

(old name ZA QM 7.4)

# Central Instruction CI CU-QM 023

## Supplier Evaluation Process

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### 1. PURPOSE

This central instruction is intended to ensure a standardized process of the supplier evaluation for all units of the ElringKlinger Group. The evaluation period is defined as half-yearly.

### 2. SCOPE & DISTRIBUTION

This central instruction applies to all organizational units of the ElringKlinger Group.

Information classification

Internal

### 3. EVALUATION SYSTEM

ElringKlinger is conducting a group-based supplier evaluation, which contains all ElringKlinger plants with access to SAP. The evaluation of the suppliers of ElringKlinger is organized in two levels:

#### 1. Corporate group suppliers:

If a supplier belongs to a corporate group, ElringKlinger assesses only the corporate group.

ElringKlinger uses the purchasing volume in € of each supplier for the percentage distribution of the weighting.

##### Example:

Supplier A: € 15,000,000,-     $\triangle$  Rating: 80%

Supplier B: € 5,000,000,-     $\triangle$  Rating: 100%    =    **Total purchasing volume = € 20,000,000,-**

##### Calculation:

Supplier A: € 15,000,000,- | 3 parts |  $\triangle$  75% | 3/4

Supplier B: € 5,000,000,- | 1 part |  $\triangle$  25% | 1/4

$$\text{Total Rating} = \frac{(3 \times 80) + (1 \times 100)}{4} = 85 \%$$

#### 2. Single Suppliers:

Suppliers outside of a corporate group will be assessed as single suppliers.

### 4. MODULES AND RESPONSIBILITIES

The supplier evaluation consists of the following modules:

<u>Modul</u>	<u>Responsible for module</u>	<u>Percentage</u>
Delivery Performance	Supply Chain Manager (per Plant)	40%
Quality of delivery	Senior Supply Quality Management Specialist (per Plant)	40%
Service / M-System	CU-4QS	20%

Responsible for the organization, sending and tracking of the half-yearly supplier evaluation is the Corporate Unit Supplier Quality Management (CU-4QS).

### 5. SUPPLIER SCOPE / COMMODITIES

All suppliers of direct material from the following commodities are considered in the evaluation:

C*	Components
R*	Raw Material
E*	External Processes

### 6. CLASSIFICATIONS

A-Supplier	$\geq 90\%$
B-Supplier	$< 90\% - \geq 70\%$
C-Supplier	$< 70\%$

If the total rating is less than 80%, ElringKlinger is expecting a response within 4 weeks in the form of an action plan.

At least the action plan must be containing the root causes and the corrective actions, as well as the procedure how to get an A-rating again (at least 90%). Subject to our approval we consider this plan as a quality agreement for continuous improvement.

Information classification
Internal

## 7. CONTENTS AND CALCULATION OF THE INDIVIDUAL MODULES

### 7.1 DELIVERY PERFORMANCE

- Delivery performance per goods receipt (DP):  
I Delivery date – disposed date I\* Factor  
\*delivered quantity / confirmed quantity
- Delivery performance in %  
 $100\% - (0,71 * DP) \%$   
(data < 0% = 0%)
- Sum delivery performance in %:  
 $\text{Sum}(\text{Delivery performance in } \%) / \text{no of receipts}$
- Delivery time and confirmed time in days
- Factor:  
delivery before: 1  
delivery to late: 2

### 7.2 QUALITY OF DELIVERIES

Delivered product conformity to requirements, including EK customer disruptions, field returns and special status customer notifications

- PPM in evaluation period ( 50% )  
Evaluation(%) =  $100 - (0,02 \times \text{ppm value})$ ; min. 0%
- Number of complaints / month ( 50% )  
Evaluation(%) =  $100 - (100/1,5 \times \text{"Sum complaints per month"})$ ; min 0 %  
Sum % in evaluation period / no of months

### 7.3 SERVICE / M-SYSTEM

Management System (Certification) + Initial Sampling		Basis:	100%
Reductions for certification:	No certification ISO9001		-51%
	ISO9001-certification overdue		-20%
	No certification IATF 16949		-20%
	No certification ISO 14001		-20%
	Supplier Manual (aka. Q&E Guideline) not accepted		-51%
	Statements to complaint > 90days		-10%/Complaint
Reductions for initial sampling:	Basis:	100%	<div><div></div><div>Reduction = <math>\frac{\text{ISR1} + \text{ISR2} + \dots + \text{ISRn}}{\text{quantity of all ISR's}}</math></div></div> <div>-100</div>
	Too late	-40%/ISR*	
	Not complete	-20%/ISR*	
	Incorrect	-20%/ISR*	
	Samples missing	-20%/ISR*	
	Reductions results of the mean value of all individual reports		

\*Initial Sample Report

#### Additional monitored performance indicators:

- Number of interruptions at the customer
- Number of occurrences of premium freight

Information classification

Internal