

1. Purpose and scope of application

The quality of the overall performance of a supplier and its changes are to be measured by using a supplier evaluation scheme. The objective is to achieve improvements in areas where potential exists.

The supplier evaluation also serves as information for the strategic talks between WKW-Group and the supplier.

The following calculations are valid for the plants of WKW-Automotive in Germany and in Hungary. Country-specific variations may exist for the other subsidiaries.

2. Description of procedure with responsibilities

The supplier evaluation is produced by a team soon after each business year-end closing. The team consists of the Logistics department, the Quality Assurance departments of the plants and the Projects and Series Purchasing department. This team checks the soft facts and the hard facts for plausibility and finally evaluates the supplier. The Purchasing department concerned is responsible for carrying out and sending the supplier evaluation.

The hard facts relating to the supplier evaluation are established by means of Babtec and the SAP system.

In individual cases, an up-to-date monitoring is also possible (Babtec).

3. Main criteria

The evaluation comprises the following four main criteria:

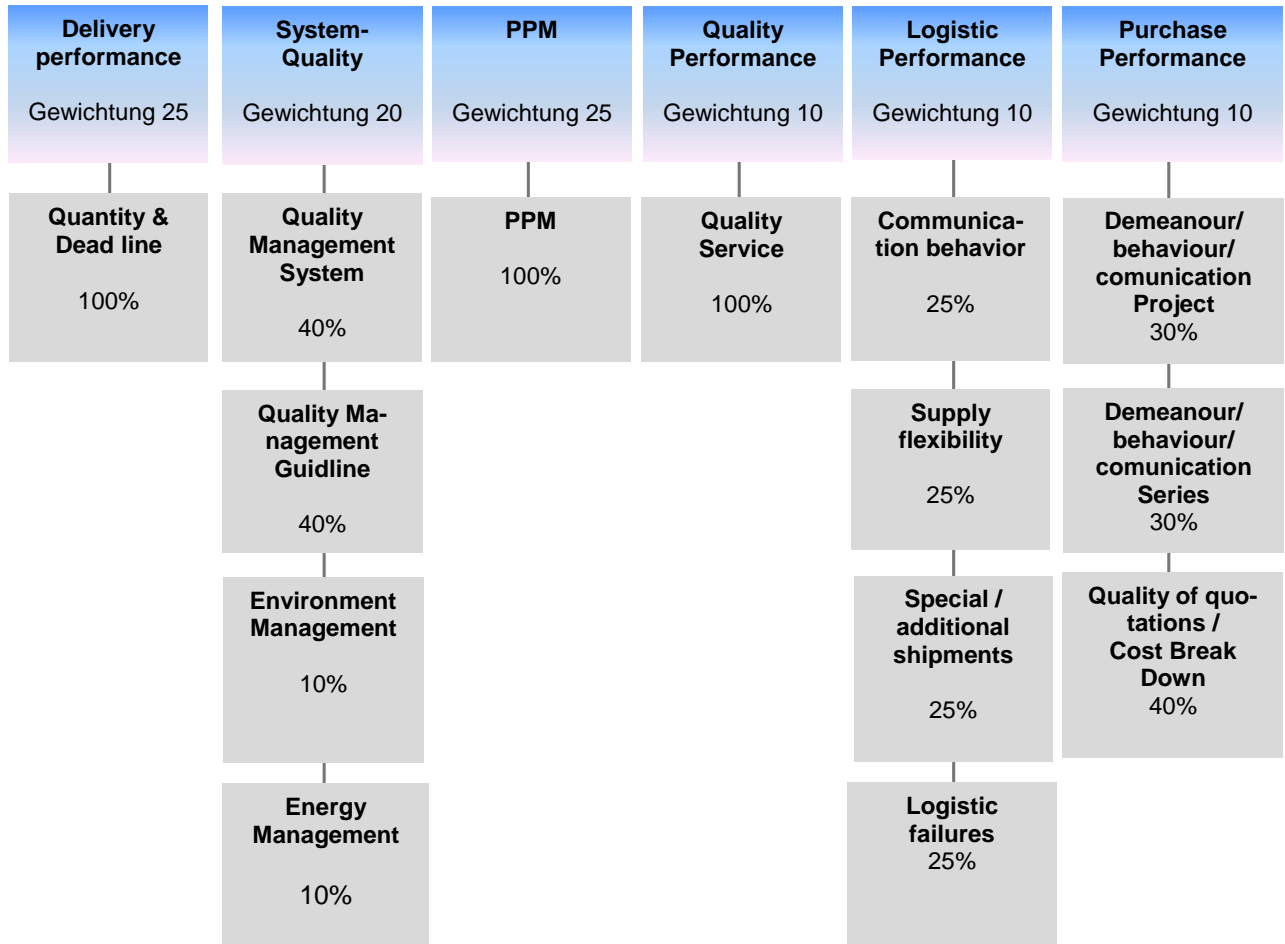
1. Delivery performance (responsibility of Logistics)
2. System Quality (responsibility of Purchasing)
3. PPM (responsibility of Quality)
4. QS performance
5. Logistic performance
6. Purchase Performance

The sub-criteria of these main criteria are weighted differently and aggregated to the level of the main criterion.

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Overview of weighting and influence in supplier evaluation





4.1 Delivery performance

The delivery performance is calculated based on complete and on-time delivery. The latest delivery call and/or the current order is the basis for calculating the on-time and complete delivery performance. If any deviations from the quantity and/or deadline are agreed with the purchaser/planner, they only become effective for the supplier evaluation, if they have been changed accordingly in the delivery call or for the order in the SAP system. The delivery performance is determined within the SAP system. The calculation is made according to VDA standard and is shown in percent.

$$100\% - \frac{\text{delivered quantity} \times \text{number of days (too early/late)}}{\text{called quantity}} \times \text{weighting factor}$$

Weighting factor:

- 1 for deliveries too early
- 2 for deliveries too late

A manual evaluation by the responsible planner is also permissible for suppliers.

Classification of delivery performance:

100% - 90%	A-supplier	green colour
89.9% - 70%	B-supplier	yellow colour
less than 70%	C-supplier	red colour

4.2 System quality criterion

The System quality criterion evaluates the supplier with regard to his ability to meet the quality requirements made to him. The Environment/energy criterion evaluates the supplier with regard to his ability to meet the environment/energy efficiency requirements made to him based on ISO 14001/ISO 50001.

4.2.1 QM System of the supplier

The evaluation is made on the basis of the following scheme:

Certification to IATF 16949	40
Certification to IATF ISO 9001	90% von 40
Quality management guideline / set supplier alternatively OEM agreement	40
Quality management guideline with accepted deviations	90% von 40
Umweltmanagement 14001 / EMAS	10
Energiemanagement 50001 EMAS	10

4.3 PPM criterion

The calculation of the PPM rate is carried out in the SAP/Babtec systems.

Once a quality message has been created, the PPM-relevant delivery quantities are updated and set in relation to the total delivered quantity. The result is the PPM rate. A comparison is made to determine whether the individual agreed PPM target values were reached.

If no agreement exists, the supplier is requested to submit a proposal in order to conclude a subsequent agreement.

PPM ratio	Evaluation	Colour
0 - 499	100%	Green
500 - 999	90%	Green
1000 - 1499	80%	Yellow
1500 - 1999	70%	Yellow
2000 - 2499	60%	Red
2500 - 2999	50%	Red
3000 - 3499	40%	Red
3500 - 3999	30%	Red
4000 - 4499	20%	Red
4500 - 4999	10%	Red
>5000	0%	Red

4.4 Quality Performance

Services of the supplier (in the case of complaints, in particular in the case of customer complaints)

The evaluation is made on the basis of the following scheme:

The response to claims is on time and all required data/documents are available. The initiated measures have a lasting effect	100%
The response to claims is delayed or not all required data/documents are completely available. The initiated measures have a lasting effect	80%
The response to claims is delayed and not all required data/documents are completely available. The initiated measures are effective	40%
The response to claims is delayed and not all required data/documents are completely available. The initiated measures have no effect. Changes in processes were not communicated. Sampling does not meet the requirements	0%

4.5 Logistic Performance

Apart from the delivery performance, the performance relating to customer services is also evaluated, this includes:

4.5.1 Communication behaviour:

The supplier informs without delay, however at least one day before delivery, at the latest, about non-deliveries or short deliveries. Agreements made regarding delivery deadlines, back-log elimination, reworking, etc., must be adhered to.

The evaluation is made on the basis of the following scheme:

The supplier always informs without delay about interventions in the facility operations, which could have an influence on the deadline and quantity and/or adherence to agreements and indicates solutions	100%
The supplier usually informs in good time about non-deliveries/short deliveries and/or changes with regard to agreements, indicates potential solutions in some cases	80%
The supplier informs only on the day of delivery about non-deliveries/short deliveries and/or at the deadline about changes with regard to agreements	60%
The supplier sporadically informs about non-deliveries/short deliveries and/or changes with regard to agreements. Enquiries are frequently made	40%
The supplier does not inform about non-deliveries/short deliveries and/or changes with regard to agreements. Replies must be requested	0%

4.5.2 Supply flexibility:

The extent to which the supplier is able to react to changed quantity requirements/deadlines also on a short term basis.

The evaluation is made on the basis of the following scheme:

The supplier is able to react to changed quantity requirements/deadlines at any time	100%
The supplier is able to react to changed quantity requirements/deadlines by pro-active suggestions	80%
The supplier is able to react to changed quantity requirements/deadlines within an agreed time period	60%
The supplier is able to react to changed quantity requirements/deadlines only with additional effort and at additional costs	40%
The supplier is not able to react to changed quantity requirements/deadlines	0%

4.5.3 Special or additional shipments

Special or additional shipments shall be made in the event of non-timely delivery of the supplier at the agreed delivery time. These are necessary to avoid any stop of production line and further disruption to avoid of the OEM. Special or additional shipments interfere with the operational process and thus cause considerable additional expenses.

The evaluation is made on the basis of the following scheme:

≤ 0 ST / Year	100%
≤ 3 ST / Year	80%
≤ 5 ST / Year	60%
> 10 ST / Year	0%

4.5.4 logistical interruptions

WKW.Group reserves the right to chargeback logistical interruptions to the supplier and to charge for any additional expenses. This includes in particular deviations in the logistic delivery quality, such as data quality, delivery quality, as well as packaging quality. Logistical failures are displayed to the supplier per operation.

Die Bewertung erfolgt nach folgendem Schema:

≤ 0 Logistic Failures	100%
≤ 3 Logistic Failures	80%
≤ 5 Logistic Failures	60%
> 10 Logistic Failures	0%

4.6 Purchasing performance:

This criterion reflects the supplier's behaviour in purchasing negotiations and is broken down into three items:

4.6.1 Demeanour/behaviour (behavior / communication in project)

The evaluation is made on the basis of the following scheme:

The supplier always behaves fairly and cooperatively	100%
The supplier usually behaves fairly and cooperatively	80%
The behaviour of the supplier is rather average	50%
The behaviour of the supplier is not acceptable	0%

4.6.2 Demeanour/behaviour (behavior / communication in series)

The evaluation is made on the basis of the following scheme:

The supplier always behaves fairly and cooperatively	100%
The supplier usually behaves fairly and cooperatively	80%
The behaviour of the supplier is rather average	50%
The behaviour of the supplier is not acceptable	0%

4.6.3 Quotation / pricing / Cost Break Down

The evaluation is made on the basis of the following scheme:

Quotations are submitted on time and all required data/documents are available	100%
The quotation is submitted on time, the required documents are mostly complete	80%
Quotations are submitted with a delay or not all required data/documents are	50%

completely available	
Quotations are submitted with a delay and not all required data/documents are completely available	0%

5 Evaluation (overall grade)

The total result of the supplier is achieved by the aggregation of all sub-criteria to the level of the main criteria and the weighting of the main criteria to each other.

$$\begin{aligned}
 & (\text{Delivery performance} \times 25) + (\text{Quality} \times 20) + (\text{PPM} \times 25) + (\text{QS Performance} \times 10) \\
 & + (\text{Logistic performance} \times 10) + (\text{Purchase Performance} \times 10) \\
 & \hline
 & = \text{Overall evaluation}
 \end{aligned}$$

100

The classification of the supplier is based on the following:

100% - 85%	A-supplier
84.9% - 70%	B-supplier
less than 70%	C-supplier

The classification results are made available to the supplier by the relevant purchasing organisation of WKW-Group.

If the overall result of the supplier is less than:

- 84.9%, the supplier has to develop a problem-cause analysis with the resulting measures to be initiated and to make it available without request.
- 70%, the supplier may also be requested in addition to take part in a supplier meeting.

In the case of a C-classification in one individual category of the "PPM/delivery performance/system quality" groups, an action plan has to be requested in any case. The action plan must be submitted without request within a period of four weeks. If the action plan is not sent, the further procedure is as follows:

- a) If the action plan has not been submitted within the planned period, Purchasing actively requests the action plan.
- b) If there is no reaction, an invitation to a supplier meeting is sent.
- c) If no supplier meeting is held or if the supplier meeting is not successful, the Purchasing Management is informed and the further procedure is agreed.
- d) Blocking/exclusion from new projects must be communicated in writing in agreement between Purchasing and the relevant General Management/Plant Management.
- e) In the case of preferred vendors, the customer may be informed about the above-mentioned escalation steps via Sales of WKW-Automotive.
- f) If a supplier is blocked, the purchasing organisation concerned sends feedback information to the QM of WKW-Group.