

STD0017 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
SAQ	Self-Assessment-Questionnaire (Sustainability Assessment Questionnaire)

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)	[45%]
- Purchasing (On-time delivery, Quantity reliability, Cooperation)	[45%]
- Documents (PCS, QAA and SAQ)	[5%]
- Sustainability (SAQ minimum range rating)	[5%]

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.

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 45%, 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 [45%] represents the delivery reliability of the supplier and his cooperation. The delivery reliability is composed in equal parts of the two sub-criteria delivery schedule adherence and adherence to quantity. 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

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

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

6.3 Sub-Criterion: Cooperation

The evaluation of the cooperation is based on the following:

- no effort proactive communication of the supplier,
 implements measures independently 100 Points
- little effort active communication of the supplier,
 Works actively to implement measures 80 Points

- Effort	Supplier responds to demand, Works on implementation of measures with lead from KTM	50 Points
- High effort	Supplier only responds to repeated requests, High support effort for implementation of measures	30 Points
- Very high effort	Supplier does not respond/only responds to escalation, No implementation of measures	1 Point

7 Documents

With the main criterion documents, it is assessed whether a signed quality assurance agreement (QAA) and signed purchasing conditions (PCS) are present. In addition, it is considered whether the self-disclosure questionnaire on sustainability (SAQ) has been answered by the supplier. As a rule, the following applies:

The supplier receives 100 points for each signed document and 1 point for documents that have not been accepted/signed by the supplier. The total number of points for this criterion results from the average value of the documents considered.

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 Sustainability

The evaluation of the main criterion sustainability is based on the SAQ minimum rating, which is determined during the evaluation of the SAQ (questionnaire on sustainability along the supply chain).

More information: [SAQ 5.0 SupplierBriefing 19Oct22 EN \(supplierassurance.com\)](#)

9 Calculation Example

Main Crit.	Sub-Criterion	Weight	Result	Weighted result Sub-Crit.	Weighted result Main-Crit.
Quality [45%]	Series Quality	50%	75 Points	37,5 Points	28,125 Points
	Sampling Quality	50%	50 Points	25 Points	
				62,5 Points	
Purchasing [45%]	Adherence to quantity	47%	80 Points	37,6 Points	30,195 Points
	Delivery Schedule Adherence	47%	50 Points	23,5 Points	
	Cooperation	6%	100 Points	6 Points	
				67,1 Points	
Documents [5%]	QAA	33%	100 Points	33,33 Points	5,000 Points
	PCS	33%	100 Points	33,33 Points	
	SAQ	33%	100 Points	33,33 Points	
				100 Points	
Sustainability [5%]	Sustainability	100%	80 Points	80 Points	4,000 Points
				80 Points	

Overall result: 67,32 Points
Classification: C-Supplier

10 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

11 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
Purchasing		
Key figure	Action code	Actions
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.

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.

12 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"> ▪ Escalation discussion between KTM and supplier ▪ KTM representative & supplier: Quality & Purchasing ▪ Contents: Problem statement and definition of further steps ▪ Supplier is downgraded for contract award consideration
ESCALATION 2
<ul style="list-style-type: none"> ▪ Escalation discussion between KTM and supplier ▪ KTM representative & supplier: Quality Management, Purchasing Management, General Manager ▪ Contents: Problem statement and definition of further steps ▪ Approval status of supplier changed to status II ▪ Approval of a contract only by KTM Quality & Purchasing Management
ESCALATION 3
<ul style="list-style-type: none"> ▪ Conditional discontinuation of supplier services ▪ Receipt of information by KTM Purchasing regarding conditional discontinuation ▪ Conditional exclusion from inquiries and awards of contracts ▪ Approval status of supplier changed to status III ▪ 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.
ESCALATION 4
<ul style="list-style-type: none"> ▪ Discontinuation of supplier services ▪ Receipt of information by KTM Purchasing regarding discontinuation ▪ Complete exclusion from inquiries and awards of contracts ▪ Approval status of supplier changed to status IV ▪ Discontinuation management


13 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.

14 Appendix

14.1 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.

			EVALUATION OF SUPPLIER
Plant: Assemblierung		Closing Period: Month 10.2023	
		Period: 01.10.2023 - 31.10.2023	
		Period Closing Date: 02.11.2023	
		Supplier: Mattighofen, 06.11.2023	
Supplier Evaluation for Period October 2023 - October 2023			
OVERALL ASSESSMENT			
Quality	45%	75	C - Supplier
Delivery	45%	77	
Documents	5%	100	
Sustainability	5%	86	
Overall Result		77	
Quality - Details			
Sample Quality	50%	100	
Series Quality	50%	50	
Result		75	
Delivery - Details			
On-time delivery	47%	90	
Quantity reliability	47%	69	
Cooperation	6%	30	
Result		77	
Documents - Details			
QSV	33%	100	
EKB/Supply Agreement	33%	100	
SAQ	33%	100	
Result		100	
Sustainability - Det			
Sustainability	100%	86	
Result		86	
Classification			
A - Supplier	100 - 90 Points		
B - Supplier	89 - 80 Points		
C - Supplier	under 80 Points		

14.2 Bonus-Malus-System

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

14.2.1 Points catalogue

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

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

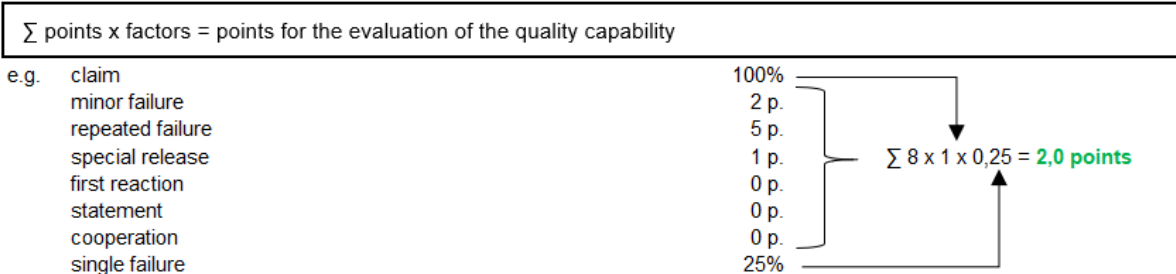
Criteria incl. gradation (series parts)		from 01.01.2022
Type of claim		
	claim	100%
	customer claim	100%
	self-denunciation (before discovery at KTM)	0%
	failure report	0%
	improving potential	0%
Quantity affected		
	single failure 1 or 2 affected parts or <= 1 % of the quantity delivered	25%
	multiple 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%
Type of failure		
	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%
Type of repeated failure		
	new failure	2
	Repeated failure (same failure or type of failure on same part, after cut-off)	5
Failure consequences		
	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
First reaction		
	no answer required	0
	within timelimit	-1
	out of timelimit	4
8D-report		
	no answer required	0
	complete within timelimit	-1
	incomplete or complete out of timelimit	4
Cooperation		
	no or average cooperation to solve problem	0
	strong cooperation to solve problem	-1

14.2.2 Calculation example

Calculation example for the series quality of a supplier:

The criteria for the complaint were evaluated as follows:

[Evaluation - series quality](#)

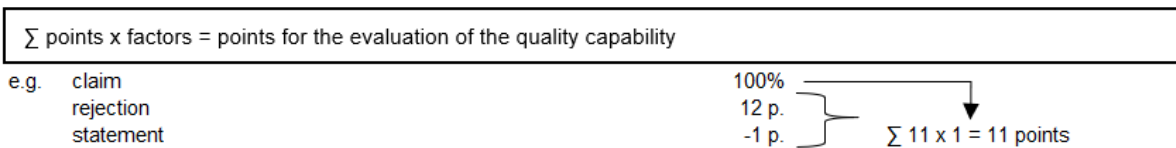


This results in 1.5 penalty points for the supplier.

Calculation example for the sampling quality of a supplier:

The criteria for the sampling complaint were selected as follows:

[Evaluation - sampling quality](#)



14.2.3 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.

14.2.4 Definitions of terms for complaints

Type of complaint

Complaint

- The expected product properties have not been achieved (except for: defects within the agreed or customary deviations)
- 1 complaint per root cause
- Penalty points are multiplied by a factor of 100%

Failure report (scrap agreement required)

- Agreed deviation or deviation which is usual in trade
- Required for info + statistics
- No reply from the supplier necessary
- Deviations from the "QSVAV" (scrap agreement) or "QSVGAV" (casting scrap agreement) result in a complaint
- This is not considered in the supplier rating

Potential for improvement (for information purposes)

- No response requested → complaint will be closed after sending
- No deviations to specifications
- This is not considered in the supplier rating

Self-denunciation

- The supplier reports a failure before discovery at the customer
- The defect is not considered in the supplier rating

Quantity affected

- Single defects / individual defects
 - Number of defects is 1 or 2; alternatively
 - Defect rate $\leq 1\%$ of the delivery batch
Penalty points are calculated in evaluation with 25%;
- Multiple defects
 - Number of defects is 3 or 4
 - Except: if the defect rate $\leq 1\%$ of the delivery batch \Rightarrow then single defects!
Penalty points are calculated in evaluation with 66%;
- Serial defects
 - Defect rate $> 10\%$ of the delivery batch
 - Except: if the number of defects is 1 or 2 (single defects) or the number of defects is 3 or 4 (multiple defects)
Penalty points are calculated in evaluation with 100%;

Type of defect

Critical defect

- Legal requirements / guidelines / CoP / homologation / etc. not fulfilled or partially not fulfilled

Major defect

- Parts cannot be used/assembled or
- Non-critical defects; the usability of the product for the intended (permanent) use is uncertain!

Minor defect

- Parts can be used/assembled and
- Normally do not have any consequences

Part of another complaint

- If a complaint relates to several similar articles with the same defect (the same root cause), this defect is only considered once in the measurement (for example, coating defects on the front and rear rim → the penalty points for the second article are multiplied by a factor of 0%)

Known defects

- If goods with defects are delivered before the cut-off (e.g., the goods are known to be in transit), the penalty points will also be multiplied by the factor 0%

Further terms

Repeated defects

- The fault pattern reoccurs after the agreed cut-off or during the immediate action
- The same root cause
- Might also be in respect of other part numbers or components

Cut-off

- Date agreed with the supplier from which the corrective action will take effect and the fault pattern should accordingly no longer occur

15 History

Version	Datum	Änderungen	Verantwortlich
1.0	01/07/2015	New installation	Monika Zeilinger
2.0	01/12/2017	New layout Division into release status and classification	Monika Zeilinger
3.0	22/10/2018	New definition of a critical error	Monika Zeilinger
4.0	01/04/2019	Change of the penalty points for a rejection or release with condition for sampling complaints	Monika Zeilinger
5.0	27/09/2019	Definition of the term "part of another complaint" in detail New layout Definition of the term "minor defects" in detail Requirements for the Quality Award adjusted	Monika Zeilinger
6.0	22/05/2020	Part of another complaint detailed Repetition level removed from a comparable article	Monika Zeilinger
7.0	26/06/2020	German and English version combined in one document	Monika Zeilinger
8.0	24/03/2021	Integration of the purchase evaluation and the evaluation of agreements Adaptation of the calculation logic to the A41 solution in SAP	Mareike Mehler Monika Zeilinger
9.0	11/07/2022	Updated requirements for supplier quality award Updated points catalogue for series parts Added chapter 10 Proactive Supplier Development	Florian Riegler Hannes Hartl
10.0	06/12/2022	Added chapter 11 Escalation Scenarios	Manuel Egger
11.0	22/08/2023	Added new Criteria; Added definitions to the chapter „Appendix“	Mareike Mehler Monika Zeilinger