

Quality Assurance Agreement

Supplier Evaluation

General Terms

Due to the process of continuous improvement to initiate suitable correct measures at an early stage in addition to identify potential supplier risks MEKRA Lang GmbH & Co. KG hereinafter “MEKRA” assesses constantly the quality- and delivery performance.

The MEKRA supplier evaluation is made by the use of standardized evaluation criteria.

In regular intervals, the assessment results are being communicated to the supplier. MEKRA purchasing department is also using the results as a decision-making criteria before requesting new contracts.

Process

Required adjustments of the valuation criteria in terms of e.g. the amount of defect parts to determine the ppm-rate can only be taken to consideration if it has been reported to MEKRA within two months.

Written Supplier Evaluation

The supplier evaluation takes place annually in written form.

Improvement Measures

If the quality- and delivery performances are not being fully comply with the requirements of MEKRA, the supplier will be requested in written Form to present and initiate improvement measures.

Supplier Classification

The ABC classification of suppliers is based on the total score determined for the assessment period.

Points (%) / Classification	Meaning
100 ≥ A ≥ 85	The requirements are completely fulfilled
85 > B ≥ 65	The requirements are fulfilled inadequately The supplier must initiate suitable improvement measures and, if requested by the supplied MEKRA location, report the progress of implementation.
65 > C ≥ 0	The requirements are not fulfilled The supplier has to initiate suitable improvement measures and report the progress of implementation. Mekra reserves the right to verify the implementation of the measures location, depending on the circumstances.

Evaluation Criteria

Overall Evaluation

The total key figure (GKZ) of the supplier rating score consists of the following main criteria:

Main Criteria	Weighting
Quality	30%
Logistics	30%
Contracts	15%
Certificates	5%
Purchasing	10%
Cooperation	10%

The total score (GKZ) is defined as:

$$GKZ = \frac{30*(Quality) + 30*(Logistics) + 15*(Contracts) + 5*(Certificates) + 10*(Purchasing) + 10*(Cooperation)}{100}$$

Please note that the criteria that are not relevant to the evaluation must be set to "0".

Subjective Assessment

Subjective assessments are marked with an asterisk (*). The evaluation criteria are based on the subjective assessment of the respective departments at MEKRA and not on a data basis on the system side.

The evaluations are carried out based on the following evaluation scheme:

Maincriteria	Scoring
Behaviour leads to disruptions affecting the customer or MEKRA	1
The requirements are not fulfilled	10
Requirements are met inadequately	30
Requirements partially met, but with significant potential for improvement	50
Requirements are met, but with potential for improvements	70
Requirements are almost met, but with moderate potential for improvements	80
Requirements are completely fulfilled	90
Requirements fulfilment is beyond expectations	100

1 Main Criterion Quality

The main criterion Quality consists of the sub-criteria shown below:

Sub-Criteria	Weighting
PPM-Points	30%
Complaint Quota	30%
Reaction Immediate Measures	10%
Repeat Complaint	10%
Process Audit Outcome*	10%
Complaint Handling	10%

For the determination of the quality criteria, in addition to the sub-criterion process audit result, the following criteria apply within a defined evaluation period. Justified defect notifications (status open and closed) are evaluated within a defined time period. It is based on quality reports from incoming goods inspection and ongoing production, as well as complaints from MEKRA customers caused by suppliers.

1.1 Sub-Criterion PPM-Points

The key figure PPM-Points based on quality notifications compares the absolute received quantity with the absolute (i.e. independent of the quantity unit) in quality notifications incorrect quantity.

Quality notifications are determined on the basis of deviations from the product specification (dimension, material, surface, etc.).

Quality reports are based on deviations from the product specification

The standard formula to calculate ppm-values based on the number of pieces is defined as:

$$\text{PPM-value} = \frac{\text{disputed delivery quantity}}{\text{total delivery quantity}} \times 1.000.000$$

For the ABC evaluation, the deviation of the ppm number from the ppm target is evaluated as grade of the ppm points.

1.1.2 PPM Target

In general, MEKRA insists on the zero-defect-strategy. If the zero-defect-target cannot be achieved from the beginning, MEKRA can agree on suitable interim targets with the supplier in written form (e.g. based on the declaration of manufacturability). In case of deviations from the agreed target, the supplier has to inform MEKRA immediately of the circumstances and of planned preventative measures. The supplier is obliged to halve the error rate each year, unless otherwise agreed in writing.

The Targets are not influenced on the supplier's liability for warranty- and damage claims as a result of defects in deliveries or consequential damages.

Regulation of PPM Relevant Quantities

Serial parts are counted as follows, where a part is considered to be serial once it has reached status 25 (free with conditions).

General	PPM Relev. Quantity
In all cases, Regardless of whether the parts are being replaced or reworked	Quantity of n.o.k. parts found
Self-disclosure, Material.-No. not yet installed	0
Depending on Material Group	PPM Relev. Quantity
For the following material groups applies: bulk goods (e.g. granules; screws, springs) meter-goods (e.g. tubes, pipelines) barrels (e.g. adhesives)	1 (per packing unit)
Depending on Type of Complaint	PPM Relev. Quantity
Logistics complaints e.g. wrong delivery, label errors, packaging, deviation of quantities	1

Pre-serial parts are not taken into account in the PPM evaluation.

Comparison of the PPM Values

In case of material returns, the supplier is asked to determine the actual defective quantity as well as deviations from the MEKRA complained quantity and to report it to the MEKRA Location.

The ppm values can be adjusted by the processing quality department on the system side if feedback is provided within two months of receiving the rejected goods from the supplier.

1.2 Sub-Criterion Complaint Quota

The complaint quota is the percentage of all quality reports caused by the supplier to the number of all incoming goods.

The gradation of the percentage overrun of the complaint quota is defined as follows:

Complaint Quota in %	Complaint Points
1,00	100
2,50	90
3,00	80
5,00	70
7,00	50
8,00	40
9,00	30
10,00	20
100,00	1

1.3 Sub-Criterion Reaction Immediate Measures

MEKRA must receive an initial response to the complaint and (if applicable) a preliminary 3D report from the supplier within two working days of receiving a complaint. If MEKRA and its supplier have concluded a quality assurance agreement, the deadlines specified therein shall prevail.

The gradation of the key figure is defined as follows:

Deviation in Days	Points
0	100
1	90
2	70
3	1

1.4 Sub-Criterion Repeat Complaint

A repeat complaint is defined by a reoccurring defect pattern of a material number within two years.

If a repeated complaint occurs within the evaluation period, the score is downgraded from 1000 points to 1 point.

1.5 Sub-Criterion Process Audit Outcome*

The key figure provides information on the final result of the last audit conducted by MEKRA. The validity of the audit result for the supplier evaluation is defined by internal process specifications.

1.6 Sub-Criterion Complaint Handling

In case of a notification of complaint, the conclusion of the 8D report must be received by MEKRA after five business days.

Individual measures can still be in progress, but must be clearly defined and have to be provided with a target date. If a quality assurance agreement has been concluded between MEKRA and its supplier, the laid down deadlines therein shall have priority. The key figures are calculated according to a standardised evaluation scheme.

2 Main Criterion Logistics

The second main criterion of the supplier evaluation, logistics, is made up of following sub-criteria:

Sub-Criteria	Weighting
Adherence to Quantity Stipulations	30%
Adherence to Deadlines	30%
Delivery Documents*	10%
Flexibility of Delivery Plans*	15%
Reaction Time*	15%

2.1 Sub-Criterion Adherence to Quantity Stipulations and Deadlines

The calculation of the key figures for adherence to deadlines and quantity stipulations is carried out according to a standardized evaluation scheme.

The system compares the requested delivery date and quantities with the data recorded on the goods receipt of each delivery. The evaluations of the individual deliveries are aggregated into one key figure each. This key figure shows the adherence to delivery dates and quantities within the evaluation period.

2.2 Sub-Criterion Delivery Documents*

The key figure provides information on the conformity of the delivery documents and the delivery.

2.3 Sub-Criterion Flexibility of Delivery Plans*

The key figure provides information on the supplier's flexibility regarding short- or long-term changes in quantities or deadlines.

2.3 Sub-Criterion Reaction Time*

The key figure provides information about the supplier's reaction time in relation to the daily cooperation in the logistics area.

3 Main Criterion Contracts

The main criterion contracts is made up of the sub-criteria Framework Agreement (Supply Agreement) and Quality Assurance Agreement (QAA). The sub-criteria have a weighting of 50% each. In case of an existing contractual basis of the mentioned agreements, the supplier is evaluated with a score of 100 points. In the absence of a contractual basis for the agreements the supplier is evaluated with one point each.

4 Main Criterion Certificates

The main criterion consists of an assessment of the supplier's quality management system, environmental management system and information security management system, weighted as follows.

Sub-Criterion	Weighting
Quality Management System	50%
Environmental Management System	25%
Information Security Management System	25%

The calculation of the ratio is defined as follows:

Sub-Criterion	Explanation	Points
Quality Management System	Valid certification according to IATF 16949:2016	100
	Valid certification according to DIN EN ISO 9001:2015	70
	No certification	1
Environmental Management System	Valid certification according to DIN EN ISO 14001:2015 and/or valid certification according to EMAS	100
	Passed the MEKRA-Environmental Questionnaire	70
	No documents	1
Information Security Management System	Valid certification according to DIN EN ISO/IEC 27001 and/or valid certification according to TISAX	100
	Passed the MEKRA-Information Security Questionnaire	70
	No documents	1

5 Main Criterion Purchasing

The main criterion is made up of the following secondary criteria, weighted as follows.

Sub-Criteria	Weighting
Price / Market Situation*	40%
Strategic potential*	40%
Negotiation Behaviour*	40%

5.1 Price / Market Situation*

The key figure provides information on the price of existing and, if applicable, requested products in relation to the competitive price.

5.2 Strategic Potential*

The key figure provides information on the potential for the awarding of new contracts as well as on the structure and development of the supplier.

5.3 Negotiation Behaviour*

The key figure provides information about the supplier's behaviour in negotiations.

6 Main Criterion Cooperation

The main criterion consists of the following secondary criteria and weightings.-

Sub-Criteria	Weighting
Service/Goodwill Complaints*	33%
Disposition*	33%
Purchasing*	34%

6.1 Service/Goodwill Complaints*

The key figure provides information about the supplier's behaviour during a complaint case. The aspects of communication and cooperation are prioritised in the evaluation.

6.2 Disposition*

The key figure provides information on the scope of information regarding quantity and deadline confirmations, as well as proactive information in the event of quantity or deadline changes. Confirmation of planned quantities and dates will also be taken into account.

6.3 Purchasing*

The key figure provides information about the co-operation and communication with the supplier on commercial topics and questions of purchasing.