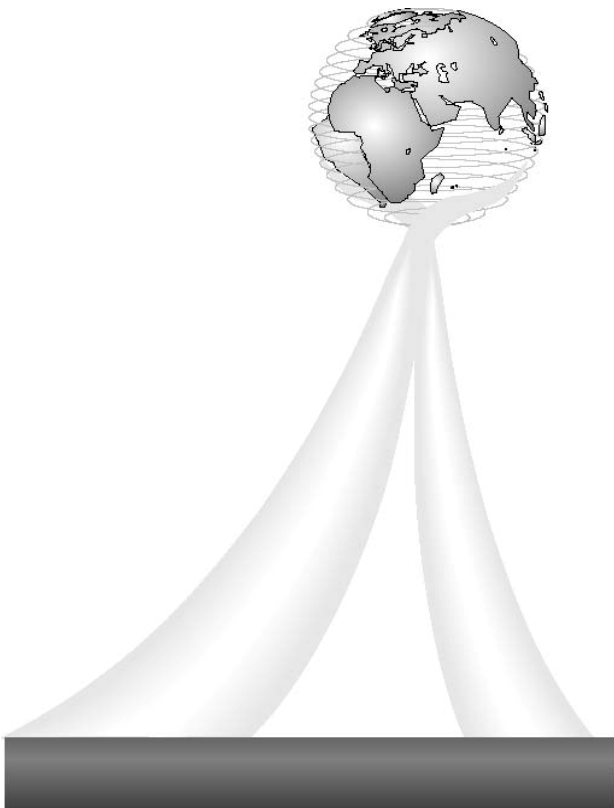


# ACS Vendor Scorecard



# Introduction



The products, services and technologies of Honeywell Automation and Control Solutions (ACS) are at work in 100 million homes and five million buildings worldwide. Not to mention planes, trains and automobiles. We also monitor and control processes to improve the productivity of complex industrial plants. And we help make it possible to miniaturize sophisticated, implantable medical devices. ACS is the world's leading manufacturer in automation and control systems and we constantly strive to create and manage a highly reliable, competitive supply chain. Fundamentally, we envision this as an integrated chain wherein all members work together to eliminate unnecessary activities and align their business strategies to delight the final customer.

To compete in today's demanding marketplace, Honeywell and its suppliers must be the recognized leaders in our chosen markets, providing responsive, quality solutions to improve customer's competitiveness. To measure supplier progress towards this quest, the ACS Vendor Service Rating Scorecard was established to communicate measured performance.

# Purpose



The purpose of the ACS Vendor Scorecard is to communicate key supplier performance metrics that align with Honeywell's business objectives. The program rewards suppliers based on data, serves as a foundation for continuous improvement, and assists with future sourcing decisions.

## ACS Vendor Scorecard System

Our vendor scorecard rating system consists of the following focus areas:

**Delivery:** On-time performance compared to expected dates

**Lead Time:** Days required to deliver needed components to Honeywell

**Quality:** As measured in Parts Per Million Defective (PPM)

**Productivity Savings:** Suppliers' contributions in helping to meet our productivity goals

**Payment Terms:** Helping Honeywell manage its working capital

# Scope

The ACS Vendor Scorecard System applies to a select group of Honeywell suppliers we believe to be critical links in our supply chain.

# Benefits

The ACS Vendor Scorecard will benefit both Honeywell and our suppliers. To achieve the benefits, members in the supply chain must willingly share information by establishing open communication and fostering trust.

## Supplier Benefits:

- Clearly stated performance expectations
- Improved communication
- The ability to Earn, Keep and Grow our business relationship
- Objective data to measure your performance
- Improved overall competitiveness in the market

## Honeywell Benefits:

- Clearly communicated performance expectations to our supply base
- Closer relationships with our suppliers
- Better understanding of our supply base's overall performance
- Closer alignment between our customers' needs and our suppliers' capabilities

# ACS Vendor Scorecard Point System

Each month, Suppliers will receive a **Monthly** and **Year-to-Date** performance score based on the five focus areas:

- |                                |                         |
|--------------------------------|-------------------------|
| <b>1. Delivery</b>             | (0 to <b>20</b> points) |
| <b>2. Lead Time</b>            | (0 to <b>20</b> points) |
| <b>3. Quality</b>              | (0 to <b>20</b> points) |
| <b>4. Productivity Savings</b> | (0 to <b>20</b> points) |
| <b>5. Payment Terms</b>        | (0 to <b>20</b> points) |

The maximum possible score for the Month or Year-to-Date is **100 points**)

# ACS Scoring Details

## 1. Delivery Scoring (On Time To Request)

**OTTR** is the percentage of **parts** that are delivered on time to the requested date on the Purchase Order. A shipment received **on** the requested date, or no more than **five working days early**, is considered to be “ON TIME”.

Points	On Time To Request Delivery Record (OTTR)
20	OTTR is 100% to 98%
17	OTTR is < 98% to 95%
15	OTTR is < 95% to 90%
9	OTTR is < 90% to 80%
6	OTTR is < 80% to 70%
3	OTTR is < 70% to 60%
0	OTTR is < 60%

$$\frac{\text{\# of Units Received On-time}}{\text{Total \# of Units Received}} \times 100$$

## 2. Lead Time Scoring ( LT )

**Lead Time** is the agreed-to number of days the Supplier will require to deliver product to Honeywell’s dock when a purchase order is received. The supplier’s agreed-to lead time for each item is entered into Honeywell’s Enterprise Resource Planning tool (i.e. Oracle or SAP), and can only be changed upon agreement between the Supplier and Honeywell. The lead time score is based on the average weighted (by spend dollars) lead time for all items received in that month. **This score is not affected by the actual delivery dates.**

Points	Lead Time Record (LT)
20	LT is 5 days or less
17	LT is 6 to 10 days
9	LT is 11 to 15 days
6	LT is 16 to 20 days
3	LT is 21 to 25 days
0	LT is 26 days or more

$$\frac{\text{Sum of (Spend x Lead-time) per receipt}}{\text{Total Spend}}$$

### 3. Quality Scoring (Parts Per Million)

**Parts Per Million** measures product quality through the number of defective parts (non-conformance) per each million units.

Points	Parts Per Million (PPM)
20	PPM is 0 to 100
16	PPM is 101 to 500
12	PPM is 501 to 1000
8	PPM is 1001 to 5000
4	PPM is 5001 to 10000
0	PPM is greater than 10000

$$\frac{\text{\# of Units Rejected}}{\text{Total \# of Units Received}} \times 1,000,000$$

### 4. Productivity Savings Scoring (PPV)

Cost Savings is measured by the year-over-year **part price variance (PPV)**. A baseline price is established at the end of the previous year for each item. All deliveries in the New Year are compared to the baseline price. In order to receive points, the Commodity Manager must have a Cost Savings goal (in dollars) entered into the Annual Operating Plan for the Supplier, and the savings due to part price variance will be totaled and compared against the goal.

Points	Productivity Savings
20	98 to 100% of AOP goal
17	95 to 97% of AOP goal
15	90 to 94% of AOP goal
9	80 to 89% of AOP goal
6	70 to 79% of AOP goal
3	60 to 69% of AOP goal
0	Less than 60% of AOP goal

### 5. Payment Term Scoring

Suppliers that meet or exceed Honeywell's expected Payment Terms will receive 20 points. Suppliers that fail to meet the expected Payment Terms will receive 0 points.

# Supplier Performance Levels

(For use only by S&C and ECC N. America Honeywell SBUs)

Each supplier is ranked based upon their on-going performance.

**Level 1** - A supplier that has achieved an ongoing level of *71 pts. or above* is a preferred world class supplier that we will reward with New Product Development involvement and additional business.

**Level 2** - A supplier that has achieved an ongoing level of *51 pts. to 70* is performing at an acceptable level. However, the Commodity Management Team should work with these suppliers to help them get to level 1 performance.

**Level 3** - A supplier that has achieved an ongoing level of *31pts. to 50* has a conditional level of performance. The Commodity Management Team must work with these suppliers to get them to level 2 or develop alternative sources who can achieve level 2 or level 1 status.

**Level 4** - A supplier that has achieved an ongoing level of *30 pts. or below* is a restricted supplier. We will avoid using these suppliers in any new designs, and will seek to exit these suppliers in favor of alternate sources.