

EXPLANATIONS ON SUPPLIER ASSESSMENT for Material Deliveries and External Manufacturing

(with exception of Pre material Deliveries for Dortmund Plant)

For the services provided by the suppliers, the following criteria are differentiated in the supplier assessment and assessed individually every 6 months. All criteria are explained in detail on the following pages.

- **Quality Performance** (Quality)
- **Delivery Performance** (Logistic)
- **Price behavior** (Procurement)
- **Technological and innovative capability** (Technology & Innovation)

If applied, 1-100 points are awarded for the individual criteria. No overall criteria average is calculated. We expect our suppliers to strive for the maximum number of points in all areas. The classification of the points achieved and our expectations and measures can be seen in the following list:

100 - 81 Excellent Performance

- There is no need for an explanatory statement from the supplier.
- The supplier will be given preference when placing orders.

80 - 61 Average Performance

- An explanatory statement from the supplier is expected.
- Improvements are expected from the supplier.

60 – 41 Just Adequate Performance

- A written statement from the supplier is mandatory (within two weeks after receiving the assessment results)
- Improvement measures with deadlines for supplier development are to be agreed (within four weeks after receiving the assessment results)
- Limited order placement or status "new business on hold"
- The takeover of additional effort in our company (inspection costs, sorting costs, etc.) has to be agreed with the supplier for future deliveries, possibly.

40 - 1 Inadequate Performance

- A written statement from the supplier and a personal explanation are mandatory (within two weeks after receiving the assessment results)
- Improvement measures with deadlines for supplier development are to be agreed (within four weeks after receiving the assessment results)
- Status „new business on hold“ or „supplier blocked“ will be evaluated
- A new PSM Audit of the supplier has to be carried out within 6 weeks
- A new QAM System- and/or Process-Audit have to be carried out, possibly.
- The takeover of additional effort in our company (inspection costs, sorting costs, etc.) has to be agreed with the supplier for future deliveries.

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Criterion: Quality Performance

The criterion quality performance is subdivided into Management System (old: System Audit), Delivery Quality (old: GR Lots), Responsiveness (old: response capability) and Complaint Behavior (old: handling time claims). To derive an overall score for the delivery behavior criterion, the points assigned to each individual performance are recorded, weighted and collated separately.

The weighting for Management System is 30%, for Delivery Quality 40%, for Responsiveness 10% and for Complaint Behavior 20%.

Subcriterion: Management System

If no audit has yet been carried out at the supplier, the assessment is based on available documents. In justified cases, the maximum number of points can be reduced in the event of inadequacies.

Beurteilung Zertifikate, Nachweise, etc.	points
9001 implemented, QM-Plan available	maximal 40 points
9001 certified	maximal 60 points
relevant systems (QUS) certified	maximal 80 points
system checked by thyssenkrupp rothe erde	score achieved according to the audit report

If an audit was carried out, the audit score is accepted as points. If an audit was carried out more than 3 years ago, the assessment can be made differently based on the document situation.

Sub criterion: Delivery Quality

The criterion is collected and evaluated on the basis of the delivery quality and the associated documentation for each individual delivery/service (see table below). The average of the individual assessments is then formed for the assessment period:

Quality of Material/ service	Dokumentation	points
ok	ok	100
ok	documentation illegible, confusing, in another language (except English), late (> 1 day after receipt of goods) or only on request	80
ok	documentation incomplete or received only after repeated requests	60
ok	documentation not received	40
Not ok	-	1

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Sub criterion: Responsiveness

It is manually assessed to what extent the management system is able to react to audit measures and other requirements, e.g..

Responsiveness of the management system	points
no respond	1
no evidence or late response	50
timely and traceable processing of deviations	100

Sub criterion: Complaint Behavior

A complaint will be made if an agreed service is not or insufficiently provided by the supplier. A service that is not or insufficiently performed can lead to considerable deviations in deadlines and quality at thyssenkrupp rothe erde. In the event of a complaint, the supplier is therefore expected to take a short-term corrective measure to keep the impact of the deviation low. Preventive measures are also required at the end of the complaint to prevent the error from occurring again. As part of complaint processing, the following points are therefore assessed manually by the respective complaint officer for each complaint.

If there are no transactions in the assessment period, the supplier receives 100 points. If there were any transactions in the assessment period, the supplier also initially receives a score of 100 as the base value. However, the score in the evaluation may be reduced by subsequent correction values. The minimum score for this subcriterion is 1 point.

Assessment of Responsiveness	correction
first feedback ≤ 5 days	none
late feedback >5 days	minus 20
no feedback	minus 60
Assessment of Corrective actions	correction
little or no impact on quality and delivery performance	none
medium impact on quality and delivery performance	minus 20
significant impact on quality and delivery performance	minus 60
Prevention Assessment	correction
the preventive measure is likely to rule out the recurrence of the error or all technically justifiable preventive measures have already been exhausted and have been sufficiently presented to thyssenkrupp rothe erde	none
the preventive measure seems to be conditionally suitable to avoid the recurrence of the error	minus 20
the preventive measure does not seem suitable to avoid the recurrence of the error	minus 40
no preventive measure	minus 60

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Criterion: Delivery Performance

The Delivery behavior criterion is further subclassified into **Meeting delivery deadlines** and **Quantity fulfillment**. To derive an overall score for the delivery behavior criterion, the points assigned to each individual performance are recorded, weighted and collated separately.

The weighting for **Meeting delivery deadlines** is **60%** and for **Quantity fulfillment** **40%**.

Only those purchase orders are evaluated which have a delivery deadline within the period under consideration and for which a goods receipt has been posted. In principle, this posting is made promptly on the day of the physical receipt of the goods. Upon request, a detailed record of all individual performances can be requested.

Sub criterion: On-time Delivery

The deviation from the delivery deadline is evaluated in days. In this, "+" means a delivery later than the delivery deadline; "-" means an earlier delivery.

The supplier is requested to confirm the day and not the week of delivery as there might otherwise be variances in the evaluation. Should this not be possible by technical means it should be done by hand.

Points	Deviation Days too late	Deviation Days too early
100	0	0
90	+ 1	- 3
80	+ 3	- 7
70	+ 5	-10
60	+ 7	-14
50	+10	-17
40	+14	-21
30	+18	-24
20	+21	-28
1	+28 and more	-35 and more

Example: Contrary to the target delivery deadline of 21 July, the delivery takes place on 26 July.
A rating of 70 points is determined for this performance on the basis of the difference of 5 days.

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Sub criterion: Quantity Reliability

The deviation from the delivery quantity per delivery deadline is evaluated in %. In this, "+" means an additional quantity delivered; "-" means an insufficient quantity delivered.

Points	Deviation Insufficient units	Deviation Excessive units
100	0	0
90	+ 2.5	- 1.5
80	+ 5.0	- 3.0
70	+ 7.5	- 4.0
60	+10.0	- 5.0
50	+12.5	- 7.5
40	+15	-10.0
30	+17.5	-15.0
20	+20.0	-20.0
10	+22.5	-25.0
1	+25.0 and more	-30.0 and more

Example: Contrary to the ordered quantity of 100 units, just 95 units are delivered on the delivery deadline. This shortfall of -5% makes for a rating of 60 points for this performance.

Criterion: Price behavior

The Price behavior criterion is further sub classified into **Price level** and **Price development**. For the purposes of deriving an overall rating for the quality behavior criterion, the scores assigned to these sub criteria are recorded, weighted and collated separately.

The weighting for the **Price level** criterion is **60%** and for **Price development** **40%**.

Sub criterion: Price level

The assessment here is as to how the supplier's price applicable for the respective service in the period under consideration stands relative to the market price. The market price is calculated on the basis of all the prices applied by all suppliers for the same performance in the period under consideration. In this, "+" means a price higher than the market price; "-" a price lower than the market price.

Points	Deviation %
100	-12.0
95	- 9.0
90	- 6.0
85	- 3.0
80	0
75	+ 1.0
70	+ 2.0
65	+ 2.5
60	+ 3.5
55	+ 5.0
50	+ 7.0
45	+ 9.0
40	+11.0
35	+13.0
30	+15.0
20	+17.0
15	+19.0
10	+21.0
5	+23.0
1	+25.0 and more

Example: The price to be assessed for a material is EUR 100/unit. The same material is offered by two other suppliers at a price of EUR 84/unit and EUR 110/unit respectively. The market price is derived from $(EUR\ 100/unit + EUR\ 84/unit + EUR\ 110/unit) / 3 = EUR\ 98/unit$. The deviation of the supplier's price from the market price is +2% and is rated with 70 points.

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Sub criterion: Price history

The assessment here is as to how the supplier's price for the respective material has developed in relation to the market price. The prices and market prices of the current period are compared with the previous period under consideration. In this, "+" means a stronger increase in the supplier's prices than the development of the market price; "-" a lower increase than the development of the market price.

Points	Deviation %
100	- 6
95	- 5
90	- 4
85	- 3
80	- 2
75	- 1
70	0
65	+ 1
60	+ 2
55	+ 3
50	+ 4
45	+ 5
40	+ 6
35	+ 7
30	+ 8
20	+ 9
15	+10
10	+11
5	+12
1	+13 and more

Example: The market price has reduced by -5% from the original EUR 100/unit to a current level of EUR 95/unit. The price to be assessed for a material is EUR 122/unit in the current period and EUR 120/unit in the previous period under consideration. This equates to an upward development of +1.5%.

Calculation:

- Development of the price to be assessed according to the development of the market price:
EUR 120/unit -5% = EUR 114/unit
- Development of the price to be assessed according to the supplier's price development:
EUR 120/unit + 1.5% = EUR 122/unit
- Development of the procurement price relative to the market price:
EUR 122/unit at EUR 114/unit = +7%

>> The deviation of +7% results in a rating of 35 points.

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Criterion: Technological and innovative capability

The Technological and innovation capability criterion is further sub classified into the sub criteria Technology road map, Development and testing department, Cooperation behavior, Innovation foot print and Implementation of innovations.

A maximum of 100 points is awarded in each of these five sub criteria. To derive an overall score for this criterion, the points assigned to each individual performance are recorded, weighted and collated separately.

The weighting for the Technology road map criterion is 20%, for Development and testing department 20%, for Cooperation 20%, for Innovation footprint 20% and for Implementation of innovations 20%.

Sub criterion: Technology road map (20%)

The assessment here is as to the extent to which the technology/innovation development process is planned, described and budgeted and is relevant for CT-BG products.

	Points
Planned, described and budgeted	100
Planned and described	50
Inadequately described / not known	1

Sub criterion: Development and trial department (20%)

The assessment here is as to the extent to which development capacities are available and of relevance for us.

	Points
Separate development/testing department exists	100
Integrated order and development/testing department exists	50
Inadequate resources / not known	1

Sub criterion: Cooperation behavior (20%)

The assessment here is as to the extent to which the supplier is interested in an open cooperation.

	Points
Cooperation agreement concluded	100
Willingness to cooperate exists / open communication / quick responsiveness / supplier does preparatory work	50
Inadequate behavior / not known	1

Sub criterion: Innovation footprint (20%)

The subjects of assessment are the results of the supplier's innovative capability and technological development Over the past ten years, also with regard to non-CT-BG-relevant products.

	Points
Technology leader: publications, innovative products and processes, unique characteristics exist	100
"Fast follower": technology / products / processes comparable to technology leader	50
Inadequate footprint / not known	1

Sub criterion: Implementation of innovations (20%)

The assessment here is as to the extent to which the supplier is in a position to integrate innovations promptly into the production process for products that are of relevance to us.

	Points
Prompt implementation/ supplier does preparatory work (bears risk)	100
Adequately prompt implementation	50
Inadequate implementation / not known	1