

SRS



Pratt & Whitney

A United Technologies Company

**Pratt & Whitney Rocketdyne (PWR)
Canoga Park**

June 26, 2009

Supplier Rating System

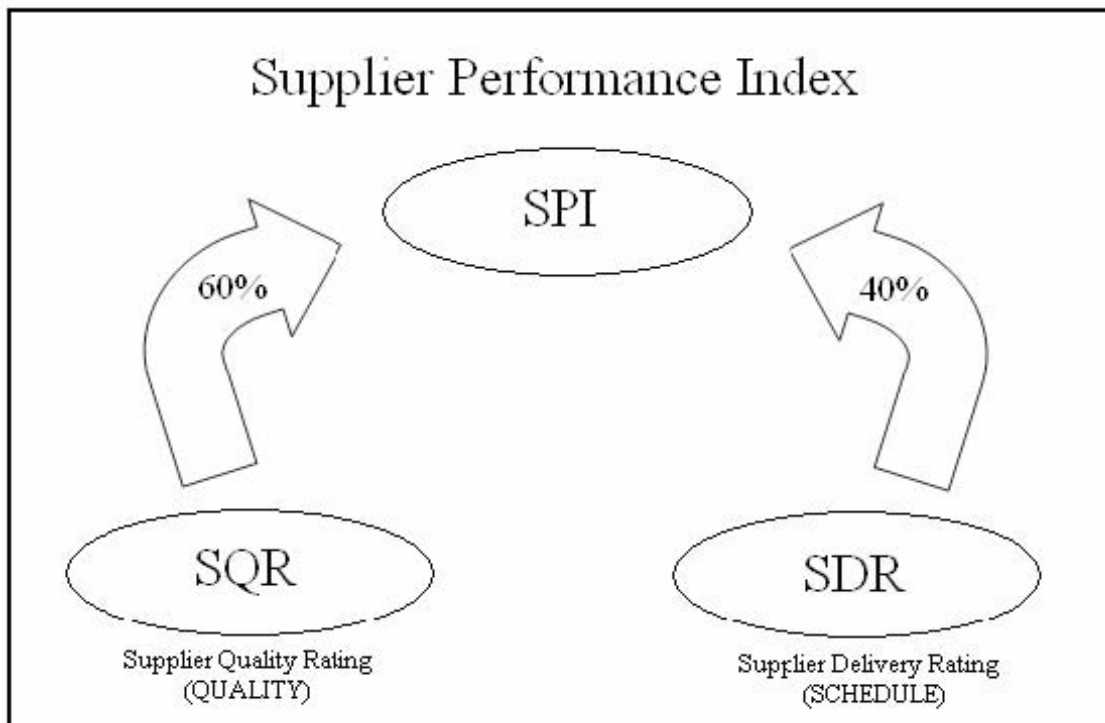
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As a supplier to Pratt & Whitney Rocketdyne, you should know about our supplier rating system. To provide you with a better understanding of this program, we have prepared this pamphlet to answer many frequently asked questions about the program.

Your performance will be expressed in terms of a Supplier Performance Index (SPI).

What is the SPI?

The supplier quality rating and the supplier delivery rating are combined as shown in the chart to develop the Supplier Performance Index (SPI).



Suppliers may access their Supplier Profile from the PWR Supplier Portal monthly and view their 12 months history of Quality and Delivery Performance. Sufficient back up information shall be provided to allow suppliers to review

their ratings.

As a first time PWR supplier, how do I obtain my SPI?

Supplier ratings are calculated monthly and are derived from performance data for a 12 month rolling period. A supplier’s SPI will be used to evaluate proposals:

- 1 After 3 or more receipts within a 12 month period **OR**
- 2 After receipts have totaled \$5,000 or more.

$$2 - \frac{(SQR * .60 + SDR * .40)}{100} = SPI$$

Here are some sample calculations:

$$2 - \left(\frac{SQR * .60}{100} + \frac{SDR * .40}{100} \right) = SPI$$

SUPPLIER A $2 - (0.588 + 0.400) = 1.012$

SUPPLIER B $2 - (0.582 + 0.388) = 1.030$

SUPPLIER C $2 - (0.528 + 0.352) = 1.120$

How is the SPI used?

PWR buyers use the SPI as the primary factor in their evaluation of supplier proposals for inspected items.

The example below illustrates how it works.

	<u>SUPPLIER A</u>	<u>SUPPLIER B</u>	<u>SUPPLIER C</u>
QUOTED PRICE	\$1,035.00	\$1,050.00	\$1,023.00
multiplied by SPI	1.012	1.03	1.12
EVALUATED PRICE	\$1,047.42	\$1,081.50	\$1,145.76

Supplier A could be selected for the award, even though their quoted price was not the lowest. The closer a supplier’s SPI is to 1.000, our experience indicates, the more likely they will meet PWR’s quality and delivery requirements.

What data makes up the Supplier Quality Rating?

Rejections found at Source inspection, Receiving Inspection or Line rejections affect the Supplier Quality Rating. Source rejections create data prior to receipt. Line Rejections are based upon the rejected product being received in the prior 12 month period. Within the database, this activity is loaded as pieces rejected.

How the Supplier Quality Rating (SQR) is calculated:

The measure of pieces accepted divided by the pieces received in the 12 month reporting period including Source and Receiving Product Acceptance and Line Rejections found on the shop floor.

Timeframe: January 06 - December 06 (Reported in January 07)

	Pieces Received	Pcs Rejected	Pcs. Accepted
Jan	1748503	48503	1700000
Mar	1700830	25830	1675000
Dec	1553984	28984	1525000
Total	5003317	103317	4900000

Pieces Accepted = 98% Pieces Received

Resulting in a Supplier Quality Rating of:

$$\frac{\text{Pieces Accepted}}{\text{Pieces Received}} = \left\{ \frac{4900000}{5003317} \right\} = 98\%$$

Here are some sample calculations:

	Pieces Received	Pieces Rejected	Pieces Accepted	Supplier Quality Rating
SUPPLIER A	1337	2	1335	99.9
SUPPLIER B	630	10	620	98.4
SUPPLIER C	5640	544	5096	90.4

How does the Rejection Data Process work for the Supplier Quality Rating?

Supplier Quality Ratings are derived from inspection data for inspected hardware purchase orders. Nonconformance reports from Receiving, Source or Line inspections begin a process where responsibility is determined and data is entered into the Purchase Order Database.

Rejection Liability Coding

These are the liability assignments used in assigning rejection liability codes:

R – PWR responsibility

S – Supplier responsibility (adversely affects Supplier Quality Rating)

L – Line Rejection (adversely affects Supplier Quality Rating)

Trending Information Only:

O – Line Rejection (Found outside the current 12 month window) M – Not supplier Fault for Line Rejection

Liability Determination

The determination of responsibility for rejection is made by the product acceptance inspection process. When Supplier “liability,” as the data field is identified, is determined, notices to this effect are immediately sent to the supplier by electronic facsimile transmission and to the PWR buyer.

Liability Reversal

Suppliers may seek a liability reversal through the PWR buyer for the affected purchase order. Suppliers may dispute a rejection liability by submitting documentation to the Buyer within one year from the original rejection liability. When this information is presented to the PWR Quality Assurance analyst, a review will be performed and the database corrected accordingly, if required. If the dispute request is not granted, the request for reversal of liability may be presented to Supplier Quality management for arbitration. Reversals are reviewed and analyzed regularly to determine if PWR corrective action is required.

Corrective Action

All nonconformances are assessed to determine the need for supplier corrective action. Corrective action requirements are processed in separate correspondences.

Management Review

Disagreement about liability assignment, initial or reversal is resolved by Supplier Quality, the final authority being the Director of Product Acceptance. Comments from suppliers and questions may be directed to (818) 586-7566.

How is the Supplier Delivery Rating (SDR) calculated:

The supplier delivery rating (SDR) is obtained from this formula:

$$\text{Number of Pieces Received on Time} / \text{Number of Pieces Scheduled} = \text{SDR}$$

A supplier may deliver up to 30 days prior to the scheduled purchase order delivery date and five days late. The only exception to late delivery is when the delivery terms are noted as Freight on Board (FOB) Supplier’s Facility on the purchase contract, then 7 days are added to the P.O. delivery schedule date before any penalty is assessed. Otherwise, the P.O. delivery date is based on the date that the shipment is delivered to its destination.

EARLY DELIVERY

Any accelerated delivery will be at no additional expense to Buyer or the Buyer’s Customer and must be coordinated with the buyer. Notwithstanding anything to the contrary elsewhere in the purchase order, the payment-due date for deliveries made in accordance with the terms of the PO shall be computed from the latest of Buyer's scheduled delivery date (as stated in the PO), the actual delivery date, or the date of receipt of a correct invoice (if applicable).

BEHIND DELIVERY:

If 10 pieces are scheduled for delivery on a given date and only 9 are delivered, the supplier will be given credit for the partial delivery. The one remaining piece will be counted as “behind”

Sample calculations:

A. 60 pieces received on the purchase contract schedule date:

60 Pieces on time / 60 pieces scheduled = 100% SDR

B. 60 Pieces received 5 days after the purchase contract schedule date, FOB Seller’s Plant:

60 Pieces on time / 60 pieces scheduled = 100% SDR

C. 59 pieces received on time, 106 pieces due on the purchase contract schedule: 59

Pieces on time / 106 scheduled = 56% SDR

D. 13 pieces received on time, 49 pieces due on the purchase contract schedule, 1 piece delivered early:

13 Pieces on time / 49 pieces due = 27% SDR

How does the Schedule Review Process work?

Supplier delivery ratings are derived from the purchase order schedule and receiving data for purchase orders for inspected items. Data will be collected monthly for each supplier.

Data Verification

At the end of each month, a report will be generated for each supplier, which will show for each scheduled delivery during the month, the actual receipt or non-receipt of the item. It will also show any additional receipts during the month and the actual schedule for that receipt. It will also reflect how many days late or early a given delivery is. These reports will be visible through the secure PWR Supplier Portal.

Suppliers will have one week to review the information and inform the buyer if any problems are discovered. If there are instances in which schedule relief should have been granted, the buyer shall institute a change notice. If agreement on schedule relief cannot be reached, the buyer shall refer the information to the buying manager or upper management for resolution. Suppliers will be notified of the final disposition of their request.

Management Review

Disagreement about early/late deliveries or issues related to the purchase order schedule will be resolved with the buyer, the final authority being the Manager of Supply Management Site Support. The Manager of Supply Management Site Support welcomes comments from suppliers and may be contacted by phone at (818) 586-4032.