

QAA5

Supplier Evaluation

1 Purpose

In terms of constant improvement, but also to identify risk potential with suppliers in good time and counteract it with appropriate corrective actions, Scherzinger regularly evaluates the suppliers supplying him on the basis of standardised evaluation criteria.

The results of the supplier evaluation serve as the purchasing department's basis for decision-making in placing new orders.

2 Process

Scherzinger notifies the supplier concerning the evaluation results in writing or by electronic means. If the supplier delivers to several sites simultaneously within the evaluation period, then this can be summarised in the notification.

If there is an evaluation rating of "B" or "C", the supplier is invited to make a statement to the contact person stated in the letter. The supplier undertakes to improve his delivery performance presenting a cause analysis and appropriate corrective actions and specifying officers responsible and dates.

3 Rating

Depending on the percentage achieved for the individual evaluation criteria, there is the following rating of the suppliers:

| Points (%) / Classification | Meaning |
|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 100 ≥ A ≥ 90 | <p>The customer requirements are fully met</p> <p>The supplier is the best in the evaluation period considered. He is regarded as the preferred development partner for new projects.</p> |
| 90 > B ≥ 60 | <p>The customer requirements are largely met</p> <p>The evaluation result shows improvement potential for the supplier. The customer expects improvement in the delivery performance.</p> |
| 60 > C | <p>The customer requirements are not adequately met or not met at all</p> <p>The supplier must determine appropriate corrective actions and report his progress to the customer on a regular basis. The customer will verify the measures on site depending on the circumstances.</p> |

Supplier Evaluation – Evaluation Criteria

Overall evaluation

The performance of the production material suppliers is evaluated yearly by Scherzinger using the two main criteria of quality performance (QP) and delivery performance (DP) with the following weighting:

| Abbreviation | Main criterion | Weighting |
|--------------|----------------------|-----------|
| QP | Quality performance | 65% |
| DP | Delivery performance | 25% |
| CC | Certification | 10% |

Suppliers with less than three deliveries in 6 months or a total scope of delivery < 20,000 € will indeed be assessed, but not evaluated.

Supplier performance for external processing (wage labour) and the suppliers for consumer tools are classified and the results are given in a discussion with the area managers of the affected departments yearly.

Sample deliveries will also be assessed !!!

Main criterion – Quality performance

The main criterion of quality performance QP is checked in accordance with the sampling plan and assessed using the point system:

| Abbreviation | Description | Assessment |
|--------------|------------------------------|------------|
| Fd | Faultless delivery | 100 points |
| Awr | Acceptance with reservations | 80 points |
| RR | Rejection for rework | 60 points |
| RS | Rejection for sorting out | 40 points |
| Pu | Product unusable | 0 points |

If there is a downgrading in the quality performance, the supplier usually receives a letter of complaint.

In addition to this, Scherzinger will create a “warning for information only”, e.g. due to different packaging...etc., as a result of smaller nonconformities which have no immediate influence on the product quality. A warning for information only does not result in any devaluation.

Main criterion – delivery performance

The main criterion of delivery performance (DP) consists of two sub-criteria with equal weighting:

| Abbreviation | Sub-criterion | Weighting |
|--------------|--------------------------------------|-----------|
| ADD 1 | Adherence to delivery dates | 50 % |
| AQS 2 | Adherence to quantity specifications | 50 % |

The key figures are determined by posting the goods receipt data in the systems and by offsetting them against pre-determined target specifications booked in the system by Scherzinger’s purchasing department.

Adherence to delivery dates ADD 1

The key figure for adherence to delivery dates ADD 1 is calculated as deviation of the actual delivery date of goods from the customer’s desired delivery date. The amount of points awarded matches the degree of deviation (delivery surplus or incomplete delivery) using a rating set up on Scherzinger’s system:

| | |
|-----------------------------------------|-----------------------|
| 100 points corresponds to delivery date | + - 5 working days |
| 50 points corresponds to delivery date | + - 10 working days |
| 0 points corresponds to delivery date | > + - 10 working days |

Adherence to quantity specifications AQS 2

The key figure for adherence to quantity specifications AQS 1 is determined as deviation of the actual quantity delivered from the quantity specified in Scherzinger’s order. The amount of points awarded matches the degree of deviation (delivery surplus or incomplete delivery) using a rating set up on Scherzinger’s system:

| | |
|----------------------------------------------|----------------|
| 100 points corresponds to quantity deviation | < 5% |
| 75 points corresponds to quantity deviation | > 5% to < 10% |
| 50 points corresponds to quantity deviation | > 10% to < 20% |
| 25 points corresponds to quantity deviation | > 20% to < 50% |
| 0 points corresponds to quantity deviation | > 50% |

Main criterion - certification

Scherzinger has initiated a quality management system according to ISO/TS 16949 and an environmental management system according to ISO 14001. Accordingly, it is obligated to ensure that its suppliers provide ISO/TS 16949 certification or a development plan in addition, but at least ISO 9001 certification.

The points for the supplier’s certificate(s) provided to the customer are awarded as follows:

| Certification | Points |
|----------------------------------------------------------------------------|--------|
| ISO/TS 16949 or VDA 6.3 plus environmental ISO 14001 or EMAS certification | 100 |
| ISO 9001 plus environmental ISO 14001 or EMAS certification | 90 |
| ISO/TS 16949 or VDA 6.3 | 80 |
| ISO 9001 | 70 |
| No QMS system available or certificate expired | 1 |

Detected defects / defects detected later

In the event of defected defects or defects detected later, Scherzinger has the option of correcting the supplier evaluation during the goods receipt booking-in, retrospectively at a later date. This is done using the correction module in the ERP system and results in subsequent downgrading of the quality performance.

In these cases, the supplier receives an official complaint through Scherzinger.