# Supplier Quality Development Program/Performance Rating

## I. What is the Supplier Quality Development (SQD) Program?

### A. Primary Components of SQD Program

Supplier Quality Development (SQD) is a *strategically* focused program aimed at:

- **A** – Approve New Sources
- **I** – Improve Existing Sources
- **M** – Monitor & Mitigate Supply Chain Risks

The SQD team is aligned with the Sourcing Strategy Teams and is comprised of members of Quality Assurance from both the Ada and Nutrilite facilities.

## II. SQD Supplier Expectations

## III. Supplier Quality Evaluation Tools

### A. Supplier Scorecard

1. Why is it important?
2. How do I access the information?
3. Supplier Scorecard Manual

### B. Audit Score

### C. What happens if I have a poor RFT Score?

1. What does a SQIP look like?
B. SQD Key Strategies

• **Development:** Partner with new and existing Amway Suppliers to drive continuous improvement activities in the suppliers’ manufacturing processes, quality systems, and supply chain to achieve measurable improvement in quality.

• **Performance:** Systematically identify opportunities to improve supplier performance and proactively develop/drive Supplier Quality Improvement Plans (SQIPs) to achieve measurable improvement in supplier product quality.

• **Prevention:** Proactively assess supplier manufacturing and quality capabilities, minimize potential risks, and ensure the effective implementation of Amway Quality Expectations to achieve exceptional levels of supplier quality.

C. SQD Representative Responsibilities

• Partner with Suppliers to improve quality
• Participate in Strategic Sourcing Teams (SST)
• Support the sourcing of new materials and suppliers (ASQP)
• Advanced Quality Planning on new product launches
• Conduct supplier quality system audits
• Manage raw material and product non-conformances
• Document material/product supply chains and inherent risks
II. **SQD Supplier Expectations**

We desire to partner with suppliers to provide world class quality materials and products to our consumers. To accomplish this goal, we expect all suppliers to actively and continuously drive quality improvements by engaging in the process and meeting certain expectations. These expectations include:

- ✓ Have effective and timely processes in place to implement corrective and preventive actions and quality improvements
- ✓ Focus on continued quality improvement (CPK >= 1.33)
- ✓ Have sufficient and professional quality resources
- ✓ Share best practices
- ✓ Share data to reduce testing
- ✓ Attention to audits and follow up actions
- ✓ Good communication
- ✓ Transparency in supply chain mapping

III. **Supplier Quality Evaluation Tools**

A. **Supplier Scorecard**

The Supplier Scorecard measures supplier performance using key supply chain metrics. These metrics are outlined on the Supplier Scorecard and are accessible via the Supplier Analytics password protected portal (a link to this application is provided on the Supplier Portal).

1. **Why is it important?**

The score received on the supplier scorecard is important because it determines whether Amway will seek a long term or short relationship with the supplier.
2. **How do I access the information?**

Scorecards are available on the Supplier Portal in the password protected Supplier Analytics section. (For more information on Supplier Analytics, please refer to the *Supply Management > Supplier Analytics* section of the Supplier Portal).

This information is also available from your SQD representative during Regular Quality Reviews or from your Procurement representative.

3. **Supplier Scorecard Manual**

For more detailed information on elements of the supplier scorecard, please take a look at the Supplier Scorecard Handbook on the Supplier portal under the *Supply Management > Performance Evaluation* section.

If you should have any additional questions, please contact your Procurement representative.

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**B. Quality System Audit Score**

Audit scores are developed from applicable audit checklists.

Please refer to the *Business Requirements > Quality > Forms* section of the supplier portal to access ISO and GMP -based audit checklists.

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**C. What happens if I have a poor RFT Score?**

Amway expects suppliers to maintain an overall RFT (right first time) quality rating of **99% or higher**.
For target suppliers with quality ratings of less than 99%, a SQIP (Supplier Quality Improvement Plan) may be employed to mutually work towards this goal.

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<tr>
<th></th>
<th>&lt;75%</th>
<th>75 - 90%</th>
<th>&gt;90%</th>
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<tr>
<td>On-Time Delivery</td>
<td>&lt;75%</td>
<td>75 - 90%</td>
<td>&gt;90%</td>
</tr>
<tr>
<td>On-Time Shipping</td>
<td>&lt;75%</td>
<td>75 - 90%</td>
<td>&gt;90%</td>
</tr>
<tr>
<td>Fill Rate</td>
<td>&lt;85%</td>
<td>85 - 95%</td>
<td>&gt;95%</td>
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<tr>
<td>Invoice Accuracy</td>
<td>&lt;96%</td>
<td>96 - 98%</td>
<td>&gt;98%</td>
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<tr>
<td>RFT Quality</td>
<td>&lt;97%</td>
<td>97 - 99%</td>
<td>&gt;99%</td>
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However, consistently poor RFT scores ratings can (and do) lead to a change in a supplier’s segmentation level (which affects the business relationship between the supplier and Amway). For more information on Supplier Segmentation, please refer to the Supply Management > Segmentation section of the Supplier Portal.

1. What Does a SQIP Look Like?

A copy of the Supplier Quality Improvement Plan form is available under Business Requirements > Quality > Forms.