

# SOP: Supplier Performance Evaluation and Scorecard Criteria

## Purpose

This SOP defines the process for **supplier performance evaluation and scorecard criteria**, including the identification of key performance indicators (KPIs), data collection methods, evaluation frequency, scoring methodologies, and feedback mechanisms. It aims to ensure consistent assessment of supplier reliability, quality, delivery, cost efficiency, and compliance, facilitating informed decision-making and fostering continuous improvement in supplier relationships.

## Scope

This procedure applies to all external suppliers providing goods or services to the company.

## Responsibilities

- **Procurement Department:** Oversees the evaluation process and maintains the scorecards.
- **Quality Assurance:** Provides quality-related data and input.
- **Relevant Stakeholders:** Contribute to KPI definition, scoring, and feedback.
- **Suppliers:** Participate in improvement discussions and corrective actions where necessary.

## Procedure

### 1. Define Key Performance Indicators (KPIs)

- Reliability (e.g., on-time delivery rate)
- Quality (e.g., defect rate, return rate)
- Cost Efficiency (e.g., price competitiveness, cost savings)
- Compliance (e.g., regulatory, contractual, ethical adherence)
- Communication & Responsiveness
- Innovation/Continuous Improvement

### 2. Data Collection Methods

- ERP or supplier management systems reports
- Goods and services inspection records
- Internal stakeholder feedback forms
- Supplier documentation and certifications
- Incident and deviation logs

### 3. Evaluation Frequency

- Quarterly for critical/key suppliers
- Semi-annually or annually for other suppliers
- As needed for new or underperforming suppliers

### 4. Scoring Methodology

KPI	Weight (%)	Scoring Criteria
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Delivery Reliability	25	5 = 99-100% on-time 4 = 95-98% 3 = 90-94% 2 = 80-89% 1 = <80%
Quality	25	5 = <0.5% defects 4 = 0.5-1% 3 = 1-2% 2 = 2-4% 1 = >4%
Cost Efficiency	20	5 = >10% below market average 4 = 5-10% below 3 = At market rate 2 = 5-10% above 1 = >10% above
Compliance	15	5 = Fully compliant 4 = Minor deviations 3 = Occasional deviations 2 = Frequent deviations 1 = Non-compliant
Communication & Service	15	5 = Excellent 4 = Good 3 = Satisfactory 2 = Poor 1 = Unresponsive

**Total Score (%) =  $\frac{\text{KPI Score} \times \text{Weight}}{5}$**

- **90%–100%:** Preferred Supplier
- **75%–89%:** Approved, improvement suggested
- **60%–74%:** Conditional, action required
- **<60%:** Unsatisfactory, review relationship

## 5. Feedback and Corrective Actions

- Communicate scorecards and development areas to suppliers within 2 weeks of evaluation.
- Collaboratively set improvement objectives and deadlines if required.
- Document improvement/corrective actions and monitor progress.

## Records and Documentation

- Supplier evaluation scorecards
- Supporting data and evidence
- Correspondence and feedback forms
- Corrective action reports

## Review and Continuous Improvement

- Annual review of evaluation criteria and scoring methods
- Seek stakeholder feedback to improve the process
- Update SOP as necessary

## References

- Company Procurement Policy
- Quality Management System Manual
- ISO 9001:2015 – Section 8.4 Control of Externally Provided Processes, Products, and Services