Supplier Performance Evaluation Policy

1.0 Objective & Intent

The primary objective of this policy is to establish a rigorous, data-driven framework for assessing supplier performance across all critical dimensions—quality, delivery, cost, and compliance—for our cabinet and millwork manufacturing operations. By systematically evaluating suppliers, we aim to mitigate supply chain risks (e.g., material defects, late deliveries) that directly impact production schedules, cash flow, and customer satisfaction. This policy also supports strategic sourcing decisions, enabling the company to optimize procurement spend, reduce liability from non-conforming materials, and foster continuous improvement among vendors. Ultimately, it ensures that only suppliers meeting stringent operational and financial standards are retained, thereby protecting the company's reputation and bottom line.

2.0 Operational Scope

This policy applies to all departments involved in procurement and supply chain management, including but not limited to: Purchasing, Production Planning, Quality Assurance, and Accounts Payable. It covers all direct material suppliers (e.g., lumber, veneers, hardware, adhesives, finishes) and indirect material suppliers (e.g., packaging, maintenance supplies) that have an active contract or purchase order with the company. The evaluation process is mandatory for all suppliers with annual spend exceeding $10,000 CAD and for any supplier providing materials critical to production (e.g., custom millwork components). New suppliers must be evaluated within 90 days of first delivery, and existing suppliers must be evaluated at least semi-annually.

3.0 Compliance & Data Security

All supplier performance data, including evaluation scores, financial terms, and contractual obligations, must be handled in strict compliance with the Personal Information Protection and Electronic Documents Act (PIPEDA) and the company's internal data governance policies. Access to supplier evaluation records is restricted to authorized personnel in Purchasing, Quality, and Finance. All data must be stored in a secure, access-controlled ERP system with audit trails. No supplier-specific performance data may be shared externally without written consent from the supplier and approval from the Corporate Controller. Internal controls require that evaluation results be reviewed by a cross-functional committee (Purchasing Manager, Quality Manager, and Controller) before any procurement decisions (e.g., contract renewal, volume adjustments) are enacted. Records must be retained for a minimum of seven years post-evaluation for audit and legal purposes.

4.0 Required Software & Administrative Tools

- ERP System (e.g., Microsoft Dynamics 365 Business Central or SAP Business One) – for supplier master data, purchase order history, and financial performance metrics.
- Quality Management Module (within ERP or standalone, e.g., QT9) – to log and track non-conformances, defect rates, and corrective actions.
- Supplier Portal or CRM (e.g., Salesforce or custom portal) – for communication of evaluation results and scorecards.

• Document Management System (e.g., SharePoint or DocuWare) – to store signed contracts, certificates of analysis, and evaluation reports.
• Business Intelligence Tool (e.g., Power BI) – for generating supplier scorecards and trend analysis.
• Ryxen SupplyGrid – for real-time inventory thresholds and automated purchase order generation based on supplier performance triggers.

5.0 Step-by-Step Administrative Workflow

1. Data Collection: The Purchasing department extracts the following data from the ERP for each supplier over the evaluation period (e.g., last 6 months): total spend, number of purchase orders, on-time delivery percentage, and quantity of non-conforming materials.
2. Quality Score Calculation: The Quality Manager inputs defect data from the Quality Management Module, calculating a defect rate (defective units / total units received) and assigns a score (e.g., 0-100) based on severity (critical defects = 0 points, minor defects = 50 points).
3. Delivery Performance Scoring: The Purchasing Analyst calculates on-time delivery percentage (orders delivered on or before the requested date / total orders) and converts to a score (e.g., 100% = 100 points, 95% = 80 points, below 90% = 0 points).
4. Cost Competitiveness Review: The Accounts Payable team compares the supplier's pricing against market benchmarks and historical data. A score is assigned based on price variance (e.g., within 5% of benchmark = 100 points, 5-10% = 70 points, >10% = 40 points).
5. Compliance Check: The Purchasing Manager verifies that the supplier has up-to-date insurance certificates, safety data sheets, and any required certifications (e.g., FSC for wood products). Non-compliance results in an automatic 20-point deduction.
6. Score Compilation: The Purchasing Manager compiles all scores into a weighted average: Quality (40%), Delivery (30%), Cost (20%), Compliance (10%). The total score is out of 100.
7. Review & Approval: The cross-functional committee (Purchasing Manager, Quality Manager, Controller) reviews the scores within 10 business days of compilation. Any supplier scoring below 70 points triggers a mandatory corrective action plan (CAP) meeting within 15 business days.
8. Supplier Communication: The Purchasing Manager sends the scorecard and any CAP requirements to the supplier via the Supplier Portal within 5 business days of committee approval. The supplier must respond with a CAP within 20 business days.
9. Escalation for Chronic Underperformance: If a supplier scores below 60 points for two consecutive evaluation periods, the committee recommends a procurement freeze (no new purchase orders) and initiates a formal supplier termination process, requiring approval from the VP of Operations.
10. Record Archiving: All evaluation documents, including scorecards, CAPs, and meeting minutes, are uploaded to the Document Management System within 5 business days of completion. The Controller ensures records are retained for seven years.