

We pioneer motion

Supplier evaluation

Basic principles



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1. Scope

The supplier evaluation is a normative requirement of IATF 16949 and takes into account the requirements of this standard. Internal company regulations and calculations, which correspond to the current level of technical expertise (e.g. VDA), also serve as a base.

A supplier evaluation applies, following internal definition, to all natural or legal persons who sell or provide goods or other services (products, processes or service facilities) to the Schaeffler Group (Schaeffler AG and all companies in which Schaeffler AG directly or indirectly has a majority interest), either directly or via third parties, e.g. affiliated companies, distribution partners, subcontractors and agents (hereinafter referred to as “suppliers”).

The “evaluation relevance” is effective in cases where a service rendered can influence the product for sale and thus affect the end customer.

2. Purpose

In the interests of continuous improvement, as well as of identifying potential risks at the supplier at an early stage and counteracting these with suitable corrective measures, Schaeffler assesses the quality and delivery performance of its suppliers on a regular basis.

As part of the business cooperation and in the interests of continuous improvement, it is expected that the supplier will (usually upon request) introduce improvement measures and report these to Schaeffler.

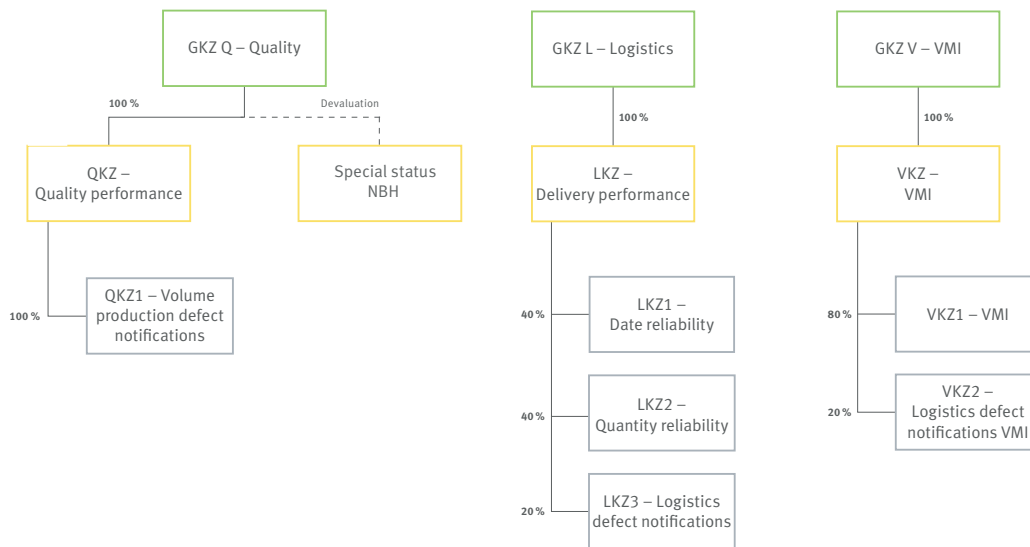
The Schaeffler supplier evaluation is conducted using standardized evaluation criteria. The results of the evaluation are communicated to the suppliers at regular intervals and are also used by the Schaeffler’s Purchasing function as a decision-making aid prior to placing new orders.

3. Structure of key figures

The Schaeffler supplier evaluation consists of 3 separate main key figures and detailed subkey figures for:

- Quality
- Logistics and
- Logistics-VMI (vendor managed inventory) (where applicable)

Graphical representation of the key figures:



The calculation, in particular the quality rating, is focused initially on the dynamic individual criterion “number of complaints”. Due to Schaeffler “zero defects” strategy, the criterion “number of complaints” is considered to have 100% influence.

The existence of a special status NBH (New Business Hold) is taken into account in the form of “devaluation” of the above mentioned quality rating.

The supplier evaluation gives a transparent picture of strengths and weaknesses of one supplier in comparison with other relevant suppliers.

The calculation criteria are described in detail in the attachment 2.

4. Classification of suppliers

The ABC classification of suppliers is generated from the overall score which is calculated for the evaluation period. In the case of the Performance Monitor, the classification of a supplier is represented using the colors in the following table.

Note: The individual classes/classifications and limit values are defined according to the internal Schaeffler rules.

Points (%) / classification	Meaning
$100 \geq A \geq 90$	The requirements are met in full
$90 > B \geq 80$	The requirements are largely met The evaluation result shows that there is potential for improvement from the supplier.
$80 > C \geq 1$	The requirements are not met The supplier must introduce suitable measures for improvement and, if requested to do so by the supplied Schaeffler location, report on the progress of their implementation. Depending on the circumstances, Schaeffler reserves the right to verify implementation of the measures on site.

5. Procedure

5.1 Process operation SupplyOn (preferred processing)

Via the so-called Performance Monitor at the Internet marketplace SupplyOn (for more detailed information see www.SupplyOn.com), suppliers receive the results of the supplier evaluation on a monthly basis. These results are not only available from the perspective of the individual (participating) Schaeffler locations but are also consolidated for the Schaeffler Group as a whole. In terms of the evaluation period, a distinction must be made between the shortterm evaluation, which relates to the previous, completed month, and the rolling evaluation, which relates to the previous six months.

Any necessary adjustments to the evaluation results must be clarified directly with the supplied location within two months. Only then the correction can be included in subsequent evaluations.

5.2 Written supplier evaluation

Where suppliers are not yet registered with SupplyOn for the web-based supplier evaluation using the Performance Monitor, or at individual Schaeffler locations which do not yet meet the specified system requirements, the supplier evaluation is conducted every six months in written form by the supplied locations.

5.3 Measures for improvement

The Performance Monitor enables suppliers to respond to reductions in performance at short notice and to introduce suitable measures for improvement in consultation with Schaeffler.

If Schaeffler's requirements governing quality or delivery performance are not adequately met, the suppliers of the respective Schaeffler locations are requested, in writing, to introduce and submit suitable measures for improvement.