



## DESCRIPTION SUPPLIER RATING

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## 1 Purpose

This document describes the evaluation of series suppliers. This is intended to give our delivery partners a uniform understanding of the assessment. At the same time, it provides you with an explanation of the requirements KTM places on its suppliers.

## 2 Scope

This document is valid for all series suppliers.

The following plants are taken into account:

0030	Vehicle assembly
0070	Mechanical production
0080	Engine assembly
0930	Suspension
0940	Exhaust
0950	Frame

## 3 Terms

PCS	Purchasing Conditions
QAA	Quality assurance agreement

## 4 General Evaluation

The evaluation of a supplier is carried out on a plant-specific basis. The overall evaluation of a supplier results from the evaluation of the following criteria:

- Quality (Series and sampling quality) [55%]
- Purchasing (Delivery schedule adherence and adherence to quantities) [35%]
- Agreements (QAA and PCS) [10%]

Each criterion is given a score between 1 (very bad) and 100 (very good). If a criterion cannot be assessed or is not relevant for a supplier, it is assessed with 0 points and is not included in the calculation of the overall grade.



The following table provides an indication of how the overall rating of a supplier is to be assessed:

Score	Supplier Category
90-100	A-Supplier (preferred)
80-89	B-Supplier (accepted)
1-79	C-Supplier (critical)

Our delivery partners can request their current rating at any time from the responsible purchaser or via the email address [q-rating@ktm.com](mailto:q-rating@ktm.com).

In addition, each supplier is assigned an internal approval status.

- I – Released
- II – Approval by head of department
- III – Conditional block
- IV – Blocked

## 5 Quality

The main criterion quality is included in the overall grade with 55%, whereby the two sub-criteria sampling and series quality are each weighted with 50%. The calculation period for the quality assessment is always one year.

The evaluation of the quality performance is carried out using a bonus-malus system. Bonus points are awarded for above-average cooperation and feedback on the initial reaction and the 8D report within the time limit. The supplier receives penalty points for deviations that were caused in the course of sampling and series deliveries. Depending on the sum of the bonus-malus points, the supplier receives points for the supplier evaluation based on the following table:

Deviation value	Points
0	100
10	90
30	75
50	50
999	1

→ This means that if there are 16 penalty points due to series complaints, the supplier receives 75 points in the assessment for series quality.

The detailed description of the bonus-malus system for quality assessment can be found in the appendix.

### 5.1 Sub-Criterion: Sampling Quality

In the evaluation, all B2 reports (sampling complaints) with the code "complaint" are taken into account. Excluded are error items that have been classified as an unjustified error, as a self-denunciation, as a known error or as an error that is part of another complaint.

### 5.2 Sub-Criterion: Series Quality

All Q2 reports (supplier complaints) with the code "complaint" are taken into account in the assessment. Excluded are error items that have been classified as an unjustified error, as a self-denunciation, as a known error or as an error that is part of another complaint.

## 6 Purchasing

The evaluation for the main criterion purchasing represents the delivery reliability of the supplier and is composed in equal parts of the two sub-criteria delivery schedule adherence [50%] and adherence to quantity [50%]. All deliveries in the evaluation period are considered for the evaluation. Only goods receipts for which a goods receipt posting has already been carried out at KTM are taken into account.

### 6.1 Sub-Criterion: Delivery schedule adherence

#### Does the supplier deliver on the agreed date?

Adherence to delivery schedule is assessed according to the difference between the agreed delivery date and the actual goods receipt date. As following rule:

- Punctual delivery or a maximum of 3 working days early 100 Points
- Delivery more than 3 workdays too early or more than 1 workday too late 1 Point

### 6.2 Sub-Criterion: Adherence to quantity

#### Does the supplier deliver the ordered quantity?

The adherence to quantity is assessed according to the deviation of the ordered quantity from the quantity actually delivered. As following rule:

- No deviation from the ordered quantity 100 Points
- Up to 10% deviation from the ordered quantity 80 Points
- Up to 20% deviation from the ordered quantity 50 Points
- More than 20% deviation from the ordered quantity 1 Point

## 7 Agreements

With the main criterion agreements, it is assessed whether a signed quality assurance agreement (QAA) and signed purchasing conditions (PCS) are present. As a rule, the following applies:

- QAA and PCS have been signed by the supplier 100 Points
- QAA or PCS has been signed by the supplier 51 Points
- QAA and PCS were not signed by the supplier 1 Point

For our delivery partners, the signing of these agreements is a mandatory requirement for working with KTM. Long-term suppliers who have not yet provided these services are accordingly rated negatively.

## 8 Calculation Example

Main crit.	Sub-criterion	E.g.	Penalty points	Result	weight.	Result
Quality [55%]	series quality	50% 5 Q2-reports	16 malusp.	75 points	75 x 50%	= 37,5
	sampling quality	50% 9 B2-reports	31 malusp.	50 points	50 x 50%	= 25
						62,5 55% = 34,375
Purchasing [35%]	adherence to quantity	50%		80 points	80 x 50%	= 40
	delivery schedule adherence	50%		50 points	50 x 50%	= 25
						65 35% = 22,75
QSV/PCS [10%]	QSV	50% signed		100 points	100 x 50%	= 50
	PCS	50% declined		1 point	1 x 50%	= 0,5
						50,5 10% = 5,05

Overall result **62,175**



**C-supplier**

## 9 Supplier Quality Award

KTM delivery partners with above-average performance are presented with a supplier quality award once a year.

The following requirements must be met in order to be awarded an award:

- Supplier approval status I - approved
- Overall supplier rating in all plants not worse than A
- Delivery at least one year in series
- No serial or sampling complaints within a calendar year up to € 1,000,000 in sales, from € 1,000,000 in sales up to a maximum of one series or sampling complaint, from € 4,000,000 in sales up to a maximum of two series or sampling complaints
- Signed Quality Assurance Agreement (current version)
- Signed Purchasing Conditions
- No justified objection to the proposal list from purchasing or quality management  
Supplier turnover for series parts (without tools, without parts center) was at least € 100,000 per calendar year

## 10 Proactive Supplier Development

In the event of a deterioration (gradation from A → B, A → C, B → C) in the supplier evaluation, standardized improvement measures are proactively requested by email.

Quality		
Points Series Quality	Action code	Actions
75	MAW2-001 QM01	- Send confirmation from quality management that they have taken note of the supplier category to KTM.
50	MAW2-001 QM01	- Send confirmation from quality management that they have taken note of the supplier category to KTM
	MAW2-001 QM02	- Send documented root cause analysis of the reasons for the complaint, on which the supplier evaluation is based, with proven analytical methods (e.g. Fault Tree Analysis, 5 Why, ...) and corrective measures
	MAW2-001 QM03	- Send the updated production control plans of the parts subject to complaint, on which the supplier evaluation is based
	MAW2-001 QM04	- Perform an internal process audit and send the audit log (audit is carried out independently by the supplier)
1	MAW2-001 QM01	- Send confirmation from quality management that they have taken note of the supplier category to KTM.
	MAW2-001 QM02	- Send documented root cause analysis of the reasons for the complaint, on which the supplier evaluation is based, with proven

		analytical methods (e.g. Fault Tree Analysis, 5 Why, ...) and corrective measures
	MAW2-001 QM03	- Send the updated production control plans of the parts subject to complaint, on which the supplier evaluation is based
	MAW2-001 QM04	- Perform an internal process audit and send the audit log (audit is carried out independently by the supplier)
	MAW2-001 QM05	- Send confirmation of the tests according to the process control plan and QSVSTD of the parts subject to complaint, including test reports from the last production
<b>Purchasing</b>		
<b>Key figure</b>	<b>Action code</b>	<b>Actions</b>
General deterioration in delivery reliability (below 80 points)	MAW2-001 EK01	- Send confirmation to KTM from the sales management that they have taken note of the supplier evaluation.
	MAW2-001 EK02	- Analysis of the deviations and transmission of the analysis results to the responsible purchaser at KTM. - As well as definition of improvement measures and transmission of the initiated measures including implementation status. - For analysis purposes, details of the supplier evaluation can be requested from your responsible purchaser.

A lack of cooperation due to untimely or inadequate feedback can lead to a complaint. Any additional expenses incurred will be charged to the supplier.

In addition, these complaints have a negative effect on the supplier evaluation.

A process audit can be carried out by KTM to check the effectiveness of the measures.



## 11 Escalation Scenarios

If there are, for example, deviations from delivery dates in the quality forward planning, or e.g. a downgrade in the supplier evaluation, KTM will announce in the monthly supplier development meeting which of the following escalation scenarios will be taken.

ESCALATION 1
<ul style="list-style-type: none"><li>▪ Escalation discussion between KTM and supplier</li><li>▪ KTM representative &amp; supplier: Quality &amp; Purchasing</li><li>▪ Contents: Problem statement and definition of further steps</li><li>▪ Supplier is downgraded for contract award consideration</li></ul>
ESCALATION 2
<ul style="list-style-type: none"><li>▪ Escalation discussion between KTM and supplier</li><li>▪ KTM representative &amp; supplier: Quality Management, Purchasing Management, General Manager</li><li>▪ Contents: Problem statement and definition of further steps</li><li>▪ Approval status of supplier changed to status II</li><li>▪ Approval of a contract only by KTM Quality &amp; Purchasing Management</li></ul>
ESCALATION 3
<ul style="list-style-type: none"><li>▪ Conditional discontinuation of supplier services</li><li>▪ Receipt of information by KTM Purchasing regarding conditional discontinuation</li><li>▪ Conditional exclusion from inquiries and awards of contracts</li><li>▪ Approval status of supplier changed to status III</li><li>▪ Lifting of discontinuation only possible after completion of supplier development process. Introduction of all corrective measures within supplier development process as well as positive audit result required.</li></ul>
ESCALATION 4
<ul style="list-style-type: none"><li>▪ Discontinuation of supplier services</li><li>▪ Receipt of information by KTM Purchasing regarding discontinuation</li><li>▪ Complete exclusion from inquiries and awards of contracts</li><li>▪ Approval status of supplier changed to status IV</li><li>▪ Discontinuation management</li></ul>

## 12 Outlook

In the near future, KTM is striving to make the supplier evaluation available on a web-based platform so that we can provide our suppliers with a transparent insight into their current performance at all times.

# 13 Appendix

## 13.1 Form

The suppliers are informed about their current supplier evaluation using the following form. If the series and / or sampling quality is less than 100 points, a detail sheet with information on the respective complaints is attached.

Supplier

Plant: Assemblierung

**EVALUATION OF SUPPLIER**

Closing Period: **Quarter 01.2021**

Period: **01.01.2021 - 31.03.2021**

Supplier: No.

Mattighofen, 14.04.2021

### Supplier Evaluation for Period January 2021 - March 2021

OVERALL ASSESSMENT			<b>A - Supplier</b>
	Evaluation	Points	
Quality	55%	100	
Procurement	35%	99	
QSV/EKB	10%	100	
<b>Overall Result</b>		99	
<b>Quality - Details</b>			
QKZ - Serie	50%	100	
QKZ - Sampling	50%	100	
<b>Result</b>		100	
<b>Purchasing - Details</b>			
Delivery schedule adherence	50%	99	
Adherence to quantity	50%	98	
<b>Result</b>		99	
<b>QSV/EKB</b>			
QSV	50%	100	
EKB/Supply Agreement	50%	100	
<b>Result</b>		100	
<b>Classification</b>			
A - Supplier	100 - 90 Points		
B - Supplier	89 - 80 Points		
C - Supplier	under 80 Points		

## 13.2 Bonus-Malus-System

The following three chapters describe the bonus-malus calculation, which forms the basis for assessing quality capability.

### 13.2.1 Points catalogue

The detailed points catalog and a calculation example are given below:

Criteria incl. gradation (sampling parts)		from 01.01.2022
<b>Type of claim</b>	claim	100%
	self-denunciation (before discovery at KTM)	0%
<b>Type of failure</b>	document(s) missing	2
	deviations in sampling order	2
	release with restrictions	4
	rejection	8
	part of an other claim	0%
	self-denunciation	0%
<b>8D-report</b>	no answer required	0
	complete within timelimit	-1
	incomplete or complete out of timelimit	4

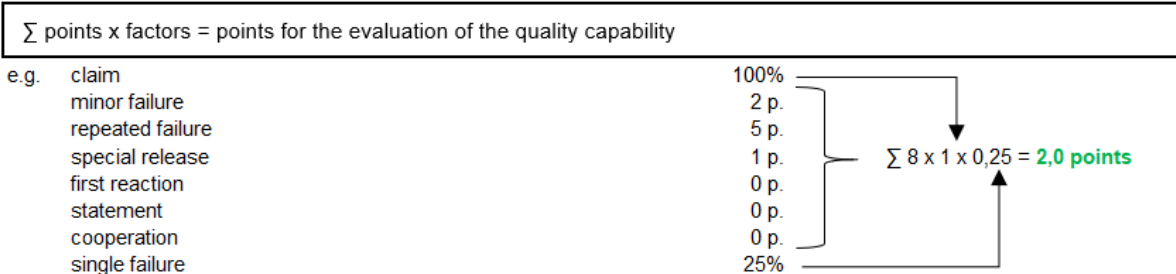
Criteria incl. gradation (series parts)		from 01.01.2022
<b>Type of claim</b>		
	claim	100%
	customer claim	100%
	self-denunciation (before discovery at KTM)	0%
	failure report	0%
	improving potential	0%
<b>Quantity affected</b>		
	single failure 1 or 2 affected parts or <= 1 % of the quantity delivered	25%
	multiple failure 3 or 4 affected parts excl. <= 1 % of the quantity delivered (single failure!)	66%
	series failure > 10 % of the quantity delivered excl. failure: 1+2 (single failure!)	100%
<b>Type of failure</b>		
	minor failure	2
	main failure	6
	critical failure	11
	known failure (before cut-off, delivery accepted - e.g. in transit)	0%
	part of an other claim	0%
<b>Type of repeated failure</b>		
	new failure	2
	Repeated failure (same failure or type of failure on same part, after cut-off)	5
<b>Failure consequences</b>		
	none (e.g. for improving potentials)	0
	return delivery to supplier	0
	sort out	1
	rework	1
	special release	1
	re-assembling	2
	re-scheduling	2
	reconstruction of vehicles / engines	4
	warranty	4
	line stoppage	4
	market action	8
<b>First reaction</b>		
	no answer required	0
	within timelimit	-1
	out of timelimit	4
<b>8D-report</b>		
	no answer required	0
	complete within timelimit	-1
	incomplete or complete out of timelimit	4
<b>Cooperation</b>		
	no or average cooperation to solve problem	0
	strong cooperation to solve problem	-1

### 13.2.2 Calculation example

#### Calculation example for the series quality of a supplier:

The criteria for the complaint were evaluated as follows:

[Evaluation - series quality](#)

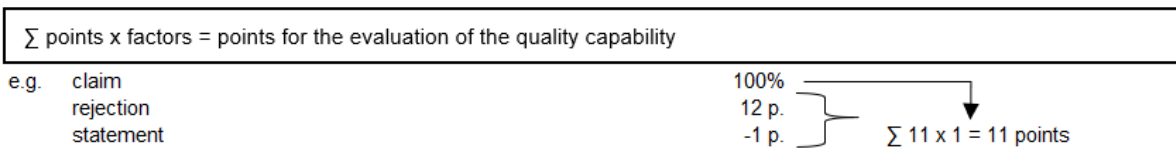


This results in 1.5 penalty points for the supplier.

#### Calculation example for the sampling quality of a supplier:

The criteria for the sampling complaint were selected as follows:

[Evaluation - sampling quality](#)



### 13.2.3 Rehabilitation

In order to enable suppliers who have caused a complaint to improve their quality performance rating, the following healing options have been implemented:

- In the case of single errors, the penalty points expire after 90 days regardless of further complaints.
- In the case of multiple or serial errors, the supplier will be credited 25% of the previous penalty points from multiple and serial errors, but at least 10 points, after 90 days in which no further complaint was caused. The points are always deducted starting with the oldest complaint. Complaints with single errors do not interrupt the healing process.
- Only complaints from one year are considered in the evaluation.