

# The Diemasters

Dear Valued Supplier,

In today's business environment, it is important that we be responsive to the ever-changing needs of our valued customers. Our ability to respond to these needs is dependent on the strength of our internal systems combined with a strong, supportive, and cost effective supplier base. At Diemasters, suppliers who offer low prices are always welcomed, but not at the expense of overall costs. In order to help identify the most cost-effective suppliers, we have implemented a supplier rating system that we believe allows us to assess a more accurate cost of doing business. In our rating program, we have assessed monetary values to areas of non-conformance and exceptional performance. Monthly, a summation of these values is divided into the sales of that supplier. The resulting number is a factor that will be used to determine a more realistic cost of doing business. Below are the areas we are monitoring and the assigned values. *Please note, no actual debits or credits will be issued relating to this program.*

- 1) **Early Receipts:** All receipts found to be earlier than three (3) business days from Diemasters' requested and agreed upon in-house dates will be assessed a non-productive charge of \$25.00 per receipt.
- 2) **Late Receipts:** Diemasters requires 100% on time performance. All receipts found to be 1 or more days late will be assessed a non-productive charge of \$250.00 per receipt.
- 3) **Over & Under:** Diemasters requires that you ship within a +10% / - 0% quantity window. In the event you are unable to comply with this requirement on a specific shipment, you must contact us for prior authorization. All unauthorized over and under shipments will be assessed a non-productive charge of \$50.00.
- 4) **Shipping Violations:** Failure to ship product with appropriate documentation, samples and/or packaging will be assessed a non-productive charge of \$25.00.
- 5) **Rejected Shipments:** Rejected shipments identified as supplier responsibility will be assessed a non-productive charge of \$500.00. (A rejected shipment is defined as a shipment that has been returned or material scrapped as a result of non-conformity.)
- 6) **Subsequent Rejections:** On occasion, incoming product is approved by our QA, but a portion is later found to be in non-conformance. In the event the non-conformance is minor enough to avoid a formal rejection as addressed in item 5, a non-productive charge of \$250.00 will be assessed.
- 7) **Unresponsiveness to requests for corrective actions or surveys:** Failure to respond to requests for corrective actions or quality surveys will be assessed a non-productive charge of \$50.00 per occurrence.
- 8) **ISO/QS Certification:** Recognizing the value of certification, suppliers that are ISO and/or QS certified will receive a credit of \$100.00 per month. Likewise, a non-productive charge of \$100.00 per month will be assessed to suppliers not having certification.
- 9) **Exceptional performance:** All receipts when a supplier performs in a manner far exceeding normal expectation, and/or in the instance when a supplier identifies purchasing inefficiencies or alternate methods/materials that are subsequently implemented, the supplier will be assessed a one-time credit equal to the actual value received. In the event the savings are intangible, a maximum credit of \$250.00 will be assigned.

*Again, the above assessed values are not physical debits and credits.* At the end of each month, a total of the assessed debits and credit values will be divided into the total amount of the supplier's paid invoices. This will provide us with a factor that will be used to determine a more realistic cost of doing business. This factor will be used two-fold. First, to show us your ranking among your peers. Second, your rating acts as a factor. It will be multiplied to your price quotes resulting in a more accurate true cost analysis. As a result, higher price suppliers may be awarded business if their rating results in a lower overall cost scenario. Suppliers who provide the best overall value will be rewarded with increased business opportunities. If you have any questions regarding the intent of this letter, feel free to contact me directly.

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DIRECTOR OF PROCUREMENT