduction scale (see page 2 of the supplier scorecard). AM General identifies a Cost Reduction scale of 1, 5 or 10, with the supplier's goal being a 10. The achieved measure (1, 5 or 10) is then multiplied by the 15% Cost Reduction weighted average to derive the Cost Reduction contribution to the overall scorecard rating.

- **Invoice Accuracy-** A supplier's invoice accuracy metric comprises 10% of a supplier's overall weighted average. Invoice accuracy is computed by reviewing a supplier's invoices and determining the ratio of those invoices able to be processed without revision ("first pass yield") to those invoices submitted with errors: (Number of Invoices processed – Invoices submitted with errors) divided by Number of Invoices processed.

The supplier's assessment is compared to the Invoice scale (see page 2 of the supplier scorecard). AM General identifies an Invoice Accuracy scale of 1 to 10, with the supplier's goal being a 10, 9, 8 or 7. The achieved measure (1 through 10) is then multiplied by the 10% Invoice Accuracy weighted average to derive the Invoice Accuracy contribution to the overall scorecard rating.

Supplier's Overall Rating

A supplier's overall rating is calculated by summing each of the above Scorecard Element contributions. This sum is then multiplied by 100 and a supplier's overall rating is identified as follows.

- Premier- Suppliers who achieve an overall rating score between 1000 and 931
- Preferred- Suppliers who achieve an overall rating score between 930 and 750
- Satisfactory- Suppliers who achieve an overall rating score between 749 and 597
- Poor- Suppliers who achieve an overall rating score between 596 and below

Supplier Scorecard Usage

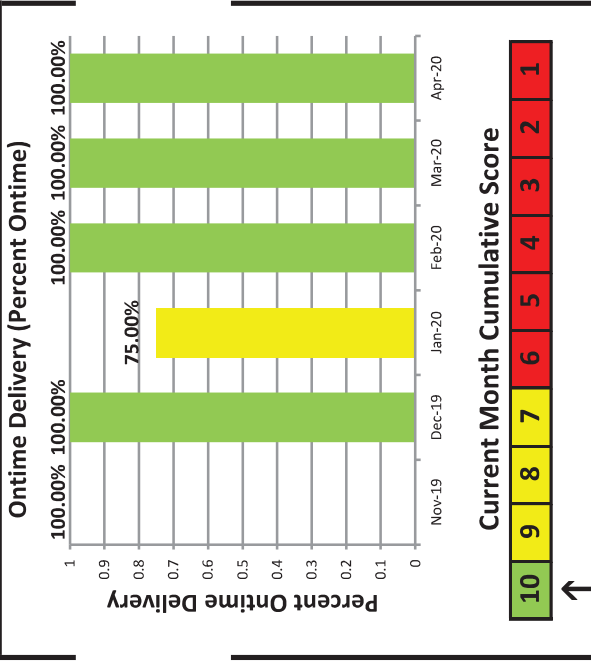
Supplier Weekly Progress reports are generated and disseminated to suppliers on a weekly basis. Suppliers' weekly performance is tracked by AM General and form the basis of cumulative, monthly Supplier Scorecard reports.

- Communication: Suppliers are encouraged to review their weekly progress reports and provide any comments or questions to the AM General departmental representative identified on the report. The weekly progress reports are used to convey a supplier's performance on a timely basis and create an opportunity to identify any issues or concerns in a timely manner which then supports immediate resolution. Monthly scorecards are used to tally and track supplier performance metrics. Inquiries regarding process and/or metric data on the monthly scorecards should be sent to ariba.admin@amgeneral.com.
- Source Selection Process: Scorecards are considered at two points during the AM General Source Selection Process. In the event a supplier is new to AM General, a "neutral" scorecard will be considered.
 - Identification of potential RFQ recipients for new sourcing efforts
 - Selection of awarded supplier.

Attachments:

AM General Supplier Scorecard Monthly Report
AM General Supplier Scorecard Weekly Progress Report

Supplier Number-Supplier Name-Monthly Scorecard

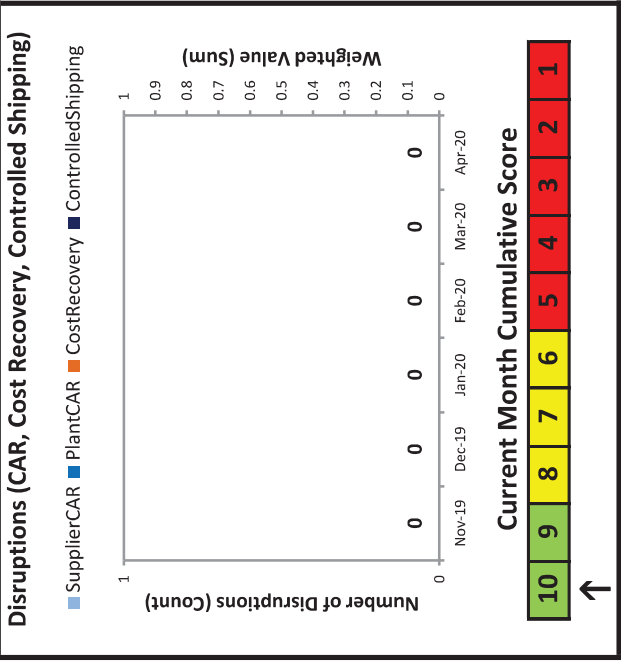
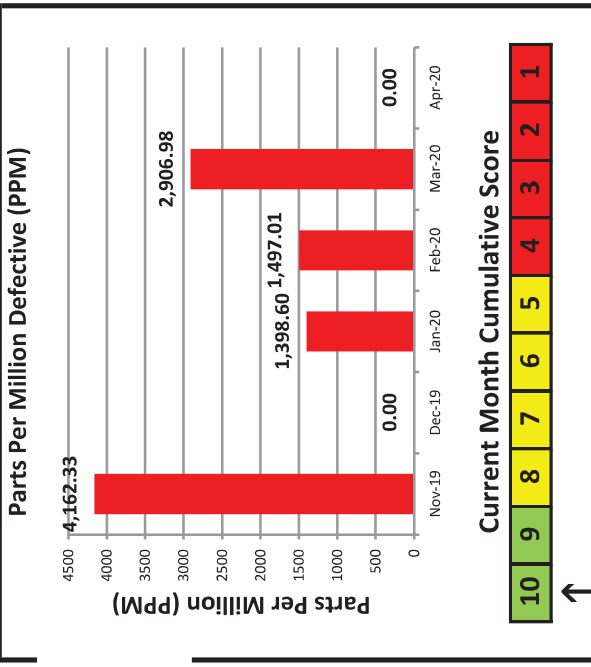


Score for Current Month

925

Preferred

Category	Score	Weight
On-time Delivery	10	X 25%
PPM	10	X 25%
Disruptions	10	X 25%
Cost Savings	5	X 15%
Invoice Accuracy	10	X 10%
Total	9.25	X 100

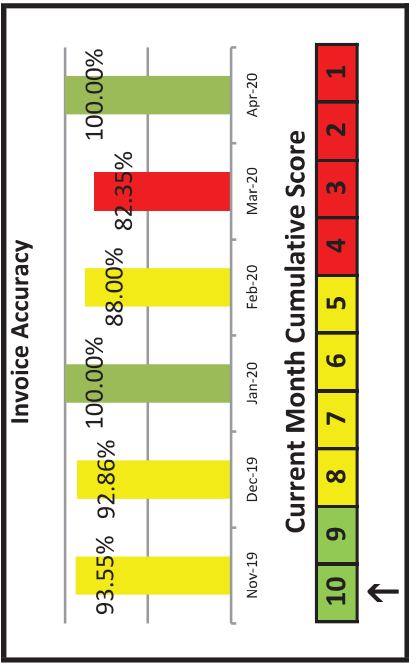
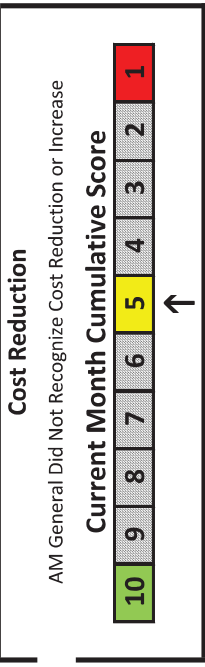


Score for Rolling 6 Months

749

Preferred

Category	Score	Weight
On-time Delivery	9.7	X 25%
PPM	4.0	X 25%
Disruptions	10.0	X 25%
Cost Savings	5.8	X 15%
Invoice Accuracy	7.0	X 10%
Total	7.49	X 100



Supplier Number-Supplier Name-Monthly Scorecard

Overall Scorecard

Calculated by summing the Weighted Score from each Measurement and then multiplying by 100. The total Score calculated will fall into one of four distinct categories: Premier, Preferred, Satisfactory, and Poor.

Premier 1000 to 931	Preferred 930 to 750	Satisfactory 749 to 597	Poor 596 and Below
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The Goal for the Overall Scorecard is be in the Premier category

Ontime Delivery (Percentage Ontime)

Calculated by totaling the number of past due parts and the total number of parts ordered over the course of a Calendar Month and then performing the calculation- 1-(past due/total parts). The result is the percentage of parts ordered that were delivered on time for the month

10 100-90%	9 89-80%	8 79-70%	7 69-60%	6 59-50%	5 49-40%	4 39-30%	3 29-20%	2 19-10%	1 9% and ↓
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The Goal for this Measure is 10. Overall Scorecard Weight for this Measurement is 25%

Parts Per Million Defective (PPM)

Calculated by Number of Nonconforming Parts divided by Total Number of Received Parts times One Million. Counts of Defective Parts and Received Parts are made each Calendar Month for this measurement. Number of Nonconforming comes from Discrepant Material Process within AM General. Materials that are returned to the supplier or scrapped and have been designated Supplier Responsible will be counted as Defective. Received is the sum of receipts for all facilities.

10 0-25	9 26-50	8 51-100	7 101-200	6 201-300	5 301-400	4 401-500	3 501-700	2 701-900	1 ↑ 901
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The Goal for this Measure is 10 or 9. Overall Scorecard Weight for this Measurement is 25%

Disruptions (CARs, Cost Recovery, Controlled Shipping)

Calculated by summing the number of Corrective Actions, weighted by severity and initiated by AM General because of a Supplier Caused issue, over the course of a Calendar Month. The severity weighting reflects the level of disruption to the issuing organization and the additional administrative burden incurred as result of the disruption. Weighting for Quality-related disruptions are: proactive notification from supplier of possible nonconforming material spill(CAR)-1 point, discovery of nonconforming material by the manufacturing or Quality Organization of AM General(CAR)-2 points, recovery of costs because of nonconforming material in the manufacturing facility(Cost Recovery)- 3 points, and breaks in containment or ineffective corrective activities for a known nonconformity(Controlled Shipping)- 10 points.

10 0 Points	9 1 Point	8 2 Points	7 3 Points	6 4 Points	5 5 Points	4 6 Points	3 7-8 Points	2 9-10 Points	1 ↑ 10
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The Goal for this Measure is 10 or 9. Overall Scorecard Weight for this Measurement is 25%

Cost Reduction

A supplier's cost reduction metric comprises 15% of the supplier's overall weighted average. Achieved cost reductions are recognized through a higher rating. Cost reduction is assessed as follows:

-Cost reduction is recognized, representing a decrease- 10 Points

-Cost reduction is not recognized- representing an increase- 1 Point

- NOTE - If Number of Received Parts = 0 then Cost Reduction defaults to 5

10 Recognized Reduction	9	8	7	6	5 No Increase or Reduction	4	3	2 Increase in Pricing	1
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The Goal for this Measure is 10. Overall Scorecard Weight for this Measurement is 15%

Invoice Accuracy (First Pass Yield for Invoice Processing)

Calculated by the number of invoices that are able to be entered by AM General Accounts Receivable that do not require additional processing due to missing or incorrect information on the invoice, divided by the total number of invoices that are processed.

10 100%	9 99%	8 98-97%	7 96-94%	6 93-90%	5 89-85%	4 84-79%	3 78-72%	2 71-60%	1 ↓ 60%
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The Goal for this Measure is 10 or 9. Overall Scorecard Weight for this Measurement is 10%

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Inquiries regarding process and/or metric data can be sent to ariba.admin@amgeneral.com

Supplier Scorecard Weekly Progress Report

For Date Period: Week Number (Date Period of Week)

Supplier ID **Supplier Number-Supplier Name**

Supplier Contact(s):	AM General Buyer(s):
name@domain.com	name@amgeneral.com
AM General Supplier Quality Engineer(s):	AM General Planner(s):
name@amgeneral.com	name@amgeneral.com

Prior Scorecard History

Month	Measures					Total Score	Ranking
	Ontime Delivery	PPM	Disruptions	Cost Reduction	Invoice Accuracy		
Nov-19	10	1	10	5	7	670	Satisfactory
Dec-19	10	10	10	5	6	885	Preferred
Jan-20	8	1	10	10	10	725	Satisfactory
Feb-20	10	1	10	5	5	650	Satisfactory
Mar-20	10	1	10	5	4	640	Satisfactory

Measures defaulted because of no activity are shaded Orange

Description of the Measures

Ontime Delivery 25% of Tot

10	9	8	7	6	5	4	3	2	1
100-90%	89-80%	79-70%	69-60%	59-50%	49-40%	39-30%	29-20%	19-10%	9% and ↓

Ontime Delivery = (Open Schedule Lines - Late Open Schedule Lines) / Open Schedule Lines

Note- If Open Schedule Lines = 0 then Ontime Delivery will default to 100%

Parts Per Million Defective (PPM) 25% of Total

10	9	8	7	6	5	4	3	2	1
0-25	26-50	51-100	101-200	201-300	301-400	401-500	501-700	701-900	↑ 901

PPM = Number of Nonconforming Parts / Number of Received Parts * 1,000,000

NOTE- If Number of Received Parts = 0 but Number of Discrepant Parts is > 0 then PPM will default to 100. If both are 0 then PPM will default to 0

Disruptions (CAR-Corrective Action Request, Cost Recovery, Controlled Shipping) 25% of Total

10	9	8	7	6	5	4	3	2	1
0	1	2	3	4	5	6	7-8	9-10	↑ 10

Disruptions = (# of Supplier Initiated CARs * 1) + (# of Plant Initiated CARs * 2) + (# of Cost Recoveries * 3) + (# of Controlled Shipping * 10)

Cost Reduction 15% of Tot

10					5				1
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Cost reduction is recognized, representing a decrease- 10 Points

Cost remains constant- 5 Points

Cost reduction is not recognized- representing an increase- 1 Point

NOTE-If Number of Received Parts = 0 then Cost Reduction defaults to 5

Invoice Accuracy (First Pass Yield for Invoice Processing) 10% of Total

10	9	8	7	6	5	4	3	2	1
100%	99%	98-97%	96-94%	93-90%	89-85%	84-79%	78-72%	71-60%	↓ 60%

Supplier Scorecard Weekly Progress Report

Invoice Accuracy = (Number of Invoices Processed - Number of Invoices with Errors) / Number of Invoices Processed

NOTE-If Number of Invoices Processed = 0 then Inventory Accuracy defaults to 100%

Current Month Performance- to date

Month	Measures					Total Score	Ranking
	Ontime Delivery	PPM	Disruptions	Cost Reduction	Invoice Accuracy		
Apr-20	10	10	10	5	10	925	Preferred

Measures defaulted because of no activity are shaded Orange

Current Week Performance

Ontime Delivery

Concerns, Please Contact AMG Planner

Result	Score
100%	10

PPM

Number of Parts Received

15
0

PPM Result

0.00	10
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Number of Discrepant Parts

PPM Result = Number of Discrepant Parts / Number of Parts Received * 1,000,000

NOTE-If there are no receipts in the observed period then PPM will not be calculated

Discrepant Parts Detail:

Notification	Material	Concern	AMG Plant	Date

Concerns, Please Contact AMG Supplier Quality Engineer

Disruptions

Supplier Initiated Corrective Action

0
0
0
0

Plant Initiated Corrective Action

Cost Recovery

Controlled Shipping

Disruption Result	Score
0	10

Concerns, Please Contact AMG Supplier Quality Engineer

Cost Reduction

Score
5

Concerns, Please Contact AMG Buyer

NOTE-If there are no receipts in the observed period then Cost Reduction will not be calculated

Invoice Accuracy

Number Of Invoices Processed

1
0

Invoices With Errors

Invoice Accuracy Result

100%	10
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Concerns, Please Contact AMG Buyer

NOTE-If there are no invoices in the observed period then Invoice Accuracy will not be calculated

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