









# Supplier Rating System User Guide

October 14, 2022

#### Raytheon Supplier Rating System

- This guide provides an overview of the Raytheon Supplier Rating System (SRS)
  - It is designed to describe the system, its elements, and how performance ratings are determined
- All ratings are based on a rolling 12 month window of data
  - Ratings are based on data provided every two weeks by individual Raytheon business units Reports are available on approximately the beginning and middle of each month
- A key feature of SRS is the Supplier Performance Relationship Report (SPRR)
  - The SPRR represents the Quality and Delivery performance of Raytheon suppliers
  - Reports are posted internally at Raytheon and on the external SRS website for access by suppliers
  - Suppliers only have access to their reports and data regarding their company's performance
  - Reports are refreshed twice a month (generally available by the 5th and 20th of each month)
- The rating algorithms are the same across all Raytheon business
- On Time Delivery is based on Raytheon business days
- If you require further assistance, contact your Raytheon SRS Business POC



#### Raytheon Supplier Rating System

#### What is the Supplier Rating System (SRS)?

- SRS is Raytheon's company wide system integrating procurement, receiving, quality, inspection and qualitative information across Raytheon
- SRS provides Raytheon with a consistent method of rating suppliers to determine supplier performance and support the supplier selection process
- SRS provides Raytheon and suppliers visibility into critical performance data and presents one Raytheon face to our supplier base

#### Why is SRS Important?

- SRS provides a consistent method of rating suppliers and allows Raytheon to present one face to our suppliers
- Sharing SRS performance ratings with our suppliers opens lines of communication, leading to improved relationships and healthy competitive supplier behavior
- Use of SRS supports the supplier selection process, which can reduce program risks and operating costs



# **Supplier Rating Elements**

 There are two types of ratings a supplier may receive as part of the Supplier Rating System (SRS):

Rating Type	Applicability	Criteria	Weight
Quantitative Rating SPRR (Supplier Performance Relationship Report)	All suppliers	Quality  Delivery	60% 40%
Qualitative Rating QDI (Qualitative Data Input)	Completed As Required by each Business or Program	Price/Cost  Schedule/Delivery  Technical  Quality/Mission Assurance  Business/Management	Weightings Assigned by Lead Evaluator with Key Criteria Weightings Totaling 100%



#### Roadmap to Excellence

Stratifying the Supply Base based on supplier performance:

#### **Supplier Performance Relationship Report (SPRR) Ratings**

OTD	Quality	Category
Thresholds	Thresholds	Category
≥95%	≥95%	Performing
≥90% but less than 95%	≥90% but less than 95%	Progressing
<90%	<90%	Underperforming

#### **Qualitative Data Input (QDI) Ratings**

Exceptional	>=3.61		
Very Good	3.21 - 3.6		
Satisfactory	2.81 - 3.2		
Marginal	2.41 - 2.8		
Unsatisfactory	0 - 2.4		



- The Quality Rating is based on the weighted average of 3 components:
  - 1. Parts Per Million (PPM) Score
  - 2. Lot Acceptance Rate (LAR)
  - 3. Supplier Corrective Action Requests (SCAR) Impact

Quality Rating =50%\*(PPM Score)+35%\*(LAR)+(15%-0.01\*SCAR Impact)



#### The PPM Score

- The PPM score is based on three linear equations and the calculated PPM value.

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$$\mathbf{PPM \ Score} = \begin{cases} 1 - \frac{3}{668,000} * \ \mathsf{PPM} & \text{if} \quad 0 \le \mathsf{PPM} \le 66,800 \\ \\ 0.783085 - \frac{3}{2,412,000} * \ \mathsf{PPM} & \text{if} \ 66,800 < \mathsf{PPM} \le 500,000 \\ \\ 0 & \text{if} \ 500,000 < \mathsf{PPM} \end{cases}$$

The PPM value is calculated in accordance with the following two equations.

$$PPM = \frac{Total Weighted Failures}{Quality Parts Received} * 1,000,000$$

Quality parts received is the total number of parts received during the rating period.

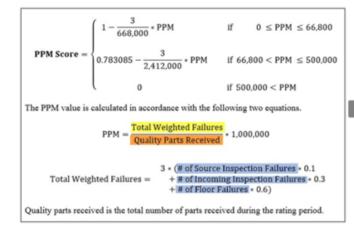
Failures are applied to SRS when they are opened.

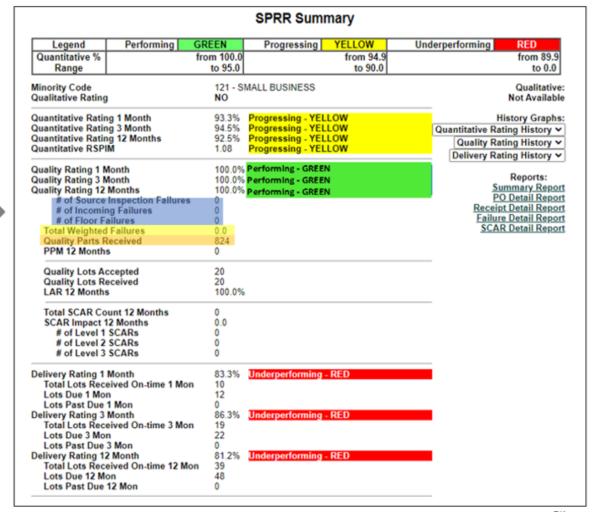


The PPM Score - continued

Where to find this information

in the SPRR







The Lot Acceptance Rate (LAR)

$$LAR = \frac{\text{# of quality lots accepted}}{\text{# of quality lots received}}$$

Quality lots received are the number of lots that have been inspected in the measurement window. Quality lots accepted are lots that are inspected and were not flagged for any sort of quality issue.

The total number of quality lots received does not always match the number of delivery lots received in a given rating period. The total number of quality lots are the unique number of lots grouped by PO, line item, and receipt ID. There can be multiple delivery lots received per each quality lot received based on scheduled line items.



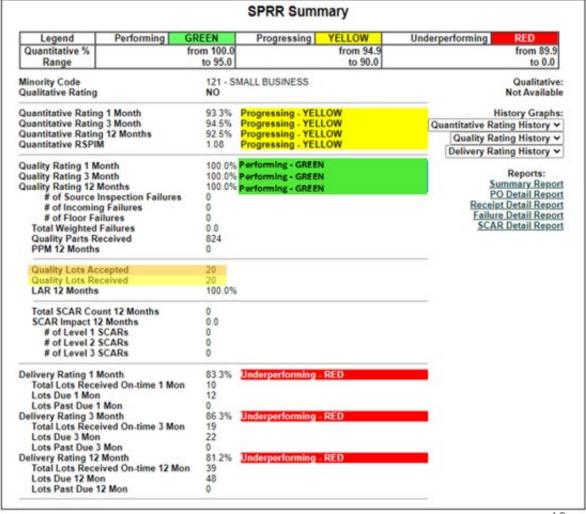
- The Lot Acceptance Rate (LAR) continued
- Where to find this information in the SPRR

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#### The SCAR Impact

SCAR penalties are assessed based on the SCAR level as described here:

Level 1 SCARs: No penalty per SCAR Level 2 SCARs: 4.0 penalty per SCAR Level 3 SCARs: 15.0 penalty per SCAR

SCAR penalties are **reduced in half** once supplier response is accepted by Raytheon (RCAS Phases of "Verification", "Validation", or "Closed") as follows:

Level 1 SCARs: No penalty per SCAR

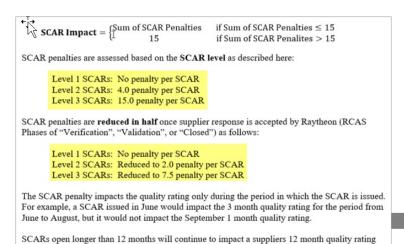
Level 2 SCARs: Reduced to 2.0 penalty per SCAR Level 3 SCARs: Reduced to 7.5 penalty per SCAR

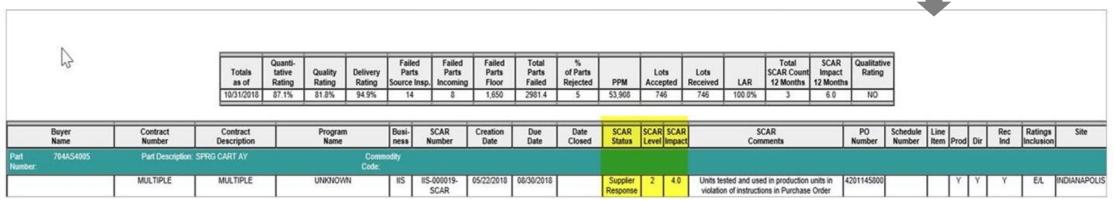
The SCAR penalty impacts the quality rating only during the period in which the SCAR is issued. For example, a SCAR issued in June would impact the 3 month quality rating for the period from June to August, but it would not impact the September 1 month quality rating.

SCARs open longer than 12 months will continue to impact a suppliers 12 month quality rating up to 24 months or until the SCARs are closed (whichever occurs first)



- The SCAR Impact continued
- Where to find this information in the SPRR





up to 24 months or until the SCARs are closed (whichever occurs first)

 The "SCAR Detail" report indicates how many SCARs are impacting the rating and what the impact is for each



to 0.0

Not Available

ditative Rating History V Quality Rating History V

Delivery Rating History ➤

SPRR Summary

121 - SMALL BUSINESS

100.0%

94.5% Progressing - YELLOW 92.5% Progressing - YELLOW

Minority Code Qualitative Rating

Quantitative RSPIM

Quality Rating 1 Month

Quality Rating 3 Month Quality Rating 12 Months # of Source Inspection Failures

Quantitative Rating 1 Month

Quantitative Rating 3 Month Quantitative Rating 12 Months

> # of Incoming Failures # of Floor Failures

Total Weighted Failures Quality Parts Received PPM 12 Months

Quality Lots Accepted Quality Lots Received LAR 12 Months

# of Level 3 SCARs

Delivery Rating 1 Month

Lots Due 3 Mon
Lots Past Due 3 Mon
Delivery Rating 12 Month
Total Lots Received On-time 12 Mon
Lots Due 12 Mon
Lots Past Due 12 Mon

Total SCAR Count 12 Months

Total Lots Received On-time 1 Mor Lots Due 1 Mon Lots Past Due 1 Mon Delivery Rating 3 Month

Total Lots Received On-time 3 Mor

- The SRS Delivery rating is based on 3 components:
  - 1. Lots Received on Time
  - 2. Lots Due
  - 3. Lots Past Due

$$Delivery Rating = \frac{Lots Received on Time}{Lots Due + Lots Past Due}$$



Lots Received on Time

**Lots Received on Time** = Number of lots delivered on time according to their statistical delivery date (contractual date) within the measurement window (e.g., 1, 3, 6, and 12 months), including allowed received early deliveries.



Lots Received on Time - continued

Lots Received on Time = Number of lots delivered on time according to their statistical delivery date (contractual date) within the measurement window (e.g. 1, 3 and 12 months), including allowed received early deliveries.





• The "Receipt Detail" report indicates lots delivered on time within the 1, 3, 6, and 12 month measurement windows.

#### SPRR Summary

Legend	Performing	GREEN	Progressing	YELLOW	Underperforming	RED
Quantitative %		from 100.0		from 94.9		from 89.9
Range		to 95.0		to 90.0		to 0.0
Minority Code		101 - 1	ARGE BUSINESS			Qualitati
Qualitative Rating	1	NO	ANGE DUSINESS			Not Availal
O	4 14	70.1%	11-11-11-11-11-11-11-11-11-11-11-11-11-	DED		W C
Quantitative Ration Quantitative Ration   Quantitative Ration		75.8%	Underperforming Underperforming		Ouantitativa	Rating History
Quantitative Ratio		75.2%	Underperforming			
Quantitative RSP		1.33	Underperforming			Rating History
					Delivery	Rating History
Quality Rating 1 I			Performing - GR			
Quality Rating 3 I		98.9%				Reports:
Quality Rating 12	Months	99.3%	Performing - GRI	EEN		Summary Rep
	Inspection Failure				D	PO Detail Rep
# of Incomi		3,588				eipt Detail Rep
# of Floor F		168				ilure Detail Rep
Total Weighted		3531.6			50	CAR Detail Rep
Quality Parts F		5,702,	754			
PPM 12 Month	5	619				
Quality Lots A		1,741				
Quality Lots R		1,769				
LAR 12 Month	s	98.4%				
Total SCAR Co	ount 12 Months	0				
SCAR Impact	12 Months	0.0				
# of Level 1		0				
# of Level 2	SCARs	0				
# of Level 3	SCARs	0				
Delivery Rating 1	Month	25.2%	Underperforming	- RED		
Total Lots Rec	eived On-time 1 M	on 68	onder perrenning	- 1120		
Lots Due 1 Mo		185				
Lots Past Due	1 Mon	84				
Delivery Rating 3	Month	41.2%	Underperforming	ı - RED		
	eived On-time 3 M	on 261				
Lots Due 3 Mo	n	548				
Lots Past Due	3 Mon	84				
Delivery Rating 1		39.2%	Underperforming	ı - RED		
	eived On-time 12					
Lots Due 12 M		2,217				
Lots Past Due	12 Mon	84				



Site	12 Month Lots Royd On Time	3 Month Lots Rovd On Time	1 Month Lots Rcvd On Time	12 Mc Lots
FOREST	0	0	0	1
FOREST	1	0	0	1
FOREST	1	1	0	1
FOREST	1	1	0	1
FOREST	0	0	0	1
FOREST	1	0	0	1
TUCSON	1	1	0	1
MCKINNEY	1	0	0	1



#### Lots Due

**Lots Due** = Number of lots with statistical delivery dates (contractual dates) within the measurement window (e.g., 1, 3, 6, and 12 months) that have been delivered (includes allowed received early deliveries), including those that have not yet been delivered.

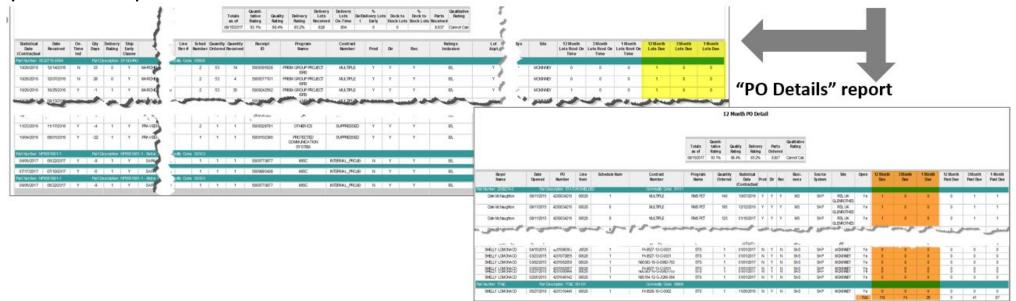


Lots due – continued

**Lots Due** = Number of lots with statistical delivery dates (contractual dates) within the measurement window (e.g., 1, 3, 6, and 12 months) that have been delivered (includes allowed received early deliveries), including those that have not yet been delivered.

#### Where to find this information in the SPRR

- The "Receipt Detail" report indicates lots due that were received, the
   "PO Details" report indicates lots due not yet received.
- "Receipt Detail" report





#### **SPRR Summary**

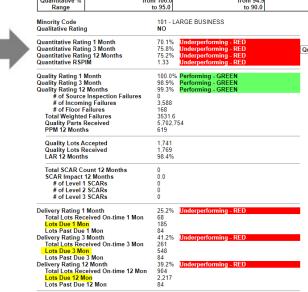
to 0.0

intitative Rating History >

Quality Rating History >

Failure Detail Report

Qualitative



Legend

Lots Past Due

**Lots Past Due** = Number of lots with statistical delivery dates (contractual dates) prior to the measurement window (e.g., 1, 3, 6, and 12 months) that have not yet been delivered.



Lots Past Due – continued

**Lots Past Due** = Number of lots with statistical delivery dates (contractual dates) prior the measurement window (e.g., 1, 3, 6, and 12 months) that have not yet been delivered.

Where to find this information in the SPRR

 The "PO Details" report indicates lots due that have not yet been received which are prior to the measurement window (Past Due).

#### SPRR Summary

Legend	Performing	GREEN	Progressing	YELLOW	Underperforming RED
Quantitative % Range		from 100.0 to 95.0		from 94.9 to 90.0	from 8
Minority Code Qualitative Ratin	g		ARGE BUSINESS		Qua Not A
Quantitative Rati	ng 1 Month	70.1%	Underperforming	- RED	History (
Quantitative Rati		75.8%	Underperforming		Quantitative Rating His
Quantitative Rati		75.2%	Underperforming		Quality Rating His
Quantitative RSP	'IM	1.33	Underperforming	- RED	Delivery Rating His
Quality Rating 1	Month	100.0%	Performing - GRI	EEN	
Quality Rating 3		98.9%	Performing - GR	EEN	Repo
Quality Rating 12	Months	99.3%	Performing - GRI	EEN	Summary
	Inspection Failur				PO Detail Receipt Detail
# of Incomi		3,588			Failure Detail
# of Floor F Total Weighte		168 3531.6			SCAR Detail
Quality Parts		5,702.7	TEA		<del>John Botan</del>
PPM 12 Month		619	54		
Quality Lots A	ccented	1.741			
Quality Lots R	eceived	1.769			
LAR 12 Month		98.4%			
Total SCAR Co	ount 12 Months	0			
SCAR Impact	12 Months	0.0			
# of Level 1		0			
# of Level 2		0			
# of Level 3	SCARs	0			
Delivery Rating 1	Month	25.2%	Underperforming	- RED	
	eived On-time 1 M	lon 68			
Lots Due 1 Mo		185 84			
Lots Past Due Delivery Rating 3		41.2%	Underperforming	DED	
	eived On-time 3 M		Underperforming	- RED	
Lots Due 3 Mo		548			
Lots Past Due		84			
Delivery Rating 1		39.2%	Underperforming	- RED	
	eived On-time 12				
Lots Due 12 M		2,217			
Lots Past Due	12 Mon	84			

	12 Month Due	3 Month Due	1 Month Due	12 Month Past Due	3 Month Past Due	1 Month Past Due
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	0	0
П	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	0	0



#### Tips for Determining if Lot is "Received on Time" or "Due" on "Receipt Detail" Report

- Activities listed on the "Receipt Detail Report" are all lots received in the last 12 months
- Only lots with an "E/L" in the "Ratings Inclusion" column are included in determining ratings. "E/L" means "Rec" (receivable item) = Y & "Dir" (direct charge item) = Y. Lots with blank "Ratings Inclusion" are not included in ratings.
- 1's in the "Lots Rcvd On Time" or "Lots Due" columns indicate what reporting window (1, 3, 6, or 12 months) the lot is considered "Rcvd On Time" or "Due" (0's are not included in ratings)
- To determine if a lot is "Rcvd On Time", compare the Receipt Date to the Statistical Date 

  If the Receipt Date is anywhere from 3 days late to 30 days early (business days) of the Statistical Date, it is on time (also considered on time if early deliveries are allowed and delivered earlier than 30 days). Number of days early (-) or late is listed in the "Qty Days" column. Lots on time are indicated by "Y" in the "On Time Ind" column. This example is "Y".

#### Tips for Determining if Lot is "Due" or "Past Due" on "PO Detail" Report

- PO activity listed on the "PO Detail Report" are all lots with Statistical Dates on or before the date of the SPRR Report (PO activity with future Statistical Dates will not be shown)
- Lots with "Open Ind" = Yes (deliveries not yet complete) & "Rec" = Y (receivable item) & "Dir" = Y (direct charge item) will be considered "Due" and/or "Past Due"
- 1's in the "Due" or "Past Due" columns indicate what reporting window (1, 3, 6, or 12 months) the lot is considered "Due" or "Past Due" (0's indicate a lot is neither Due or Past Due and have no impact on ratings)



# **Glossary**

- LAR = Lot Acceptance Rate
- OTD = On Time Delivery
- PPM = Parts Per Million
- SCAR = Supplier Corrective Action Request
- SPRR = Supplier Performance Relationship Report
- SRS = Supplier Rating System

