(old name CI CU-QM 023)

Central Instruction CI CU-SQM 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 is actualized monthly.

2. SCOPE & DISTRIBUTION

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

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3. EVALUATION SYSTEM

ElringKlinger is conducting a group-based supplier evaluation, which contains all ElringKlinger plants with access to SAP. ElringKlinger plants with no access to SAP must calculate the evaluation in similar ways and inform the suppliers separately.

The evaluation of the suppliers of ElringKlinger is organized in two levels:

3.1. CORPORATE GROUP SUPPLIERS

If a supplier belongs to a corporate group (group key available), ElringKlinger evaluates only the corporate group. ElringKlinger uses the purchasing volume (quantity) of each supplier for the percentage distribution of the weighting.

Example:
Supplier A: 15,000,000 units: *Rating: 80%*
Supplier B: 5,000,000 units: *Rating: 100%* ***Total purchasing volume = 20,000,000 units***

Calculation:
Supplier A: 15,000,000 units | 3 parts | ≙ 75% | 3/4
Supplier B: 5,000,000 units | 1 part | ≙ 25 % | 1/4

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

3.2. SINGLE SUPPLIERS

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

4. TOTAL PERFORMANCE MODULES AND RESPONSIBILITIES

The total supplier performance consists of the following modules:

Modul	Responsible for module	Percentage
Delivery Performance	Supply Chain Manager (per Plant)	30%
Quality Performance	Senior Supply Quality Management Specialist (per Plant)	30%
System Performance	CU-Supplier Quality Management	20%
Commercial Performance	CU-Commodity Manager Purchase	20%

Responsible for the organization and tracking of the supplier evaluation is the Corporate Unit Supplier Quality Management.

5. SUPPLIER SCOPE / COMMODITIES

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

C*	Components
R*	Raw Material
E*	External Processes

6. CLASSIFICATIONS

A-Supplier	≥ 90%
B-Supplier	< 90% - ≥70%
C-Supplier	< 70%

If the supplier achieves a performance below 70% in a total evaluation of supplier no. per ElringKlinger plant we expect 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.

7. CONTENS AND CALCULATION OF THE INDIVIDUAL MODULES

7.1 DELIVERY PERFORMANCE

Evaluated period last 6 months.

- Delivery performance per goods receipt (DP):
  I Delivery date – disposed date I* Factor
  *delivered quantity / confirmed quantity.
- Open backlog at end date of evaluation time interval
  (agreement without any goods receipt or goods on transport)
  are considered with a rating of 0%
- Delivery performance in %
  100% – (0,71 * DP) %
  (data<0% = 0%)
- Sum delivery performance in %:
  Sum (Delivery performance in %)/ no of receipts
- Delivery time and confirmed time in days.
- Factor:
  delivery too early: 1
  delivery too late: 2

7.2 QUALITY PERFORMANCE

Evaluated period last 6 months.

Delivered product conformity to requirements. Every quality deviation from the products including ElringKlinger customer disruptions, field returns, and special status customer notifications leads to a supplier quality complaint in SAP (Notification type Q2).

PPM Rating in evaluation period (50%)

- PPM in proportion to delivered qty.

- PPM value $\left(\frac{Amount\ of\ delivered\ failure\ quantity}{Amount\ of\ delivered\ quantity} * 1.000.000 \right)$

- PPM Evaluation(%) = $(PPM\ Value * 0{,}02\ * 1{,}0\ (* 0{,}10\ for\ Bulk) = Evaluation\ reduction\ \% - 100\% = PPM\ Rating\ in\ \%;$ min. 0%

Example: *Evaluation period: 6 Month*

Delivered quantity 01.2023: 10.000 units.
Delivered quantity 02.2023: 20.000 units.
Delivered quantity 03.2023: 10.000 units.
Delivered quantity 04.2023: 5.000 units.
Delivered quantity 05.2023: 30.000 units.
Delivered quantity 06.2023: 15.000 units.

Failure quantity in evaluation period: 500 units

Complaints started in the evaluation period.

$$PPM\ evaluation\ in\ \% = 100\% - \left(0{,}02 * \frac{500}{10000+20000+10000+5000+30000+15000} * 1.000.000 * 1{,}0 \right) = 88{,}89\%$$

Complaints rating (50%)

Evaluated complaints are started during the evaluation period.

- Evaluation of complaints per month % = 100% - $\left(\frac{100}{1{,}5} * Complaints\ per\ month \right)\%$
- Evaluation of complaints % in evaluation period = $\frac{Sum\ of\ evaluation\ of\ compl.\ per\ month\ \%}{6\ months\ (evaluation\ period)} = Complaints\ Rating\ in\ \%$; min. 0%

Example:

1. *Month: 0 complaints* ≙ *Rating: 100%*
2. *Month: 6 complaints* ≙ *Rating: -300%*
3. *Month: 0 complaints* ≙ *Rating: 100%*
4. *Month: 1 complaint* ≙ *Rating: 33,3%*
5. *Month: 0 complaints* ≙ *Rating: 100%*
6. *Month: 0 complaints* ≙ *Rating: 100%*

$$Complaints\ rating\ in\ \% = \frac{100\%-300\%+100\%+33{,}3\%+100\%+100\%}{6} = \mathbf{22{,}22\%}$$

Depending on the importance of the complaint, the priority must be maintained:

1- Very high/Customer (e.g. customer disruptions at the receiving plant, including yard holes and stop ships)
2- High/Production (e.g. problems occurred in the production areas of EK)
3- Medium/Incoming (e.g. problems occurred in the incoming inspections areas of EK)
4- Low/Note

7.3 SYSTEM PERFORMANCE

Management System (Certification) + Initial Sampling		**Basis:**	**100%**
Reductions for certification:	No certification ISO 9001		-51%
Evaluated actual month	ISO 9001-certification overdue		-20%
	No certification IATF 16949		-20%
	No certification ISO 14001		-20%
	Supplier Manual not accepted		-51%
	Code of Conduct not accepted		-30%
	Statements to complaint > 45days		-10%/Complaint
Reductions for initial sampling:	**Basis:**	**100%**	Reduction = $\frac{ISR1 + ISR2 + \ldots + ISRn}{quantity\ of\ all\ ISR's}$ **-100**
Evaluated period last 6 months	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 (acc. 7.2; priority 1 - very high)

Additional information on the evaluation of the Management System (Certification):

The evaluation of the certificates is additionally based on the qualification class. The qualification classes are maintained in the Supplier Qualification List of ElringKlinger (SAP Transaction: ZLIEFQ). The effect of the qualification class on the supplier evaluation is described in the central form CF CU-SQM 135 Supplier Qualification Class

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7.4 COMMERCIAL PERFORMANCE

Evaluated period last 6 months.
Commercial performance is calculated from the following three indicators and their weighting:

Indicator	weighted
- Price development	15%
- Price transparency	15%
- Weighted average payment terms	70%

Weighted average payment terms (WAP) rating:

- Payment terms ≥ 90 days = 100%
- Payment terms ≥ 60 days = 75%
- Payment terms ≥ 30 days = 50%
- Payment terms < 30 days = 0%

Price development
Evaluates the extent to which a supplier has demonstrated potential savings compared to ElringKlinger or whether prices are developing in ElringKlinger's favor (reductions), considering global market conditions.

- ElringKlinger's expectations met = 100%
- Expectations mostly met = 75%
- Expectations partially met = 50%
- Expectations not met = 0%

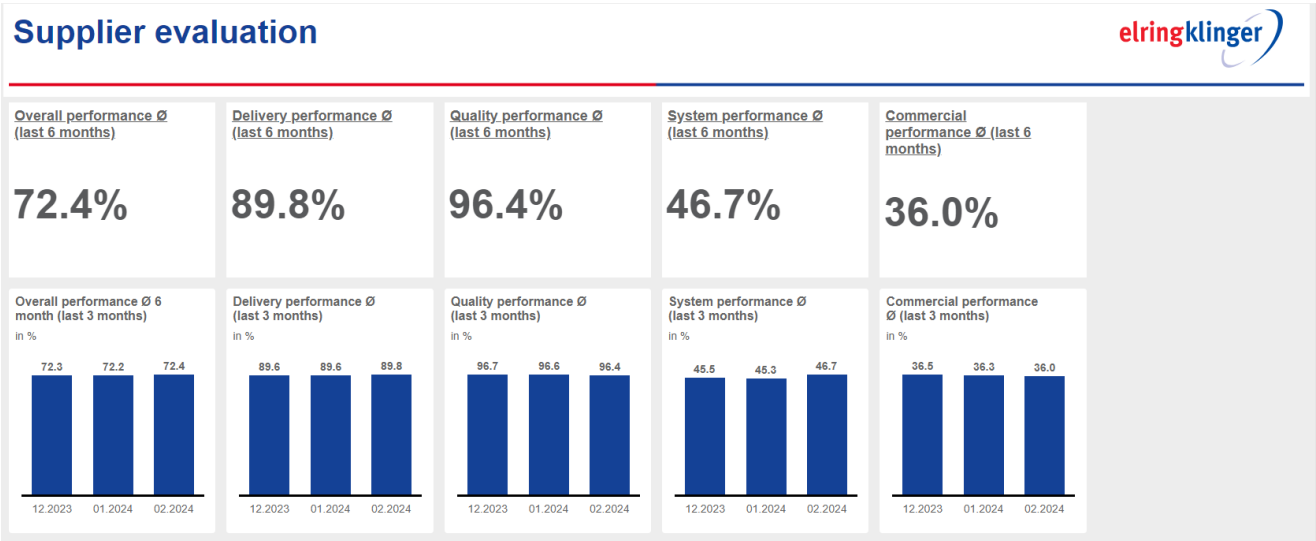
Price transparency
Evaluates the extent to which a supplier is onboarded in Jaggaer (fully registered) and whether offers including Coast breakdown are created or submitted via the platform.

- Supplier is registered in Jaggaer and submits quotes + cost breakdown via Jagger. =100%
- Supplier is not fully registered in Jaggaer and/or transmits Cost breakdown by other means. =50%
- Supplier does not meet ElringKlinger's expectations regarding price transparency =0%

8.0 SUPPLIER EVALUATION SCORECARD

8.1 ELRINGKLINGER INTERNAL INFORMATION SAC (SAP ANALYTIC CLOUD)

The supplier evaluation is displayed on SAC for internal Information.
The available filter options can be used to evaluate every EK plant that works with SAP ERP.



8.2 EXTERNAL INFORMATION JAGGAER SYSTEM

All suppliers delivering ElringKlinger must be onboarded in JAGGAER. Through a Workflow, each supplier is informed on the 15th of a month that a new evaluation is available. If the supplier achieves a performance below 70% in a total evaluation of supplier no. per ElringKlinger plant, a ticket will be opened in the Jaggaer Portal, and the supplier will be asked to submit an action plan.

If the supplier has any questions, the supplier must contact the respective contact person at the ElringKlinger plant directly.

Delivery Performance: MRP-Controller (Plant)
Quality Performance: Senior Supplier Quality Management Specialist (Plant)
System Performance: CU-SQM (glb.suppliermgmt@elringklinger.com)
Commercial Performance: Commodity Manager Purchase

9. ADJOINING DOCUMENTS / TRAINING DOCUMENTS

- CI CU-SQM 030 Usage of ZLIEFQ
- CI CU-SQM 048 Supplier Complaint
- CF CU-SQM 135 Supplier Qualification Class
- Supplier Manual of the ElringKlinger Group
- Supplier Code of Conduct of the ElringKlinger Group