



1. Purpose and Scope

A supplier rating system will be used to measure the quality of a supplier's overall performance and changes thereto. The aim is to exploit improvements in areas with potential. The supplier rating serves as information for the strategic talks between the WKW Group and the Supplier. The following calculations are valid for the plants of WKW North America and Erbslöh Aluminium GmbH. Country-specific variations may exist for the other subsidiaries.

2. Procedure Description and Responsibilities

The general supplier rating will be performed once a year on 31 December by the Quality Assurance, Purchasing and Logistics Departments. For this purpose, the delivery reliability and PPM criteria will be checked for correctness by these departments approx. 10 weeks in advance and, if necessary, changed in the SAP system by 31 December. The entry of the manual criteria will also be effected by this date. In individual cases, an up-to-date monitoring is also possible (SAP).

3. Main Criteria

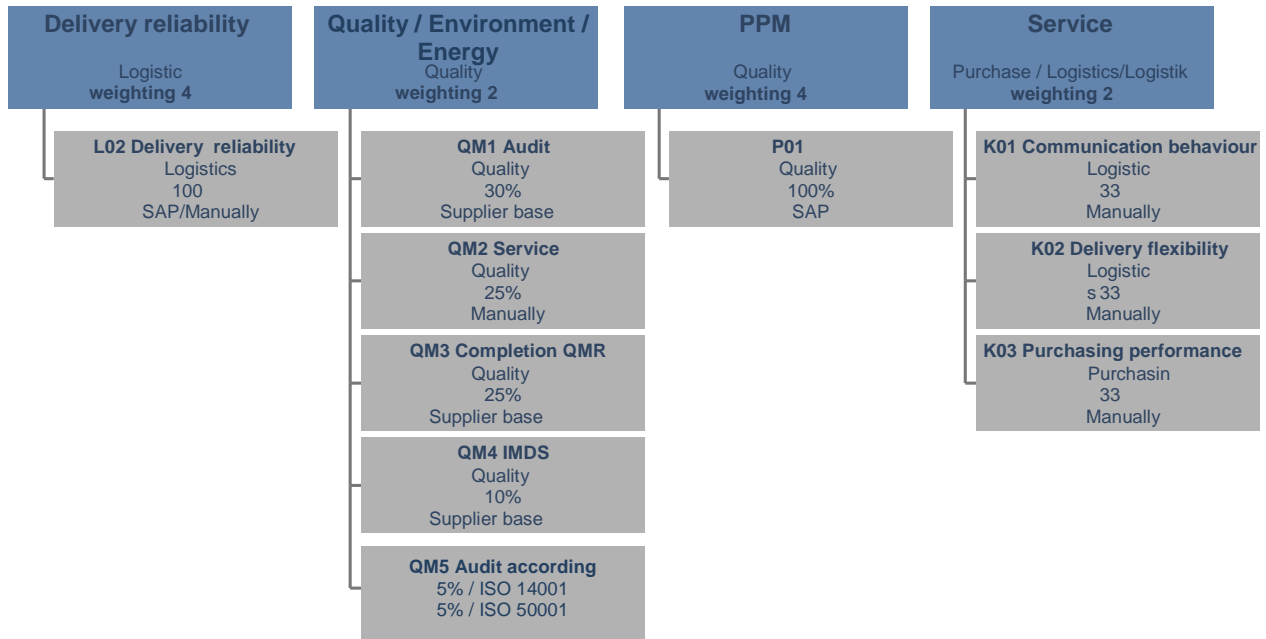
The rating consists of the following main criteria:

1. Delivery reliability (Responsibility of the Logistics Department)
2. Service (Responsibility of the Logistics/Purchasing Departments)
3. Quality/Environment Assurance (Responsibility of the QA-/ Environment Department)
4. PPM (Responsibility of the QA Department)

The sub-criteria of these main criteria are weighted differently and aggregated to form a main criterion.

The weighted results of the 4 main criteria make up the overall rating of a supplier.

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Name:	Mr. Wichelhaus	Mr. Vollmer	Mr. Stöber
Date:	January 2020	Information Printout	February 2014



3.1 Delivery Reliability Criterion

The target is a delivery reliability of 100% within the scope of the zero defect strategy. The supplier is expected to achieve a delivery reliability of at least 90% with the aim of continuous improvement.

- *L02 Delivery reliability:*

The delivery reliability is based on date compliance and quantity compliance. The basis for the calculation of date and quantity compliance is the latest call-off order respectively the current purchase order. If deviations from the quantity and/or date are agreed with the Buyer/Scheduler, they will not be effective for the supplier rating until they are entered accordingly into the SAP system under call-off respectively purchase order. The determination of delivery reliability is based on the SAP system. The calculation will be effected in accordance with the VDA (German Association of the Automotive Industry) standard and presented as a percentage.

$$100\% - \frac{\text{quantity delivered} \times \text{days (behind/before time)}}{\text{quantity ordered}} \times \text{weighting factor}$$

Weighting factor:
 1 for early deliveries
 2 for late deliveries



A manual rating by the responsible persons is allowed for suppliers with purchase orders having no reference to material (sub-contracted work).

Delivery reliability rating

100% - 85%	A-supplier	green colour
84.9% - 70%	B-supplier	yellow colour
less than 70%	C-supplier	red colour

Special rides (expedite) caused by the supplier must be entered in the "Special trips / Expedite" database immediately. If there are more than 5 special trips in the current year, the delivery reliability will be graded. Eg: A to B or B to C.

3.2 Service Criterion

In addition to delivery reliability, the performance in respect of customer service is also rated, specifically:

- *K01 Communications behaviour:*

The Supplier shall notify immediately – and not later than 1 day prior to delivery – of any non-delivery/short delivery. Agreements concerning promised delivery dates / backlog reduction / rework etc. must be complied with.

The rating is performed manually in accordance with the following scheme:

The Supplier gives immediate notification of interventions in operations, which could have an impact on delivery date and quantity, or the compliance with agreements, and offers solutions.	100%
The Supplier gives timely notification of non-delivery / short delivery, respectively changes to agreements, but does not offer any solution methods.	80%
The Supplier gives no notification of non-delivery / short delivery, respectively changes to agreements, until the delivery date.	40%
The Supplier never or only sporadically gives notification of non-delivery / short delivery, respectively changes to agreements.	0%

- *K02 Delivery flexibility:*

To which extent is the Supplier in a position to react to short-term changes to quantity/date requirements.

The Supplier is always able to react to changed quantity / date requirements.	100%
The Supplier is able to react to changed quantity / date requirements within an agreed period.	80%



The Supplier is only able to react to changed quantity / date requirements with additional time, effort and cost.	40%
The Supplier is not able to react to changed quantity / date requirements.	0%

- *K03 Purchasing performance:*

This criterion reflects the Supplier's behaviour during purchasing negotiations and is subdivided into three items:

- Pricing in comparison with the target or the competition

The prices are competitive in comparison with market prices.	100%
The prices are partly competitive in comparison with market prices	40%
The prices are not competitive in comparison with market prices	0%

- Behaviour in respect of negotiations

The Supplier's behaviour in respect of price negotiations and other topics is fair and co-operative.	100%
The Supplier's behaviour in respect of price negotiations and other topics is about average.	40%
The Supplier's behaviour in respect of price negotiations and other topics is not acceptable.	0%

- Quotation processing

Quotations are submitted on time and all the required data / documents are available.	100%
Quotations are submitted late or not all the required data/documents are available in full.	40%
Quotations are submitted late and not all the required data / documents are available in full.	0%

The purchasing performance rating is derived from the following rating:

Number of ratings at 100%	Number of ratings at 40%	Number of ratings at 0%	Overall rating
3	0	0	100%
2	1	0	80%
2	0	1	60%
1	2	0	60%
1	1	1	40%



1	0	2	40%
0	3	0	40%
0	2	1	40%
0	1	2	0%
0	0	3	%

3.3 Quality / Environment / Energy Criterion

The quality criterion is used to assess the Supplier as to whether or not he meets the quality requirements placed on him.

With the environmental criterion is the supplier evaluated as to whether he environmental aspects, which are made from the ISO 14001 / ISO 50001 in him, will meet.

This includes

- *QM1 QM Supplier audit*

Certification to IATF 16949	100%
Certification to ISO 9001:2000	90%
No certification	0%
Certification to ISO 14001 / ISO 50001 yes/no	100% / 0%

- *QM2 Supplier's service*

The response to complaints is on time and all the required data/documents are available. The action taken has a lasting effect.	100%
The response to complaints is late or not all the required data / documents are available in full. The action taken has a lasting effect.	80%
The response to complaints is late and not all the required data / documents are available in full. The action taken has a lasting effect.	40%
The response to complaints is late and not all the required data / documents are available in full. The action taken has no effect. Process changes were not notified. The sampling does not conform to the requirements.	0%

- *QM3 Conclusion of the quality management directive*

Unconditional conclusion	100%
Conditional conclusion	90%
No conclusion	0%

- *QM4 End-of-life vehicles directive IMDS*

Was signed	100%
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AA 8.4.2.3-002e
Ausgabe 01.20
Index **N**
Prozess 2.3.2
(vorher AA11-05 SAP)

Work instructions
Supplier evaluation
Purchase parts & wage processing
SAP



Is not relevant
Was not signed

no rating
0%



3.4 PPM criterion

The PPM ratio is calculated by the SAP system.

The entry of a quality report causes the PPM-relevant delivery quantities to be updated and set in proportion to the delivered total quantity. The result is the PPM ratio.

It is verified whether or not the agreed PPM targets were achieved.

If there is no agreement in place, the Supplier is requested to make a proposal in order to subsequently make an agreement.

If the PPM targets have not been achieved, the Supplier must work out an action plan without request.

PPM ratio	Rating	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. SAP Rating (Overall Mark)

The aggregation of all sub-criteria of the main criteria and the weighting of the main criteria to one another produce the overall result for the Supplier (Please also refer to item 2.2).

$$\frac{(\text{delivery reliability} \times 4) + (\text{quality} \times 2) + (\text{PPM} \times 4) + (\text{service} \times 2)}{12} = \text{overall mark}$$

12

The supplier rating is done with the following classification:

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

The rating results will be provided to the Supplier.

If the Supplier's overall result is less than

- 84,9%, the Supplier will be required to carry out a problem-cause analysis and submit an action plan to be implemented on the basis of the results of such analysis without request.
- 70%, the Supplier can also be invited to a supplier meeting.

The action plans submitted by the Supplier are checked by SQM and/or the Purchasing/Logistics Departments. If the action is insufficient, the Supplier will be required to make improvements.

If both the action and the further supply quality are unacceptable, a decision will be made on a case-by-case basis as to whether the Supplier will be banned (provisionally) or not be considered for new products.

The decision on banning a Supplier will be made by the Purchasing Department. SQM will provide decision assistance if, for example, action plans do not have any effect.

The Supplier will be notified of this decision in order to give him the opportunity of remedy. If such is acceptable, the Supplier will be debanned.

A decision will be made on a case-by case basis whether or not an audit will be necessary.