



Supplier Evaluation

Handout for Suppliers

Revision 01, March 2021

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1. General

1.1. Introduction

To comply with the obligations of its IATF certification, Preh has completely renewed its supplier evaluation procedure.

Hereby Preh established a control loop for all of its suppliers with regards to a continuous evaluation of the performance of its supplier base.

Main goals of this procedure are

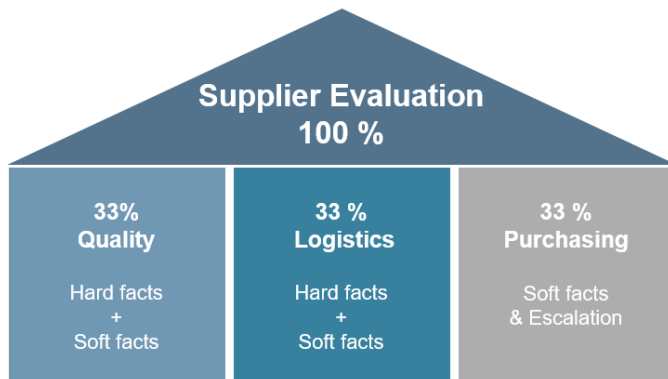
- a proactive & fast response to warning signs detected by the supplier evaluation,
- CIP
- and to boost cooperation between Preh and its supplier.

In this context and for transparency reasons, Preh wants to inform all of its suppliers about the details of this procedure.

The SM division of Preh takes full responsibility for this procedure and is therefore the main contact in case of questions of suppliers.

1.2. Calculation

Preh has fully integrated the complete supplier evaluation procedure in its ERP system.



- Three pillars equally weighted (1/3 per division)
- Each pillar (except Purchasing) is based on hard and soft facts
- Within each division, there is an individual weighting of hard and soft facts
- Suppliers are classified according to VDA volume 6.3
 - A-Supplier: 100-90 points
 - B-Supplier: 89-80 points
 - C-Supplier: 79-1* points

* : The logic within the Preh supplier evaluation classifies “zero/0” points as not assessed, or not relevant for the classification. Therefore the lowest reachable value is “one/1” point.

Hard facts is data, which is directly derived from the ERP system and automatically evaluated for all suppliers by the ERP system. The single hard facts of Quality and Logistic division are described below in detail.

Soft facts is data, which is directly influenced by specific incidents during daily business and may be maintained by the employees of the three divisions. The single soft facts of all three divisions are described below in detail.

In case, that single hard or soft facts of one or more categories / divisions are not assessed (zero points), the weighting of all remaining items is automatically adjusted to restore the original weighting within soft facts and between soft and hard facts.

Every Preh plant is evaluating its direct suppliers separately, but some HF / SF categories are evaluated on group level. Which of the HF / SF categories are plant-specific and which are evaluated on group level is highlighted in the detailed description of each category hereinafter.

2. Quality

2.1. Hard Facts

2.1.1. Complaint Rate (25%)

The complaint rate is the ratio between the “number of complaints” and the “number of goods receipt” per period. Depending on the complaint rate percentage, a complaint rate score is calculated. Any complaint rate percentage of 10% or higher, results in a complaint rate score of 1 point. The complaint rate belongs to the plant-specific categories.

2.1.2. PPM Score (25%)

The ppm value is defined as the ratio between the “quantity of defective parts in responsibility of supplier” and the “quantity of receipt goods” per period multiplied with 1.000.000 (one million). Depending on the percentage exceedance of the ppm value compared with the ppm target, the ppm score is calculated. Any ppm value exceeding the ppm target by 300% or higher, results in ppm score of 1 point. The ppm value belongs to the plant-specific categories.

Initially, standard ppm values per supplier have been defined for all suppliers. Depending on specific agreements between Preh and its suppliers, these values are adjustable.

2.2. Soft Facts (50%)

2.2.1. Complaints

This SF is applied to evaluate the general processing regarding complaints.

Scores and text on the right are a general guideline for Preh employees, but are not subject to mandatory application.

This SF belongs to the plant-specific categories.

Scores	Text
1	gen. insufficient actions on complaints
2	>10 workdays delay/no rootcause analysis
3	8D content NOK/containment actions NOK
4	8 work days delay
5	poor root cause analysis
6	5 workdays delay/containm. actions poor
7	8D content poor
8	2 work days delay
9	8D formally NOK
10	no issues

2.2.2. Sampling

This SF is applied to evaluate the general processing regarding sampling.

Scores and text on the right are a general guideline for Preh employees, but are not subject to mandatory application.

This SF belongs to the plant-specific categories.

Scores	Text
1	general poor performance for sampling
2	repeated poor document quality/delay
3	2 weeks delay/long time for serial appr.
4	documents not complete
5	1 week delayed/no correct templates
6	data not correct
7	Label/part history not correct
8	2 work days delayed
9	documents not complete
10	no issues

2.2.3. Quality Knowledge

This SF is applied to evaluate the general quality knowledge of suppliers.

Scores and text on the right are a general guideline for Preh employees, but are not subject to mandatory application.

This SF belongs to the plant-specific categories.

Scores	Text
1	general poor quality knowledge
4	poor on VDA / AIAG rules
6	poor on MSA / capability
8	poor on IMDS
10	good level

2.2.4. General Cooperation

This SF is applied to evaluate the cooperation with suppliers.

Scores and text on the right are a general guideline for Preh employees, but are not subject to mandatory application.

This SF belongs to the plant-specific categories.

Scores	Text
1	general poor cooperation
4	agreed actions not done
6	single CSR are not accepted
8	insufficient reachability
10	no issues

2.2.5. Escalation

Currently not in use.

2.2.6. Audit

This SF is applied to evaluate the result of audits according to VDA volume 6.3.

Scoring is directly done by Preh ERP system based on the uploaded audit reports, results and action plan status. General goal of Preh for closing an audit action plan is 4 month.

Audits are calculated for one year into the supplier evaluation based on the audit execution date.

This SF is evaluated on group level.

Scores	Text
1	AP open > 4 months
3	C result, AP open
6	B result, AP open
9	A result, AP open
10	Action plan closed

3. Logistics

3.1. Hard Facts

3.1.1. Quantity Reliability (20%)

Quantity Reliability is the score how exactly the supplier fulfills our quantity demands. It is the calculation of percentage deviation of the actual delivered quantity vs. quantity in order. Leading for this is the goods receipt date and the statistical delivery date (in order).

Rated will be every single goods receipt.

The distribution of points is made according to a defined percentage point table.

Quantity settings

	<u>Underdelivery</u>	Points	<u>Overdelivery</u>	Points
	0 - 20%	100	0 - 10%	100
	21 - 40%	70	11 - 50%	70
minimum	> 41%	30	> 51%	50

The quantity reliability belongs to the plant-specific categories.

3.1.2. Date Reliability (40%)

Date reliability is the score how supplier provides an on-time delivery according to our desired date in purchasing document.

Measurement when using Purchase Orders is the deviation of statistical delivery date and the confirmed delivery date from supplier (Order Confirmation).

Measurement when using delivery schedules (LPA/Scheduling Agreements) is the deviation of desired delivery date in the schedule line. Always the last forwarded date will be measured. Weekend and vacation days will not be considered according to plant calendar.

Date settings

	Days too early	Points	days too late	Points
	0	100	0	100
	8	70	8	70
	13	30	13	30
minimum	18	1	18	1

The date reliability belongs to the plant-specific categories.

3.2. Soft Facts (40%)

3.2.1. Supply reliability

This SF is applied to evaluate the Supply reliability of suppliers.

Scores and text on the right are a general guideline for Preh employees, but are not subject to mandatory application.

This SF belongs to the plant-specific categories.

Scores	Text
1	Supplier critical
2	frequent wrong / missing papers
3	frequent wrong / missing labels
4	Logistics guideline missing
5	EDI compliance (only if required)
6	multiple wrong / missing papers
7	multiple wrong / missing labels
8	single wrong / missing papers
9	single wrong / missing label
10	everything ok

3.2.2. Data Availability

This SF is applied to evaluate the Data availability of suppliers.

Scores and text on the right are a general guideline for Preh employees, but are not subject to mandatory application.

This SF belongs to the plant-specific categories.

Scores	Text
1	Supplier critical
2	frequent missing info about delay/ASN
3	frequent premium freights
4	frequent wrong/missing PO confirmation
5	multiple premium freights,mult. miss.ASN
6	multiple missing info about delay
7	multiple wrong / missing PO confirmation
8	single missing info about delay
9	single wrong/miss.PO conf., missing ASN
10	everything ok / single premium freight

3.2.3. General Cooperation

This SF is applied to evaluate the cooperation with suppliers.

Scores and text on the right are a general guideline for Preh employees, but are not subject to mandatory application.

This SF belongs to the plant-specific categories.

Scores	Text
1	critical/ yard holds / stop ships
3	Continuous unavailability
4	communciation low
5	flexibility low
6	sporadic unavailability
7	communciation needs improvement
8	flexibility needs improvement
10	everything ok

4. Purchasing

4.1. Hard Facts

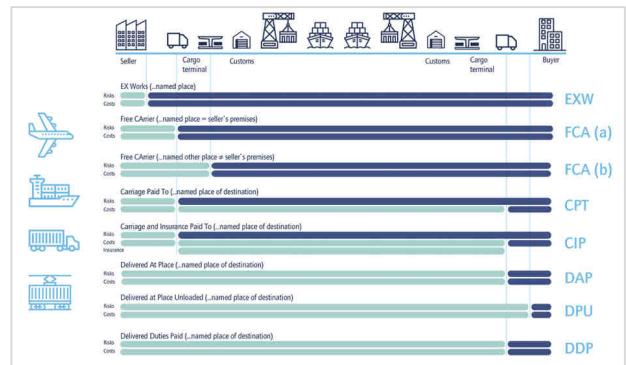
No hard facts defined for Purchasing division.

4.2. Soft Facts (100%)

4.2.1. Incoterms

This SF is applied to evaluate the negotiated Incoterms (acc. to **Incoterms® 2020 clause**) with suppliers.

This SF belongs to the plant-specific categories.



4.2.2. Payment Terms

This SF is applied to evaluate the negotiated Payment Terms with suppliers.

This SF belongs to the plant-specific categories.

For example:

Within 30 days Due net = 1 point

Within 90 days Due net = 100 points

For simplicity reasons not all payment terms are listed.

4.2.3. Product Development Process

Currently not in use/not assessed.

4.2.4. Connectivity

This SF is applied to evaluate the On-boarding status of suppliers in the ERP Master Data.

This SF is evaluated on group level.

Scores	Text
1	no connection
10	connected to ERP system

4.2.5. QAA

This SF is applied to evaluate the QAA contract status with suppliers.

This SF is evaluated on group level.

Scores	Text
1	Status DC - Declined
5	Status NG - in negotiation
10	Status AV - Approved

4.2.6. Certificates

This SF is applied to evaluate the certification status of the suppliers.

This SF is evaluated on group level.

Scores	Text
1	no QM - UM certificate available
5	ISO 9001
6	ISO 9001 + (ISO 14001 v ISO 45001)
7	ISO 9001 + ISO 14001 + ISO 45001
8	IATF 16949
9	IATF 16949 + (ISO 14001 v ISO 45001)
10	IATF 16949 + ISO 14001 + ISO 45001

4.2.7. Escalation

This SF is applied in case of extraordinary incidents. Such incidents can be:

- Line Stop at Preh / Preh's customer
- Preh on special customer status due to supplier fault
- Continuous fails in logistics or quality matters (repetitive fails)
- *special topics like dealer return/warranty/field actions/returns*
- etc.

This is a K.O. criteria which will lead to straight devaluation to "C" supplier on a monthly basis.

This SF belongs to the plant-specific categories.

Scores	Text
1	Escalation
10	no Escalation

5. Quarterly Supplier Evaluation

Besides the continuous monitoring of all suppliers, Preh decided to perform a quarterly reporting of selected suppliers (= TOP suppliers). Such selection is based on yearly turnover with supplier and further criteria (e.g. new or critical/high risk supplier). TOP suppliers receive an evaluation report letter from Preh.

Suppliers not classified by Preh as TOP supplier, may request such evaluation report letter from Preh.

Evaluation report letters with B / C-classification will request an action plan from supplier.

Because every Preh plant is evaluating its direct suppliers separately, it can happen, that a supplier receives more than one evaluation report letter.

If a supplier receives several evaluation report letters with action plan request, supplier may decide to create separate action plans for each plant or to create a combined action plan – in such case, SF evaluated on group level shall only be listed once.

6. Definitions and Abbreviations

IATF	International Automotive Task Force
CIP	Continuous Improvement Process
SM	Supplier Management (division at Preh)
QAA	Quality Assurance Agreement
VDA	Verband der Automobilindustrie e.V. (German Association of Automotive Industry)
ppm	parts per million
HF	Hard fact/s
SF	Soft fact/s

7. Revision Overview

Revision number	Revision date	Change	Created	Released
00	28. Sep. 2020	Release	C. Karch A. Ogiermann M. Metz	H. Knepper
01	04. Mar. 2021	3.2.3 picture changed; 4.2.7 bullet point added;	C. Karch	A. Ogiermann

For further inquiries, please refer to your SM Commodity Purchasing contact at Preh.