

<b>MARQUARDT</b>	<b>Evaluation Key - Supplier Evaluation Production Material</b>	<b>MN N910012</b>
<b>Bewertungsschlüssel - Lieferantenbewertung Produktionsmaterial</b>		Version 4   Page 1/17

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**1. General**

This Company Standard describes the supplier evaluation criteria for production material suppliers. Furthermore it describes the data origin, weighting and grading of the individual criteria.

**2. Purpose and aim**

This Company Standard ensures that the supplier evaluation is executed based on consistent and comprehensible rules and thus is transparent for all involved parties, especially suppliers and auditors.

**3. Application area**

This Company Standard is valid in the Marquardt Group.

**4. Responsibility**

Corporate Purchasing Rietheim is responsible for content and updating.

**5. Indexes**

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## 6. Evaluation scheme for production material supplier evaluation

### 6.1 Overview

The Marquardt supplier evaluation contains the five equally weighted categories

- Logistics
- Quality
- Management systems
- Purchasing
- Technology

With associated sub criteria.

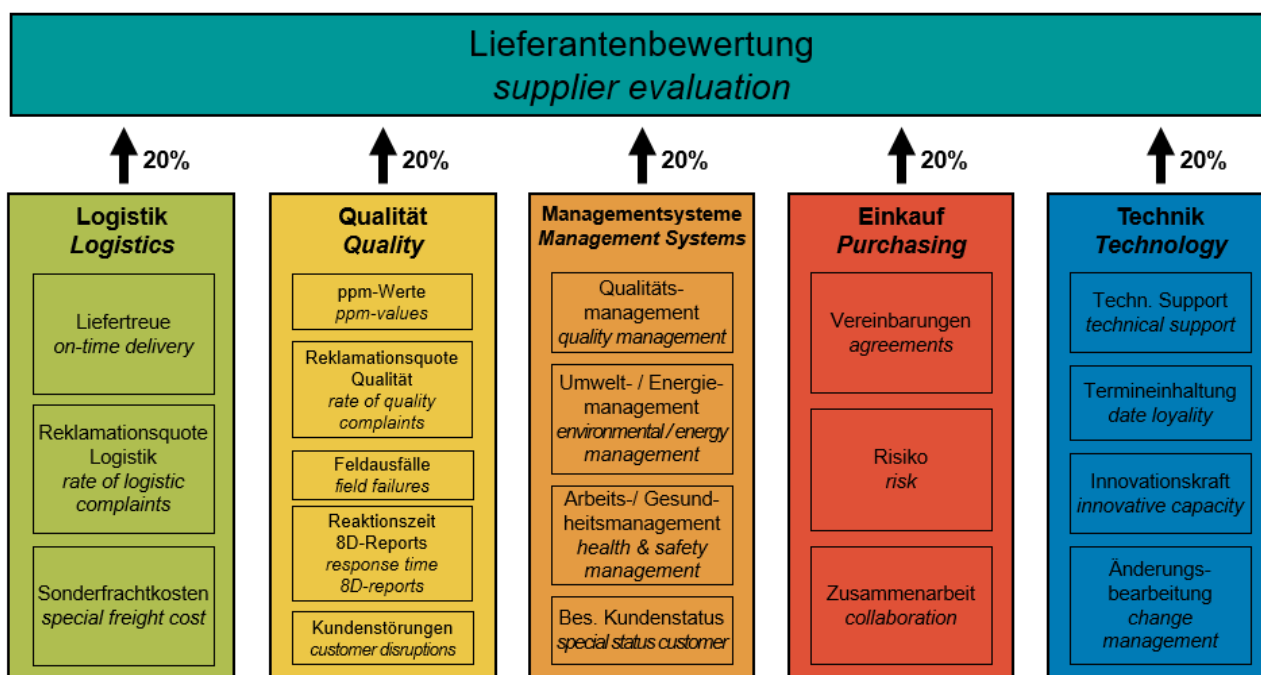


Illustration 1: Evaluation categories overview

For each category 100 points can be achieved at most.

Based on the overall achieved points the suppliers are classified into one of three grades:

- ≥85 points: Rating as A-Supplier
- ≥60 points: Rating as B-Supplier
- <60 points: Rating as C-Supplier

An individual category with < 60 points or a "C" rating inevitably results in the overall rating being downgraded to a "C" rating.

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## 6.2 Logistics

The Logistics evaluation contains the three sub criteria

- On-time delivery
- Special freight cost
- Rate of logistic complaints

Which partly contain several sub criteria.

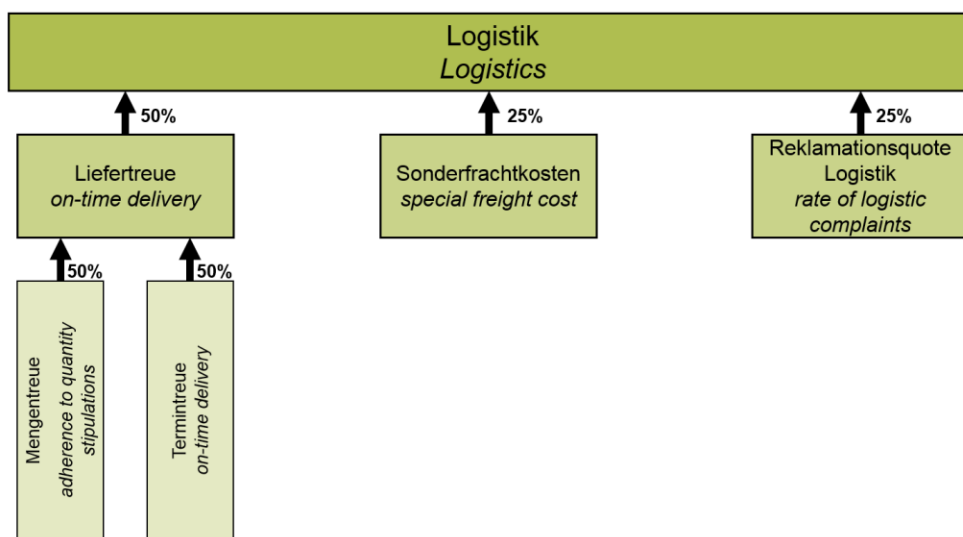


Illustration 2: Overview Logistics category

### 6.2.1 On-time delivery

The on-time delivery contains both sub criteria adherence to quantity stipulations and on-time delivery.

It affects the Logistics evaluation with 50% weighting.

#### 6.2.1.1 Adherence to quantity stipulations

A delivery on a scheduled line or an order which complies to the open scheduled quantity is rated with 100 points, otherwise with 0 points.

There is a tolerance of  $\pm 10\%$  based on the scheduled quantity. This tolerance isn't applied on JIT calls. Only a precise delivery is rated with 100 points.

Data basis are the order or release dates and goods receipt postings in SAP.

It affects the on-time delivery evaluation with 50% weighting.

#### 6.2.1.2 On-time delivery

A delivery on a scheduled line or an order which complies to the stipulated delivery date is rated with 100 points, otherwise with 0 points.

There is a tolerance of delivering five days early and five days late. For JIT calls the tolerance of delivering 999 days early and zero days late. Only a delivery not later than the stipulated delivery date is rated with 100 points.

Data basis are the order or release dates and goods receipt postings in SAP.

It affects the on-time delivery evaluation with 50% weighting.

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**6.2.2 Special freight cost**

The special freight cost evaluation arises from the amount of the special freight cost incurred in the evaluation period. The points are assigned according to the table below. The values are based on a twelve month period. For shorter evaluation periods the values are used pro rata.

Special freight cost	Points
0 €	100
> 0 € up to 1.000 €	90
> 1.000 € up to 2.500 €	80
> 2.500 € up to 5.000 €	60
> 5.000 € up to 10.000 €	30
> 10.000 €	0

Table 1: Point scales special freight cost

Special freight cost affect the Logistics evaluation with 25% weighting.

**6.2.3 Rate of logistics complaints**

This criterion evaluates how often logistical disruptions occurred in the delivery process. It is measured by using the amount of Logistics complaints in relation to the amount of deliveries. This rate is converted into points by using the table below.

Rate of complaints	Points
0%	100
> 0% up to 0,10%	90
>0,10% up to 0,25%	80
>0,25% up to 0,50%	70
>0,50% up to 0,75%	60
>0,75% up to 1,00%	50
>1,00% up to 1,50%	40
>1,50% up to 2,00%	30
>2,00% up to 2,50%	20
>2,50% up to 5,00%	10
>5,00%	0

Table 2: Point scales rate of logistics complaints

Data basis are concluded complaints of the type Logistics and goods receipt postings in SAP. The rate of logistics complaints affects the Logistics evaluation with 25% weighting.

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### 6.3 Quality

The Quality evaluation contains the four sub criteria

- ppm-values
- Rate of Quality complaints
- Response time 8D-reports
- Field failures.
- Customer disruptions

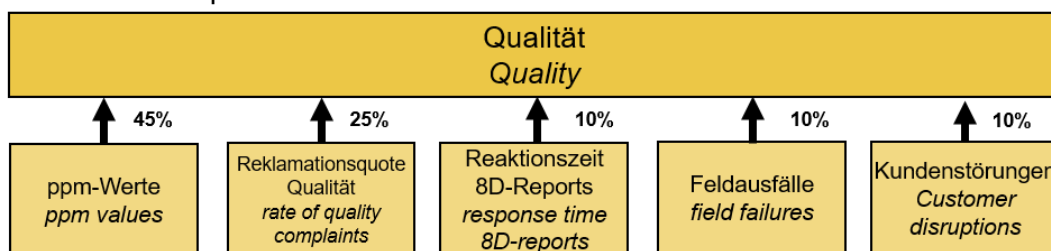


Illustration 3: Overview Quality category

#### 6.3.1 ppm-values

The sub criterion ppm-values evaluates the delivered parts quality. It is calculated according to relevant standards.

A supplier is assigned to a ppm-value group based on his mainly delivered commodity.

- Group A: Supplier for electronic components
- Group B: Chemical products, electromechanical components
- Group C: mechanical assemblies or components not in Group D
- Group D: Assemblies or components with appearance influencing attributes

The ppm-value for each supplier is converted into points by means of the table below.

ppm-value Group A	ppm-value Group B	ppm-value Group C	ppm-value Group D	Points
0 up to 1	0 up to 10	0 up to 50	0 up to 200	100
> 1 up to 2	> 10 up to 30	> 50 up to 100	> 200 up to 600	90
> 2 up to 4	> 30 up to 60	> 100 up to 200	> 600 up to 1000	80
> 4 up to 7	> 60 up to 100	> 200 up to 300	> 1000 up to 1500	70
> 7 up to 10	> 100 up to 200	> 300 up to 400	> 1500 up to 2000	60
> 10 up to 20	> 200 up to 300	> 400 up to 500	> 2000 up to 3000	50
> 20 up to 40	> 300 up to 500	> 500 up to 700	> 3000 up to 3500	40
> 40 up to 60	> 500 up to 700	> 700 up to 900	> 3500 up to 4000	30
> 60 up to 80	> 700 up to 900	> 900 up to 1100	> 4000 up to 4500	20
> 80 up to 100	> 900 up to 1100	> 100 up to 1300	> 4500 up to 5000	10
> 100	> 1100	> 1300	> 5000	0

Table 3: Point scales ppm-value

Data basis are the delivered quantity according to goods receipt postings in SAP and the recorded defects in concluded complaints of the type Quality in SAP which are marked as ppm-relevant. The sub criterion ppm-values affects the Quality evaluation with 50% weighting.

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**6.3.2 Rate of Quality complaints**

This criterion evaluates how often disruptions occurred in the delivery process due to Quality issues. It is measured by using the amount of Quality complaints in relation to the amount of deliveries. This rate is converted into points by using the table below.

Rate of complaints	Points
0%	100
> 0% up to 3%	90
> 3% up to 7%	80
> 7% up to 12%	70
> 12% up to 18%	60
> 18% up to 24%	50
> 24% up to 30%	40
> 30% up to 36%	30
> 36% up to 42%	20
> 42% up to 50%	10
> 50%	0

Table 4: Point scales Quality complaints

Data basis are all concluded complaints of the type Quality and goods receipt postings in SAP. The sub criterion Rate of Quality complaints affects the Quality evaluation with 30% weighting.

**6.3.3 Response time 8D-reports**

The response time evaluates if 8D-reports have been provided in time within the required deadline. It is measured by using the amount of in time provided 8D-reports in relation to the amount of all requested reports. This percentage corresponds to the points awarded.

Data basis are target and actual dates for 8D-reports for concluded complaints of the type Quality in SAP.

The sub criterion Response time 8D-reports affects the Quality evaluation with 10% weighting.

**6.3.4 Field failures**

This criterion evaluates how often field failures occurred due to insufficient supplier quality. It is measured by calculating a ppm-value for field failures in which a field failure is included with a tenfold weighting. The resulting ppm-value for field failures is converted into points by using the point scales for ppm-values in the table above.

The sub criterion field failures affects the Quality evaluation with 10% weighting.

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### 6.3.5 Customer disruptions

This criterion evaluates how often a supplier causes disruptions at a customer of MARQUARDT. It is measured by the relation of the amount of supplier complaints of criticality level 3 (= customer disruptions) and the number of deliveries.

This rate is converted into points by using the table below.

Customer disruptions	Points
0%	100
> 0% up to 0,25%	90
> 0,25% up to 0,5%	80
> 0,5% up to 1%	70
> 1% up to 1,5%	60
> 1,5% up to 2%	50
> 2% up to 2,5%	40
> 2,5% up to 3%	30
> 3% up to 4%	20
> 4% up to 5%	10
> 5%	0

Table 5: Point scales Customer disruptions

Data basis are all concluded supplier quality complaints with criticality level 3 (= customer disruptions) and goods receipt postings in SAP.

The customer disruptions affect the Quality evaluation with a weighting of 10%.

### 6.4 Management systems

Three management systems are considered for evaluation.

Reports from MARQUARDT customers on a special supplier status ("special status from customer") are integrated as a special attribute in this category's evaluation.

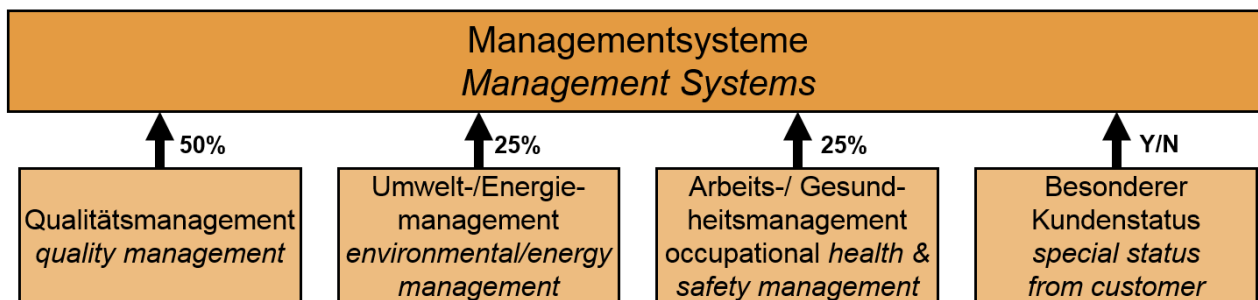


Illustration 4: Overview Management Systems category

#### 6.4.1 Certification quality management

This sub criterion evaluates which certification status a supplier has for his quality management on the last day of the evaluation period.

An IATF 16949 certification is awarded with 100 points, a VDA6.1 certification is awarded with 80 points and an ISO 9001 certification is awarded with 70 points. If no certification exists 0 points are awarded.

Data basis are the supplier's profile details in the MARQUARDT SUPPLIER PORTAL.

The sub criterion certification quality management affects the Management Systems evaluation with 50% weighting.

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**6.4.2 Certification environmental / energy management**

This sub criterion evaluates which certification status a supplier has for his environmental management on the last day of the evaluation period. The certification status for energy management is evaluated for the German plants evaluation additionally.

Certification status	Points
ISO14001 or EMAS + ISO50001	100
ISO14001 or EMAS	80
Self-assessment environment + ISO50001	70
Self-assessment environment	50
ISO50001	20
No certificates	0

Table 6: Certification status

Data basis are the supplier's profile details in the MARQUARDT SUPPLIER PORTAL.

The sub criterion certification environmental / energy management affects the Management Systems evaluation with 25% weighting.

**6.4.3 Certification occupational health & security management**

This sub criterion evaluates which certification status a supplier has for his occupational health & security management on the last day of the evaluation period.

An ISO450001 is awarded with 100 points. A completed self-assessment with no existing certificates is awarded with 50 points, otherwise 0 points.

Data basis are the supplier's profile details in the MARQUARDT SUPPLIER PORTAL.

The sub criterion certification occupational health & security management affects the Management Systems evaluation with 25% weighting.

**6.4.4 Special status from customer**

This sub criterion checks if a report on a special supplier status ("special status from customer") from MARQUARDT customers exists on the last day of the evaluation period.

The criterion is valued with Yes (a „special status from customer“ exists) or No (does not exist). For a Yes the points in the Management Systems evaluation are halved, a No has no further consequences.

A Yes effects a Management System evaluation < 60 points, whereby the overall evaluation has to be downgraded to a C-grade inevitably.

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### 6.5 Purchasing

The Purchasing evaluation contains the three sub criteria

- Agreements
- Risk
- Collaboration

Which contain several sub criteria.

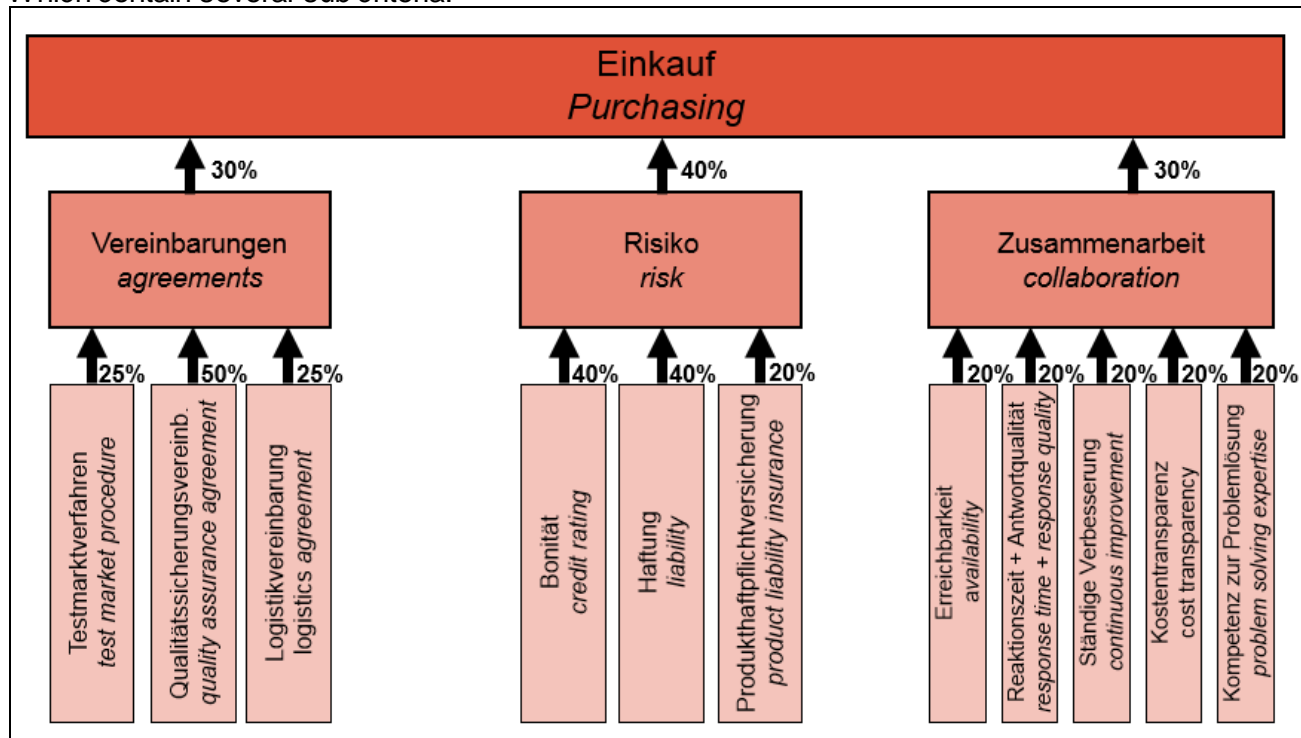


Illustration 5: Overview Purchasing category

#### 6.5.1 Agreements

The sub criterion Agreements contains three types of agreements and affects the Purchasing evaluation with 30% weighting.

##### 6.5.1.1 Test market procedure

This criterion evaluates if an agreement for the application of test market procedure exists, usually as a part of a General Contract for the Supply of Production Material.

An existing agreement is awarded with 100 points, otherwise with 0 points.

The criterion Test market procedure affects the sub criterion Agreements with 25% weighting.

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**6.5.1.2 Quality assurance agreement**

This criterion evaluates the conclusion status of the MARQUARDT quality assurance agreement (QAA).

A concluded QAA is awarded with 100 points. A QAA under negotiation is awarded with 50 points. If there has been no settlement or the QAA has been cancelled 0 points are awarded.

The criterion Quality assurance agreement affects the sub criterion Agreements with 50% weighting.

**6.5.1.3 Logistics agreement**

This criterion evaluates the conclusion status of the MARQUARDT logistics agreement.

A concluded logistics agreement is awarded with 100 points. A logistics agreement under negotiation is awarded with 50 points. If there has been no settlement or the logistics agreement has been cancelled 0 points are awarded.

The criterion Logistics agreement affects the sub criterion Agreements with 25% weighting.

**6.5.2 Risk**

The sub criterion Risk contains three types of agreements and affects the Purchasing evaluation with 40% weighting.

**6.5.2.1 Credit rating**

This criterion's evaluation is based on credit reports from the providers Creditreform, Dun & Bradstreet or Coface. The scoring is based on the credit rating of the respective provider by using the table below.

Creditreform	Dun & Bradstreet*	Coface	Meaning	Points
100 - 250	1 - 2	10 - 6	good	100
251 - 300	3	5 - 4	satisfactory	50
301 - 600	4 - 5	3 - 0	unacceptable	0

\*the last figure of the rating is decisive

**Table 7: Credit rating**

The criterion Credit rating affects the sub criterion Risk with 40% weighting.

**6.5.2.2 Liability**

This criterion's evaluation is based on the respective situation of

- Warranty period
- Limitation of liability for defective parts
- Limitation of liability for delayed delivery

They are valued based on the contractual or legal facts on the last day of the evaluation period.

The weighted average of the individual points affect the supplier evaluation.

The criterion Liability affects the sub criterion Risk with 40% weighting.

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**6.5.2.3 Product liability insurance**

The evaluation is based on the contractually promised product liability insurance and/or provided insurance documents.

The table below shows the point scales based on the coverage sum of the supplier's product liability insurance.

Coverage sum*	Points
≥ 5.000.000 EUR	100
≥ 3.000.000 EUR	60
existing	20
Non existing	0

\*converted based on planned exchange rates if necessary

**Table 8: Product liability insurance**

The criterion Product liability insurance affects the sub criterion Risk with 20% weighting.

**6.5.3 Collaboration**

The sub criterion Collaboration contains the subjective evaluation of the five criteria. It affects the Purchasing evaluation with 30% weighting.

- **Availability:** How available is the supplier's main contact?
- **Response time and response quality:** How fast does the supplier respond on MARQUARDT's questions? How is the quality and reliability of these responds?
- **Continuous improvement:** How strong are the willingness and capabilities for continuous improvement of products and processes pronounced?
- **Cost transparency:** How detailed are the quoted prices? How transparent are changing costs?
- **Problem solving expertise:** How fast and sustainable does the supplier fix problems and defects? To what extent does the supplier need support from MARQUARDT to fix problems?

Data basis are the subjective evaluations of employees from Purchasing and Supplier Quality Management of MARQUARDT.

Each criterion affects the sub criterion Collaboration with 20% weighting.

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### 6.6 Technology

The Technology evaluation contains the four sub criteria

- Technical support
- Deadline compliance
- Innovative capacity
- Change management

Which partly contain several sub criteria.

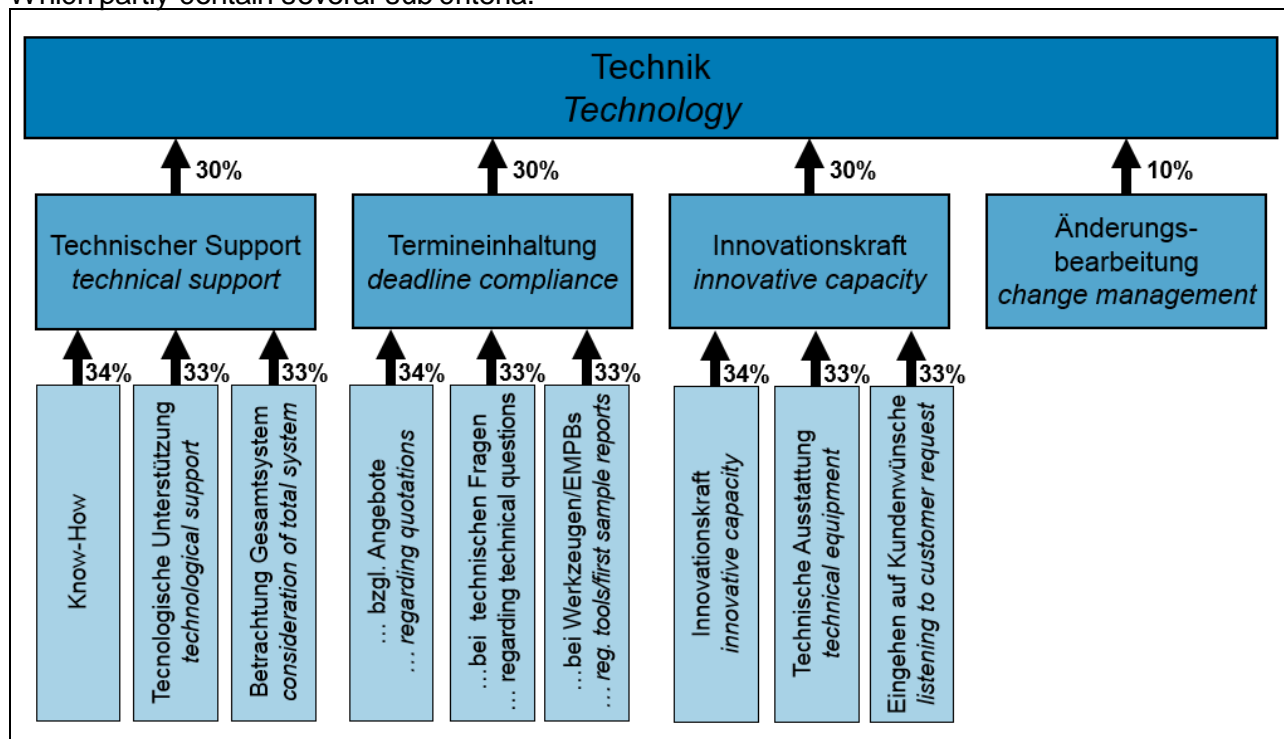


Illustration 6: Overview Technology category

The evaluation criteria in this category are based on the subjective evaluation of employees from Purchasing and Supplier Quality Management of MARQUARDT on a scale from 1 up to 10 points.

#### 6.6.1 Technical support

- **Know-How:** What is the supplier's technical know-how like?
- **Technological support:** What is the supplier's willingness to support Marquardt in technical matters?
- **Consideration of total system:** To what extent is the supplier prepared to consider the overall system?

Each criterion affects the sub criterion Technical support with one third weighting. The sub criterion Technical support affects the Technology evaluation with 30% weighting.

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**6.6.2 Deadline compliance**

- **Regarding quotations:** How reliably are deadlines for quotations met?
- **Regarding technical questions:** How reliably are deadlines for technical information met?
- **Regarding tools / first sample reports:** How reliably are deadlines for tools / first sample reports met?

Each criterion affects the sub criterion Deadline compliance with one third weighting.  
The sub criterion Deadline compliance affects the Technology evaluation with 30% weighting.

**6.6.3 Innovative capacity**

- **Innovative capacity:** How high is the innovative capacity of the supplier?
- **Technical equipment:** How modern is the supplier's technical equipment?
- **Listening to customer request:** How strongly does the supplier respond to customer wishes?

Each criterion affects the sub criterion Innovative capacity with one third weighting.  
The sub criterion Innovative capacity affects the Technology evaluation with 30% weighting.

**6.6.4 Change Management**

How well does the supplier handle technical changes?  
The sub criterion Change Management affects the Technology evaluation with 10% weighting.

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## 7. Evaluation scheme for quarterly supplier evaluation production material

### 7.1 Overview

The quarterly supplier evaluation at Marquardt consists of 2 equally weighted categories

- Logistics
- Quality

With associated sub-criteria.

In the quarterly evaluation, only the "hard fact" sub-criteria marked in red below are evaluated.

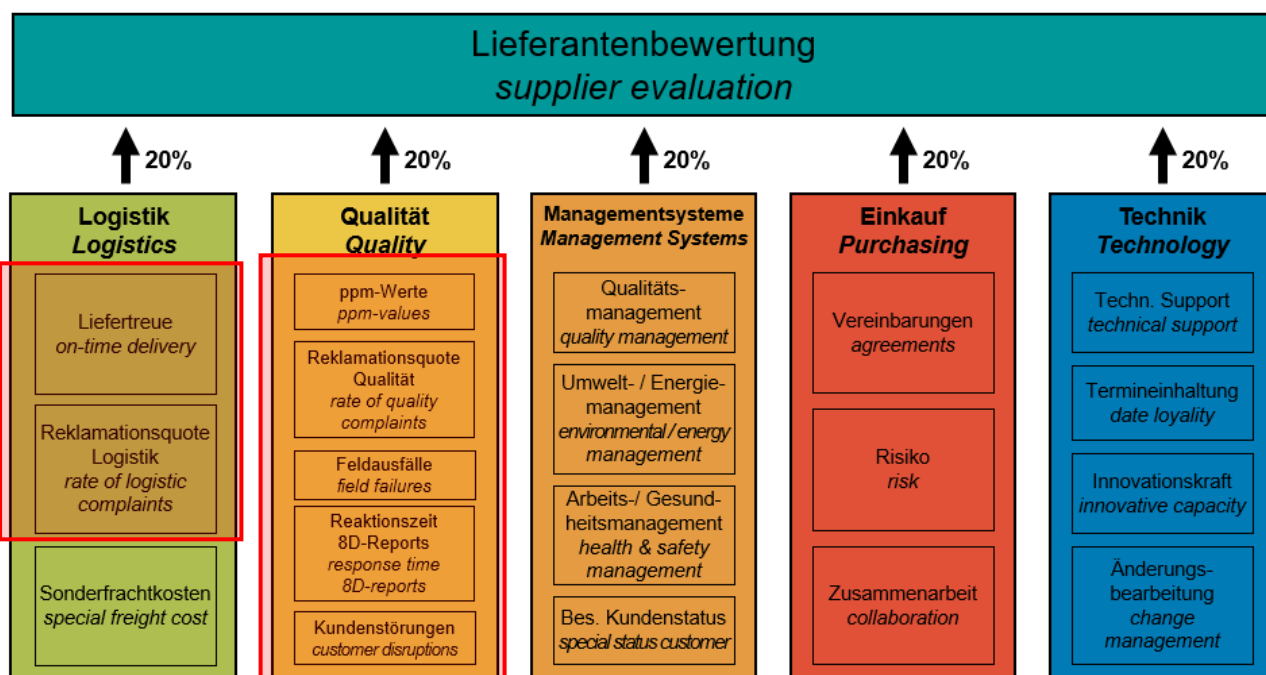


Illustration 7: Overview of the evaluation categories of the quarterly evaluation

A maximum of 100 points can be achieved per category.

Based on the number of points achieved for the overall evaluation, the supplier is classified in one of three classes:

- ≥85 points: Classification as A supplier
- ≥60 points: Classification as B supplier
- <60 points: Classification as C supplier

A subcriterion with <60 points necessarily results in classification as a C supplier.

### 7.2 Logistics

The rating in the logistics category is calculated from the results of the two sub-criteria

- Delivery reliability
- Complaint rate logistics

A detailed description of the sub-criteria can be found in section 6.2 of this guideline.

### 7.3 Quality

The rating in the quality category is calculated from the results of the four subcriteria

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- ppm values
- complaint rate quality
- response time 8D reports
- field failures

A detailed description of the sub-criteria can be found under point 6.3 of this guideline.

### 8. Overall rating

For the overall rating, the individual evaluation criteria are summarized according to the above weightings to form an evaluation score. This number determines the overall rating of your company.

- A-Supplier:** Score is  $\geq 85$  points
- B-Supplier:** Score is  $< 85$  points and  $\geq 60$  points
- C-Supplier:** Score is  $< 60$  points

An individual criterion with  $< 60$  points or a "C" rating inevitably results in the overall rating being downgraded to a "C" rating.

### 9. Note

### 10. Revisions

Chapter	Revisions
7	New addition

Table 9: Revisions

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