Rockwell Automation Supplier Handbook
Meeting Our Customer’s Needs Through Supplier Partnerships
Doing Business a Better Way
As a Rockwell Automation supplier, you are critical to our company’s success and our ability to meet our customers’ needs.

Our Sourcing Organization
Our Sourcing Organization is focused on driving continuous improvement in all aspects of supplier performance.

Meeting our Expectations
Rockwell Automation establishes annual performance objectives for our supply base in areas such as quality, delivery, lead time and productivity.

Classifying Our Suppliers
Supplier classifications define our engagement level with each supplier and are utilized to identify future business opportunities at Rockwell Automation.

Our Process
Our suppliers engage in a number of sourcing directives, intended to improve overall supply chain efficiencies.

Supplier Performance
Rockwell Automation provides suppliers with a monthly electronic scorecard, used to measure overall performance and drive required corrective action.

Business with Rockwell Automation
As Rockwell Automation continues to globalize our business and supply chain, we realized evaluating the environmental performance and social integrity of our suppliers is increasingly important to ensure our values are protected.
Dear valued supplier,

As a Rockwell Automation supplier, you play a critical role in helping us continue to be the most valued global leader in industrial automation control and information solutions.

To help further our partnership, we have created this handbook outlining clear expectations for all our supplier partners. These expectations cover capabilities and offerings, flexibility, and a continuous improvement mindset consistent with our core operating principles.

I am proud of the aggressive productivity, delivery and quality performance goals our Sourcing and Supplier Quality Organizations established. It’s your continued commitment to these shared goals that will help us deliver value to our customers every day. Together, we will achieve faster time to market, lower total cost of ownership and improved customer service.

Our customers continue to raise the bar on our performance. We must respond by offering the highest quality products, services and solutions with the best value, and we count on your help to do it.

To remain competitive in an ever-changing global environment, we are committed to only partnering with suppliers who adhere to high ethical standards and who share our values of honesty, integrity, fairness and environmental compliance in every business transaction.

Thank you for your commitment to a strong, productive and continuously improving partnership.

Keith D. Nosbusch

Keith D. Nosbusch
Chairman of the Board & Chief Executive Officer
Doing Business a Better Way

Global manufacturers today face economically challenging times with complex and crowded agendas. Today’s market pressures require manufacturers to balance multiple priorities: productivity, globalization, innovation and sustainability.

At Rockwell Automation, our industrial automation control and information solutions are designed to give our customers a competitive advantage. End users and machine builders (OEMs) alike rely on our comprehensive portfolio of products, software and services to deliver value and help them meet their business objectives. From stand-alone industrial components to enterprise-wide integrated systems, our solutions have proven themselves across a wide range of industries and in some of the most demanding manufacturing environments.

A continuous improvement mindset is central to everything we do, including our relationships with suppliers. Our supply chain strategy has evolved from managing transactions to forming stronger business relationships with an emphasis on shared goals. Working together with suppliers is critical during our changing economic environment where companies large and small look to reduce expenses and improve profit margins without sacrificing quality.

Around the world, our employees are committed to putting our customers’ needs first. Our global capabilities extend across 80 countries and include a Partner Network of more than 5,600 regional and global specialists in distribution, system integration and product referencing. Simply put, we’re there with the right solution when and where our customers need us.

We are committed to building a more valuable business by achieving growth and performance simultaneously, including a comprehensive set of productivity initiatives utilizing Lean Six Sigma and other tools. A company-wide focus on productivity initiatives allows us to maintain best-in-class operating margins and reinvest for future growth.

At the same time, we are transforming our organization into a global company with end-to-end global business processes. This more streamlined approach to doing business will result in a more efficient, effective company.

Our objective is to develop a diverse supplier base of quality, delivery, and price performance leaders. We’re focused on doing business in a better way, not just controlling costs. We hope after your read this handbook you will understand what we expect from you as our suppliers and how by working together we can each succeed.

As a Rockwell Automation supplier, you are critical to our company’s success.
Our Sourcing Organization

Strategic Sourcing
Sourcing directors lead our Strategic Sourcing organization. They establish and manage our global sourcing and supplier strategy. We are organized by four markets with a commodity team structure in each: Electronics, Electromechanical, Factored Products and Indirect Materials. With an annual spend of approximately $2 billion, we look to leverage our company’s multiple business units worldwide in an effort to optimize our total cost of ownership. Sourcing and commodity managers, along with supplier and project managers maintain commodity level responsibility and manage global supply strategies in their focus areas. Supplier managers focus on continuous improvement in supplier performance and fulfillment strategies. Project managers focus primarily on large-scale projects including product transfers, supplier transitions and Rockwell Automation site start-ups.

Supply Management
Supply Management is responsible for structuring supply agreements within the system framework and facilitates purchases at our manufacturing locations. Primarily organized by region (EMEA, North America, Latin America, Asia Pacific) and by Centers of Excellence (Mechanical, Electronic and Factored Product), the Supply Management team consists of supply managers, senior buyers, buyers, and an administrative support team. Production Control Analysts, who are part of the plant operations materials function, provide supply chain support at each of our North American manufacturing sites. These analysts manage all of the non-commercial elements of material supply, including purchase order scheduling, expediting and processing material returns.

Continuous Improvement/Supplier Development
The Continuous Improvement Supplier Development organization focuses on the continued development and enhancement of internal processes and capabilities, and “supplier facing” continuous improvement. Using both Lean Six Sigma process improvement and materials management experts, they improve the strength of our supply chain through variation and waste elimination. Team members also lead projects designed to simplify our supply chain, while increasing flexibility and standardizing processes.

Supplier Quality
Supplier Quality is responsible for operational processes which include supplier and part-level evaluation and approval as well as formal supplier corrective action. Supplier Quality is organized by both commodity and geography. Commodity leads within Supplier Quality have global commodity responsibilities and are the primary interface with our suppliers for quality improvements and activities for a specific commodity. Regional Supplier Quality engineers (EMEA, North America, Latin America, Asia Pacific) help support the Supplier Quality Commodity leads on day-to-day operational activities.

Supplier Council
The Rockwell Automation Supplier Council consists of leadership from two dozen suppliers representing all our sourcing markets. The council meets quarterly to discuss business conditions, Rockwell Automation progress and to gather your input on major sourcing strategies and initiatives. Council members serve two-year rotating terms. Please let your sourcing representative know if you are interested in joining the council.
Meeting Our Expectations

Quality

- Achieve overall parts per million (PPM) < 500: We establish annual quality continuous improvement objectives for our supplier quality performance. PPM is measured as (parts defective/parts received) x 1,000,000. Defective parts include all non-conforming material determined to be supplier fault, identified at receiving inspection or at any point in the manufacturing process.

- Advance notification of manufacturing location, product or process changes: Suppliers are required to notify us in advance of any proposed changes. For most custom product changes, approval is required before suppliers make any changes.

- Suppliers are expected to address all identified quality defects as follows:
  - **Containment:** Contain all confirmed or suspect material within 24 hours of notification by Rockwell Automation.
  - **Root Cause:** Define root cause of failure within one week of notification by Rockwell Automation.
  - **Corrective Action:** Implement formal corrective action, as agreed to by Rockwell Automation within one month of identification of defect.

Delivery

- Delivery compliance: We expect 100 percent delivery compliance, and require a minimum 98 percent compliance (3 days early, 0 days late) to Rockwell Automation’s Statistical Delivery (also referred to as “required” or “need”) date.

  This date is based on the contracted lead time for a supplier’s products. For non-contract material, the Supply Management team and the supplier will establish the lead time.

- Delivery SPAN: Span of late or early deliveries should not exceed five days from Rockwell Automation’s Statistical Delivery Date. This does not mean deliveries within a five day window of the compliance range are acceptable, rather we emphasize this requirement to tighten compliance as close to our Statistical Delivery Date as possible.

Productivity

We require a five percent annual productivity gain which you can achieve through commercial cost reductions, product transitions, and by actively participating in our supplier-generated productivity program, “Collaborate”, discussed later in this handbook.

Lead Time

Lead times are based by specific product classification. Target lead times are as follows: **A Class:** lead time equal to transit time (i.e. shipping time), **B Class:** two weeks, **C Class:** 4-6 weeks, **R Class:** Supplier standard lead time: Class R parts are typically non-forecasted, customer specific required items. These parts are often referred to as “non-repeat spend” items.

Lot Sizes

Supplier lot sizes for A and B class material should be equal to a “package” quantity. Orders will be placed in multiples of a standard package quantity.
Classifying Our Suppliers

Supplier Classification Categories
Strategic Sourcing manages supplier classification. We classify all our suppliers in one of six categories based on performance factors including cost, delivery, quality, technology and flexibility. These categories define the levels of interaction we have with each supplier and determine their ability and opportunity to secure future Rockwell Automation business.

Preferred Supplier: A high performer on all key metrics will have an opportunity to grow business with us and participate in new product development. This focus of our relationship is growth and development. Preferred supplier relationships are defined by:

- Frequent and transparent communication
- Sharing relevant best-practices
- Joint investment in continuous improvement
- Active collaboration including jointly identifying improvement opportunities
- Joint optimization of entire buyer-supplier value chain
- Highly responsive and flexible supply chain

Approved Supplier: Competitively-priced supplier with a solid performance in most performance categories. The focus is to manage and maintain our relationship but currently we have no active growth plans.

New Supplier: New suppliers are additions to our supply chain base with the potential as a future preferred supplier. Suppliers in this category may have new technology offerings or a total cost leader in an industry or market. Like preferred suppliers, our relationship focus is growth and development.

No New Business: Supplier on probation due to performance issues. Suppliers in this category are typically given an opportunity to correct performance issues over a specified time period before being moved to either the “Approved” or “Exit” category.

Exit: Suppliers planned for elimination within a 12-18 month time period. Volume from these suppliers is targeted to be moved to Preferred or New suppliers.

Our Processes: Engagement & Fulfillment

Agreements
We expect suppliers to enter into a Production Authorization Agreement. This allows suppliers to build, stock and pipeline materials based on a Rockwell Automation forecast. These agreements will authorize suppliers to produce products that cover the requirements shown on the current schedule line forecast for up to no longer than six weeks plus Transit Time Adder (Product Authorization). Additionally the agreement allows suppliers to obtain raw material and the WIP required (Raw Material Authorization) to manufacture products that cover the requirements of an additional eight weeks after the Product Authorization. Product Authorization Agreements provide suppliers with the greatest opportunity to meet critical delivery and lead time performance metrics. Schedule Agreements are utilized to facilitate material flow for all Rockwell Automation SAP locations.

These agreements are used as the standard and preferred purchasing method. We will use Scheduling Agreements for all repeat-spend direct material items, regardless of product classification. The Buyers in each Supply Management Center of Excellence will establish your agreement. For all repeat-spend material, suppliers are expected to maintain required levels of inventory to support delivery expectations outlined in this handbook without Rockwell Automation commitment to a Production Authorization Agreement.
Our Processes: Engagement & Fulfillment

Freight
When Rockwell Automation is responsible for freight payment, suppliers must ship product to us on a Freight Collect basis. We require suppliers to follow the Rockwell Automation routing instructions found in our North America Inbound Routing Guide. You’ll find information on the Routing Guide in the Resources section of this handbook.

Supplier Communication
The utilization of web-based and electronic information plays a critical role in our Supply Chain Management process. Our goal is to create a seamless and efficient process for the exchange of information, and today this exchange is facilitated through our Supplier Quick Connect (SQC) web portal and Electronic Data Interchange (EDI). All suppliers are required to use our Supplier Quick Connect communications portal for continued access to critical information. We expect you to use this tool to regularly manage forecast and order information. You can find Supplier Communications Portal information in the Resources section of this brochure.

We are currently in the process of replacing our existing web-based portal with the SAP tool Supply Network Collaborator to help drive continuous improvement throughout our supply chain management and to further streamline communications. We are striving to conduct all transactions in a seamless B2B environment. The preferred method for purchase and invoice transaction transmission is Electronic Data Interchange (EDI). Suppliers are encouraged to maximize information exchange through use of both EDI and SQC.

Supplier Diversity
We actively pursue a diverse list of suppliers so we can provide all businesses equal access to supplier opportunities. With a diverse list of strategic partners and suppliers, we draw on a broader range of experience and expertise that better allows us to meet our customer needs while contributing to the economic growth of communities where we do business. You can find more information on how to register to be included in our supplier diversity database in the Resources section of this brochure.

With Collaborate, we encourage our suppliers, in partnership with us, to jointly identify, develop and implement ideas that improve, strengthen and advance our supply chain relationships. Together, we’ll use our best thinking to foster change, improve performance and grow our businesses. Whether it’s substituting a raw material, applying the latest technology, using innovative design concepts or changing a manufacturing process, everybody benefits when suppliers share their best recommendations. Suppliers get involved earlier on in the design of new Rockwell Automation products. We create opportunities to improve cost competitiveness and share savings, which increases customer satisfaction. Suppliers can also achieve and maintain Rockwell Automation Preferred Supplier Status and increase the likelihood that you will grow your business with us.
Supplier Performance

How We Review and Report Supplier Performance

We use a scorecard to monitor supplier performance against stated objectives. The supplier scorecard, issued monthly via email subscription, provides timely feedback on quality, delivery and lead time results. Suppliers performing below stated expectations will be required to either participate in on-site formal performance reviews or submit root cause and corrective actions to address performance. For Indirect Materials and Services, we measure performance based on service levels and metrics defined in supplier contracts.

In addition to the Scorecard, we also use monthly and quarterly supplier performance reviews to evaluate the success of our supplier relationships. Typically, monthly performance reviews are conducted with suppliers who have been unable to demonstrate acceptable levels of performance for their stated delivery, quality and lead time objectives.

These reviews are focused on data validation, problem containment, and short and long-term recovery plans. Our objective is to provide our suppliers with the tools, information and resources needed to improve their supply chain performance.

The Quarterly Performance Reviews are often focused on forward looking supplier development and will include elements such as performance, collaboration, business health, technology (new product, obsolescence strategy) and other pertinent topics.
Business with Rockwell Automation

Ethics and Business Conduct
We live and work in a transparent world where stakeholders expect us to act ethically and to fulfill our corporate social responsibilities. We strive to live up to that expectation. This culture is ingrained in our business strategy and will remain an imperative regardless of where we are in the business cycle, up or down.

It is our policy to conduct business in accordance with all applicable laws and the highest standards of business conduct. We only do business with suppliers who embrace and demonstrate high standards of ethical business behavior. You should learn more about our extensive ethics program, conflicts of interest statement, and code of conduct. You’ll find more information on these programs in the Resources section.

As a supplier, it’s important for you to understand our policies, especially those regarding conflicts of interest and gifts, business courtesies and gratuities. No Rockwell Automation employee or employee’s immediate family member shall have any direct or indirect interest in, provide any service to, or represent or undertake to act for, any outside concern or competing concern without disclosing such interest as outlined in our policies.

In addition, company policy requires our employees and representatives to make purchases on the basis of quality, delivery and price or best value without giving or accepting cash or gratuities that could, in fact or in appearance, influence the outcome of a transaction or negotiation. That means no employee, immediate family member or other representatives of Rockwell Automation is allowed to give or receive any cash or gratuity related to company negotiations or transactions.

While business gifts and courtesies may never be solicited, they may be accepted if offered within specific guidelines. Gifts received in excess of these guidelines will either be returned to the giver, if practicable, or given to charity. All Rockwell Automation employees are aware of these policies. If you have a concern regarding possible policy violations or any questions about these policies, please contact the Rockwell Automation Ombudsman. The Ombudsman handles all matters in the strictest confidence. You can contact the Ombudsman and request to remain anonymous. We expect any supplier who feels pressured by a Rockwell Automation employee to violate the law of our Standards of Business Conduct to contact the Ombudsman. You’ll find contact information in the Resources section.

Supplier Code of Conduct
As we continue to globalize our business and supply chain, we realize evaluating the environmental performance and social integrity of our suppliers is increasingly important to ensure our values are protected. We believe a Supplier Code of Conduct improves our products and services and reduces risk. We are committed to the highest standards of environmental responsibility and worker safety, and to treating our workers with dignity and respect. We believe it is wholly appropriate to hold our suppliers to the same commitments. We require our first-tier suppliers worldwide who provide us with the direct components and services to build our products to comply with our Supplier Code of Conduct. This Code of Conduct provides a set of standards and recommendations regarding ethics, environmental responsibility, workplace safety and employee treatment. We suggest our first-tier suppliers use this Code of Conduct or a similarly written commitment toward their own environmental and social supply chain management initiatives.

Environment, Health and Safety
Rockwell Automation is proud of how we have demonstrated both continuous improvement and compliance excellence in our safety and environmental programs. Our goals in these programs is to go beyond strict regulatory compliance to achieve world-class results. We are committed to demonstrating the highest standard of global environment, health and safety management.
We strive to maintain the highest standards of business conduct. We hold our suppliers to these same high ethical standards. Not only does this provide us with a competitive advantage – it is also the right thing to do.
At Rockwell Automation, we strive to deliver the highest level of service and quality to our customers each day. We depend on each of our supplier partners to ensure our products meet these high standards and our service exceeds expectations.

Over the past few years we have collaborated with you to improve our processes, standards and metrics and align them to our business goals. In doing so, we have created opportunities to strengthen our partnerships.

The feedback you provided through the Supplier Council has been instrumental in identifying where our investment is most critical. Based on this feedback, we have worked to create schedule agreements and production authorization terms. Timely communication and information focused on helping you do your best work is our priority. We have implemented new technology through SAP to provide you with real-time information, and we hope this Supplier Handbook will also serve as an informational resource.

As we look ahead, we want to build a network of high-performing Preferred Suppliers that we can proactively work together with to establish mutually beneficial relationships. Our growth and success will translate to the growth and success of our Preferred Suppliers.

This is our common goal and together I am confident we can achieve it.