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## 1 Introduction

In order to meet the requirements of our customers and the company's goals, the Brose Sitech Group needs a global supplier base that continuously maintains the highest level of performance and qualifications. This is measured by the continuous (monthly) Brose supplier evaluation. If the supplier does not achieve the targets set for it, measures will be taken as part of the Brose Sitech escalation procedure. A description of the Brose Sitech supplier evaluation can be found in the following chapters.

## 2 Supplier evaluation

As important partners of our company, our suppliers play a decisive role in the success of Brose Sitech products. That is why the full support of all suppliers is necessary. Supplier evaluation is the instrument for presenting the fulfilment of suppliers' targets. It consists of the main criteria of performance and qualification with the sub-criteria according to the following overview. The

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assessment is based on reports generated in all Brose Sitech plants, divisions and central functions.

## 2.1 Overview

### Performance

- Product
- Logistical performance

Performance is determined at group level on the basis of the defined performance indicators (quality and logistics reports) from the supply to the plants.

### Qualification

- Purchase Rating
- Project Management/Performance
- Status from certification and/or Brose Sitech auditing
- Escalation level in the Brose Sitech escalation procedure

Qualification will be determined at group level.

The classifications are made according to this table:

Points	Classification
100 - 90	A
89 - 60	B
59 - 0	C

100 points will be awarded per criterion if there are no faults/complaints. The possible point deductions result from the error catalogues listed below. For the overall classification, all relevant reports from the evaluation period are taken into account in the entire Brose Sitech Group. The overall result is reflected in the following evaluation categories and the following activities are required by the supplier:

### A-Suppliers

The result meets Brose Sitech requirements. This result is a prerequisite and basis for a long-term cooperation.

### B Suppliers

The result achieved by these suppliers no longer meets Brose Sitech's requirements. In addition to the expected 8D reports including detailed analysis, Brose Sitech expects these suppliers to prepare each individual case a special action plan to regain an A rating and the provision of the special action plan on request.

In the case of a B rating over a longer period of time, the Top Q incident drivers

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can be invited to a Quality Improvement Program.

### **C Suppliers**

The result achieved by these suppliers is unacceptable to Brose Sitech. If this supplier has not yet been asked to provide an unsolicited special action plan to regain an A rating, in addition to the expected 8D reports on each individual case, including detailed analysis, these suppliers send the special action plan to all coordinators of the complaint reports.

As part of our C-supplier management, we decide (in the case of typesetting parts ("Setzteile") together with the customer, if necessary) about further cooperation with your company.

The following consequences can arise for your company:

- Measures for joint supplier development
- Temporary suspension of new orders (business on hold) until a stable improvement in quality/logistics
- Termination of business relations.

We expect a quick and effective implementation of measures in coordination with our company, as this classification endangers the continuation of our joint business relationship.

### **Delivery services to individual plants**

The quality performance in the supply of the individual Brose Sitech plants is evaluated on the basis of the defined performance indicators (number of incidents and ppm). As an additional performance criterion, ppm metrics are considered.

### **Requalification**

Requalification is an essential part of ensuring product quality with the aim of further reducing supplier-related incidents and thus has a particular impact on the further reduction of internal and external error costs. The requalification is part of IATF 16949 and the customer specifications.

Brose Sitech reserves the right to request proof of the requalification that has been carried out. Upon request, the supplier must provide the evidence within 24 hours.

### **Self-assessments CQI-xx and D-parts (Brose Sitech requirement)**

For all relevant processes, the corresponding self-assessments (CQI-xx and D-parts) must be sent to the Central Supplier Quality Brose Group in Bamberg to [supplier.quality@brose.com](mailto:supplier.quality@brose.com) every 12 months without being asked, in accordance with the specifications in the FS (Feasibility Study - Manufacturability Analysis). If the documents are not sent on time, this will have a negative impact on the supplier evaluation (11 points deduction in the supplier evaluation). Regardless of customer requirements, both CQI-xx (AIAG-CQI standards) and D-part self-assessments are a Brose Sitech requirement for the entire supply chain.

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**Relativization coefficient**

Due to the partial division of incoming deliveries by logistics service providers into Kanban lots, a relativization coefficient was introduced for compensation.

**2.2 Error catalogues**

**2.2.1 Quality**

Incidents	Factor	Deduction/Notification
Supplier not responsible <i>or</i> voluntary disclosure	0	0
Subsequent cost burden	0	0
Single complaint	1	5
Repetition of fault cause <i>or</i> fault pattern on similar parts	2	11
Brose Sitech top management <i>or</i> management customer involved	3	21
Safety risk, breakdown, unsaleable vehicle	4	41

PPM values are determined by the system from the delivery quantity and the "error quantities ppm" set in the quality notifications, but are not included in the valuation. In addition to the incidents, these values are used to determine necessary corrective measures.

For the uniform recording of ppm-relevant quantities, there is a list of "Rules for the inclusion of defective parts in the ppm evaluation of suppliers" (see "Appendix 1").

**Qualification:**

The quality of the documents sent by the supplier as well as the accessibility and cooperation with Brose Sitech can also lead to a negative assessment of the supplier evaluation. In particular, the evaluation of the quality of the 8D sent to Brose Sitech reports including detailed analysis are evaluated here.

General QM errors	Factor	Deduction
Poor accessibility supplier <i>or</i>	1	4
Translation effort <i>or</i>	2	11
Time-consuming information gathering <i>or</i>	3	21
Prohibited information	4	41
Poor problem-solving skills / inadequate 8D report	1	4
Poor problem-solving skills / inadequate 8D report	2	11
	3	11
	4	11

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## 2.2.2 Logistics

<b>Delivery reliability</b>	
<b>Error</b>	<b>Deduction</b>
Incorrect picking <sup>1)</sup>	2
Transport damage (deduction supplier) <sup>1)</sup>	4
Critical backlog without delivery info <sup>1)</sup>	3
Backlog/shortfall minimum stock with rescheduling effort (MT) without special trip to the customer <sup>1)</sup>	10
Backlog/shortfall of minimum stock with rescheduling effort (MT) with special trip to the customer <sup>1)</sup>	14
Backlog/shortfall minimum stock with production line downtime Brose Sitech without special trip to the customer <sup>1)</sup>	16
Backlog/shortfall of minimum stock with production line downtime Brose Sitech with special trip to the customer <sup>1)</sup>	20
Backlog/undercut minimum stock with production line downtime Customer <sup>1)</sup>	70
Overdelivery/advance delivery with return or sensitive inventory build-up <sup>1)</sup>	4
Delivery outside the time window <sup>1)</sup>	4
Pick-up outside time slot <sup>1)</sup>	4
Late registration for transport <sup>1)</sup>	4
Incorrect Login Transport Requirements <sup>1)</sup>	4

<sup>1)</sup> An event refers to a material (ID number) and a call-off or minimum stock.

<b>Service</b>	
<b>Error</b>	<b>Deduction</b>
Poor accessibility of contact persons <sup>2)</sup>	2
Translation effort (additional effort due to language problems) <sup>2)</sup>	2
High effort in information gathering <sup>2)</sup>	4
Unreliable information <sup>2)</sup>	4
Poor bookkeeping/management of empties account <sup>2)</sup>	4
Insufficient flexibility with regard to requirements or change requests on the part of Brose Sitech <sup>2)</sup>	4
Inadequate load securing (operational safety, road safety) <sup>2)</sup>	4

<sup>2)</sup> An event refers to a process (e.g. e-mail with multiple ID numbers that remains wholly or partially unanswered).

<b>Packaging &amp; Documentation</b>	
<b>Error</b>	<b>Deduction</b>
Packaging material is missing / wrong <sup>3)</sup>	2

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Supporting documents (GTL) not according to specification <sup>3)</sup>	4
Property identifier packaging incorrect/missing <sup>3)</sup>	4
Part number incorrect/missing <sup>3)</sup>	4
Dial-up not available <sup>3)</sup>	4
Dial-up too late <sup>3)</sup>	4
Number of packaging materials missing/incorrect <sup>3)</sup>	4
Unloading point missing/wrong <sup>3)</sup>	4
Message contains formal errors, dial-up had to be processed <sup>3)</sup>	4
Deviation of actual container type from packaging instructions <sup>3)</sup>	2
Deviation of actual filling quantity from packaging instructions <sup>3)</sup>	2
Deviation of actual container type from packaging instructions <sup>3)</sup>	2
Failure to comply with shipping instructions <sup>3)</sup>	2
Pre-packaging according to agreement nok - container must be repacked <sup>3)</sup>	4
Underutilization of carrier <sup>3)</sup>	2
Customs-related - missing preferential documents <sup>3)</sup>	8
Incorrect (according to the packaging directive), damaged or soiled containers <sup>3)</sup>	2
Missing or incorrect labelling, mixed containers <sup>3)</sup>	4
Missing or incorrect delivery documentation (delivery note, invoice) <sup>3)</sup>	4
Lack of labelling of hazardous substances/dangerous goods <sup>3)</sup>	2
Missing or incorrect content <sup>3)</sup>	6
No eco-friendly packaging <sup>3)</sup>	4
Customer part number missing on delivery note <sup>3)</sup>	4
Change index on delivery note missing/incorrect <sup>3)</sup>	4
Missing / incorrect notification of inbound delivery <sup>3)</sup>	4
Missing / faulty delivery note <sup>3)</sup>	4

<sup>3)</sup> An event refers to a shipment (delivery note/invoice).

General	
Error	Deduction
For costs, see subject <sup>4)</sup>	2
Material returns costs, material returns shipment <sup>4)</sup>	0
Special costs according to expenditure <sup>4)</sup>	4
Special costs after replacement procurement <sup>4)</sup>	4
Customs – overtime <sup>4)</sup>	4

<sup>4)</sup> An event refers to a material (ID number) and a call-off or minimum stock or to a transaction (e.g. e-mail with several ID numbers that remains wholly or partially unanswered) or to a shipment (delivery note/invoice).

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### 2.2.3 Purchasing

Error	Description	Factor	Deduction
<b>Competitiveness/ cost</b>	< 3% less competitive		0
	< 5% less competitive	1	10
	≥ 5% less competitive	2	20
<b>Communication/ reaction behaviour</b>	on schedule		0
	Late reply / after Demand	1	10
	does not meet the requirements	2	20
<b>Transparency</b>	Full cost-break-down (A and B price)		0
	Cost-break-down not complete	1	15
	Lump sum price	2	20
<b>Contract acceptance</b>	The necessary contractual Agreements have been made		0
	The necessary contractual Agreements were reached in part or not	1	10
	No willingness to negotiate or no agreement	2	20
		3	30

### 2.2.4 Project Management

Error	Explanation	Deduction
Bidding behaviour	- Completeness of offers - Plausibility of prices - Competitiveness How to use the Brose Sitech form	5
Technical conversation	- FS / manufacturability analyses - Quality of FS Technical support / development support	5
Commercial conversation	- Willingness to negotiate Independently propose and implement cost reduction potentials	5

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Punctuality	- Offerings - Prototypes / samples / initial samples - Project documents (FS / test plans / measurement reports / etc.)	5
Part quality	- Prototypes / samples / initial samples - Number of AWEs and drawing changes (in series start-up)	10
Quality of documents	- Offer - FS - Measurement report - Tool data sheet	10
Blanket Supplier performance	- Project management system in place - Preparation for the interview - Reachability - Active communication - Presence / customer support - Flexibility / response time - Compliance with promises and agreements	5
Supplier-induced AWE	- AWE is caused by the supplier	10
Supplier-induced Drawing Customization	- Drawing adjustment is done by the supplier	10
Non-compliance FS	- FS promises are not kept by the supplier	10
Full-Run-Test - Result yellow	- FRT yellow due to supplier fault	10
Full-Run-Test - Result red	- FRT red due to supplier fault	21
Entry in IMDS not made	- Material data is not entered in IMDS	5
Entry in IMDS incorrect	- Material data is incorrectly entered in IMDS	5

## 2.2.5 Project Management Bonus System

Bonus	Description / Requirements	Factor	Bonus
Innovation behaviour supplier	- 1 – 3 submitted innovation contributions - Initial evaluation has been made - Entry in Hype has been made	1	5
	- 1 innovation contribution through first innogate (Idea release)	2	10
	- 1 Innovation contribution through	3	15

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	fourth Innogate (pre development release)		
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## 2.2.6 Status Audit + Certification

### Process Audit

If a process audit is carried out by Brose Sitech, the result has a direct influence on the "qualification" in the supplier evaluation according to the following table:

Audit Result	Deduction
"A" or "B"	0
"B" and non-timely processing of measures	21
"C"	41

A "C" rated process audit can lead to a "New Business on Hold" (BSHD) rating. Brose Sitech reserves the right to invoice the supplier for the costs incurred for the follow-up audit after completion of the measures from the "C" rated process audit.

### Supplier-Line-Walk

If a supplier line walk is carried out by Brose Sitech, the result has a direct influence on the "qualification" in the supplier evaluation according to the following table:

Supplier-Line-Walk	Deduction
Up to 2* questions NOK	21
>2* questions NOK	41

### Requalification

If it is found that the supplier has discrepancies or no requalification system, the following deduction is made in the supplier evaluation:

Requalification	Factor	Deduction
Deviation in case of requalification exists	1	11
	2	11
	3	11
	4	41
Requalification sent too late		11

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Requalification not carried out		21
No system for requalification in place		41

### Certification Status

The certification status of the supplier has a direct influence on the "qualification" in the supplier evaluation according to the following table:

Certification Status	Deduction
Certificate expired and no response to certificate request <b>(Will be deducted via supplier evaluation Brose. Brose Sitech suppliers who are NOT Brose suppliers will also be evaluated by Brose.)</b>	41

### Continuous self-assessment

For all relevant processes, the corresponding self-assessments (CQI-xx and D-parts) and, if applicable, the flammability certificates according to TL1010 must be sent to the Central Supplier Quality Brose Group in Bamberg to [supplier.quality@brose.com](mailto:supplier.quality@brose.com) every 12 months without being asked to do so. If the documents are not sent on time, this will have a negative impact on the supplier evaluation (11 points deduction in the supplier evaluation). Regardless of customer requirements, CQI-xx (AIAG-CQI standards) as well as flammability certificates according to TL1010 and D-part self-assessments are a Brose Sitech requirement for the entire supply chain.

Certification Status	Deduction
Self-assessment not valid	11

### 2.2.7 Influence of escalation levels

If a supplier enters one of the escalation levels of the Brose Sitech escalation system as a result of persistent problems, this has an impact on the supplier evaluation according to the following table:

Escalation Level	Deduction
"1"	11
"2"	21
"3 BSHD"	41

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If a supplier is in an escalation level over a period of 6 months, this can be escalated to the next higher level and lead to a "New business on hold" (BSHD) from level 2 onwards.

### 2.2.8 Impact of escalation levels

If a supplier enters one of the CSL levels due to repetitive errors, escalated product issues, or escalated supplier development programs, this will have an impact on the supplier score according to the following table:

CSL Levels	Deduction
"1"	11
"2"	21
"3"	41

### 2.3 Transmission to suppliers

The monthly evaluation is automatically sent to the supplier by e-mail.

## 3 Escalation procedures

In order to ensure a smooth production and project process and to identify problems at an early stage, Brose Sitech uses the following escalation procedure. This process makes it possible to uniformly define appropriate remedial measures in the event of disruptions caused by the supplier and to ensure that they are processed.

Brose Sitech distinguishes between two phases:

- Project phase (development and implementation phase)
- Series production phase

At each stage of the escalation procedure, appropriate measures are defined, which are to be fulfilled within an agreed period of time. In the event of non-compliance with the agreed measures, the escalation will continue to the next higher stage, up to and including partial relocations or the complete dismantling of suppliers.

Support services required by Brose Sitech or its representatives as part of the escalation procedure will be invoiced to the supplier.

In the event of blocking, the supplier receives the status "New Business on hold".

For the supplier, "new business on hold" means that for the period of the lockdown he does not receive

- inquiries and

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- any new orders from Brose Sitech.

Other rights to which Brose Sitech is entitled under the contractual agreements or the agreed law shall apply in addition to this escalation procedure and shall remain unaffected.

### Top worst suppliers of the plants

The suppliers with the worst rating in terms of product quality and logistical performance are listed in the top worst supplier list of the plants (of the respective plant), as these values show the direct influence of the supplier on the plant.

The consequence of such a classification is an escalation meeting to which the supplier can be invited. In the case of these suppliers, the Q manager of the plant can decide whether and which suppliers are invited to an escalation meeting.

### Schematic representation of the escalation process

#### Critical Serial Supplier Program – overview

*Escalation process*



#### Project Critical Supplier – overview

*Escalation factors:*



**De-escalation** depends on actions that have been done at the customer facility at dedicated time schedule. De-escalation could be made only when the authorized person verify and evaluate special measures.

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## 4 CSL ("CONTROLLED SHIPPING LEVEL") Program

As part of the escalation program, the Brose Sitech Group reserves the option of convening a CSL program in the event of repeat errors, escalated product issues or escalated supplier development issues. The following levels of the CSL program are possible:

### CSL1:

The supplier shall 100% check the required characteristics over a certain period of time or for a required quantity or until the remedial measures are effective at the supplier's site. The processing takes place as part of the complaint processing in the factory. This is where the CSL1 status is decided. 11 points will be deducted from the supplier evaluation for the duration of the CSL1 program.

### CSL2:

An independent third party will check the required characteristics over a period of time or for a required quantity or until the remedial measures are effective at the supplier's site. The effectiveness of the measures must be confirmed by Brose Sitech. 21 points will be deducted from the supplier evaluation for the duration of the CSL2 program.

### CSL3:

In addition to the CSL2 measures, a supplier development program is also carried out by an independent third party. The areas in which supplier development takes place are defined in the "Kick-Off Meeting". The effectiveness of the measures (from the supplier development program) must be confirmed by Brose Sitech. 41 points will be deducted in the supplier evaluation for the duration of the CSL3 program.

## 5 Top Q Conversations

In the case of e.g. unsuccessful CSL programs, escalated individual issues (both in the series and project phases), and permanently inadequate performance, Top-Q discussions take place with the supplier. In this case, the supplier's management is invited to a TOP-Q meeting, possibly at short notice. At this meeting, Brose Sitech expects a meaningful action plan that includes both the short-term immediate measures and the planned measures for sustainable remediation.

## 6 Appendix 1

### Rules for Including Defective Parts in Suppliers' PPM Assessment

<b>1. Collective Committee Parts / Complaints:</b>	<b>PPM Rating:</b>
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a) Parts approved by the supplier:	100%
b) Parts rightly rejected by the supplier:	0%
c) No response after 10 AT <sup>x1</sup> processing time <sup>x2</sup> :	100%
d) Proof by the supplier within 30 AT <sup>x1</sup> processing time <sup>x2</sup> that the errors are not attributable to the supplier:	Correction possible
e) After 30 AT <sup>x1</sup> processing time <sup>x2</sup>	Correction not possible
<b>2. Incidents at Brose Sitech:</b>	
2.1. Voluntary disclosure by the supplier:	
a) Parts that have failed on the assembly line by the time of the voluntary disclosure:	100%
b) Faulty parts that need to be installed before the supplier can sort (caused by supply shortage):	100%
c) All other parts:	0%
2.2. Serial error is detected by Brose Sitech <sup>x3</sup> :	
a) Parts that have failed on the assembly line by the time serial defect <sup>x3</sup> is discovered:	100%
b) Faulty parts that need to be installed before the supplier can sort (caused by supply shortage):	100%
c) Defective parts rejected by Brose Sitech:	100%
d) Exchanged (returned) stocks for sorting/reworking/scraping at the supplier's premises:	0%
e) All other parts:	0%
2.3. Incorrect deliveries	
a) Incorrect deliveries, which have no influence on the production process, are only evaluated as incidents in logistics:	0%

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b) All other incorrect deliveries will be treated as defective parts:	see 2.1 or 2.2
<b>3. Incidents at the customer's site:</b>	
If, at the time of discovery of serial defect <sup>x3</sup> or the supplier's voluntary disclosure, parts are already at the customer's premises, a decision will be made by the customer and Brose Sitech on the necessary measures.	
a) Defective parts replaced or found by sorting:	100%
b) ppm-relevant quantities charged by the customer to Brose Sitech are passed on to the supplier:	100%
c) All other parts:	0%

**Additional explanations:**

<sup>x1)</sup> AT:

Workdays

<sup>x2)</sup> Processing time:

The processing time is counted from the date of acceptance of the defective parts (physically) of the supplier. The acceptance date counts:

- a) Date of receipt of goods by the supplier when the parts are shipped by Brose Sitech.
- b) Date of receipt of the parts by the supplier at Brose Sitech.

<sup>x3)</sup> Serial Fault Detection:

Since the 0-defect strategy applies, a serial defect can occur regardless of the number of failure parts as well as the location of discovery. Especially in the case of safety-relevant scopes, we assume a serial defect from the first faulty part.

## 7 Terms and abbreviations

8D process:	8-step problem-solving method, which is used as the standard method and report form
Detailed analysis:	It is mandatory to create an Ishikawa coupled with the 5 W method for each complaint.
Ppm:	parts per million
FS:	Manufacturability analysis (Feasibility Study)
FRT:	Full run test
AWE:	Permission to deviate

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