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Hanson, Rita  
Confirmed by  
Lindblad, Bjarne

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Procedure  
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Title/Subject  
Supply Chain Improvement Program

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## PURPOSE

The purpose of this document is to define the Haldex Supply Chain Improvement Program (SCIP) and associated requirements. SCIP is a tool to monitor and improve the quality of the Haldex supply base. Our objective is to develop a mindset within Haldex and in our supply chain that results in continuous improvement in all aspects of our business relationships. SCIP serves as one of the triggers for supplier development.

### Supply Chain Improvement Program Goals:

- Intentional pursuit of zero defects
- Improve Haldex products
- Identify, quantify, and eliminate waste
- Improve supply chain processes
- Optimize total procurement costs

## SCOPE

This Supply Chain Improvement Program is focused on developing supplier relationships by challenging Haldex and our supply base to establish highly competitive performance standards and promote continuous improvement in the areas of **Quality, Delivery, Value, and Support**.

This program applies to all Haldex locations. This program applies to all current, active external direct material suppliers, including outside process suppliers to Haldex.

The Supply Chain Improvement Program contains provisions for the following:

- a cross-functional quarterly review of supplier performance
- a quarterly supplier performance report card, according to the Haldex supplier rating system,

## DEFINITIONS

PPM	parts per million
NCR	rejected material report (non-conformance report)
SCIP	Supply Chain Improvement Program
QMS	Quality Management System (ISO 9001, IATF 16949)
EMS	Environnemental Management System (ISO 14001)



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## RESPONSIBILITY

The Sourcing Management Team is responsible for approving, implementing, and maintaining this policy, and for monitoring overall SCIP program performance.

**Local Site Quality** is responsible for reporting supplier Quality Performance (PPM and NCR)

**Local Site Logistics/Supply Chain** is responsible for delivery performance results.

**Local Category Managers** are responsible for reporting the Value Improvement/Cost and Payment Terms.

**Local Sourcing Category team, local Logistics/Supply Chain, and local Quality representatives** shall cross-functionally grade the Support.

**Local Sourcing Category Team** is responsible for:

- sending the score cards to suppliers
- for requiring appropriate improvement action plans from C-rated suppliers and follow up to ensure completion.
- for requiring appropriate improvement action plans from non IATF suppliers and follow up to ensure completion.
- for updating the SCIP/PPM Audit Monitoring Log (HDX4-6-419) on Connect/DMS Sourcing site.

**Global Category Team** is responsible for monitoring supplier performance and determining category strategy and long term actions required.



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# Haldex Direct Material/OVP Supplier Rating

## Primary Rating Element Rating %

Sub-Elements	Rating %	Points (0-5)	
<b>Quality</b>			<b>36%</b>
PPM	50%		
Rejected Material Reports (NCR)	40%		
QMS and EMS Compliance	10%		
<b>Delivery</b>			<b>31%</b>
On-Time Delivery	50%		
Disruptions	50%		
Occurrences of Premium Freight & Customer Disruptions			
<b>Value Improvement / Cost</b>			<b>20%</b>
Approved and/or Implemented Ideas	70%		
Payment Terms	30%		
<b>Support</b>			<b>13%</b>
General sense of supplier support such as but not restricted to:			
Supplier Involvement			
Technical Support			
Reactivity to quality/delivery issues			
On-time 8D responses			
Adjustable lead times during volume fluctuations			
A weighted point total will be calculated from the 4 Primary Rating Elements.			
<b>Performance Level</b>			
4.00 – 5.00	"A" - High Performance Supplier		
2.25 – 3.99	"B" - Approved Performance Supplier		
0.00 – 2.24	"C" - Low Performance Supplier, Action Plan Required		



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## *Quality Rating Criteria*

**Rating Element:      Quality      Primary Rating: 36%**

<u>Sub-Elements</u>	<u>Points</u>	<u>Rating %</u>	<u>Rating Criteria</u>
<b>PPM</b>		50	
	5		0 - 25 PPM
	4		26 - 50 PPM
	3		51 - 75 PPM
	2		76 - 100 PPM
	1		101 - 125 PPM
	0		> 125 PPM

$$\text{Supplier PPM} = \frac{\text{Number of confirmed nonconforming units} \times 1,000,000}{\text{Total number of received units}}$$

The number of confirmed nonconforming units is the number of units that Haldex found in the defined period. Where a batch is rejected back to suppliers based on sampling, the entire rejected batch quantity is considered nonconforming until such time as the supplier reports back to Haldex the actual number of units found to be nonconforming. The supplier has 15 days max from receipt of returned parts to report back actual nonconforming units found, otherwise the full batch quantity will be considered the final count.

\*PPM rating criteria applies to all suppliers except in the rare case that a supplier has a signed agreement with Haldex citing a specific criteria level above 25 PPM. Any PPM amendment agreement must first be approved by Haldex SVP Sourcing and SVP Quality for supplier to receive an exception.

### Rejected Material Reports (NCR)

	<u>40</u>	
5		Zero NCR's per Quarter
4		1 NCR's per Quarter
3		2 NCR's per Quarter
2		3 NCR's per Quarter
0		> 3 NCR's per Quarter

NCR Definition: The reporting of any nonconformance with a shipment of products or materials from a supplier. This includes deviations from any requirements, including but not limited to product dimensions and specifications, function, packaging, labeling, damage, and cosmetic/appearance requirements. This applies to services and products.

### Quality and EMS Compliance

	10	
5		Fully compliant IATF 16949 & ISO 14001
4		IATF 16949 only
3		ISO 9001 only
0		No QMS or EMS certificates



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## *Delivery Rating Criteria*

**Rating Element: Delivery**

**Primary Rating: 31%**

<u>Sub-Elements</u>	<u>Points</u>	<u>Rating %</u>	<u>Rating Criteria</u>
<b>On-Time Delivery</b>		50	
	5		100% of shipments on time with correct quantity
	4		>= 96 < 100% on time with correct quantity
	3		>= 92 < 96% on time with correct quantity
	2		>= 87 < 92% on time with correct quantity
	1		>= 80 < 87% on time with correct quantity
	0		< 80% on time with correct quantity

$$\text{Supplier Delivery Performance (\%)} = \frac{\text{Number of order lines received without deviations}}{\text{Total number of order lines to be received}} * 100$$

Number of order lines received without deviations = The number of supplier order lines received by Haldex with the agreed quantity and within the agreed delivery window, in a defined period.

Total number of order lines to be received = The total number of supplier order lines to be received (due for receipt at Haldex) during the same period as above.

This measure is based on order lines (not quantities or value).

<u>Sub-Elements</u>	<u>Points</u>	<u>Rating %</u>	<u>Rating Criteria</u>
<b>Disruptions</b>		50	
	5		Zero Disruptions
	3		One Disruption
	0		More than One Disruption

The number of supplier caused occurrence of Premium Freight, disruptions to Haldex production line / ability to meet customer orders, and any disruptions to Haldex customers including yard holds and stop ships.



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## *Value Rating Criteria*

**Rating Element: Value Improvement/Cost Primary rating: 20%**

<u>Sub-Elements</u>	<u>Points</u>	<u>Rating %</u>	<u>Rating Criteria</u>
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**Approved and/or Implemented Ideas / Value Improvements**

70

5	Approved / implemented ideas or equivalent price reductions greater than or equal to 5.0% of annual volume.
4	Greater than or equal to 4.0 % of annual volume
3	Greater than or equal to 3.0 % of annual volume
2	Greater than or equal to 2.0 % of annual volume
1	Greater than or equal to 1.0 % of annual volume
0	Less than 1.0% of annual volume

**Payment Terms**

30

5	Vendor managed inventory, consignment, or $\geq 90$ days
4	$\geq 60$ days $< 90$ days
3	$\geq 45$ days $< 60$ days
2	$\geq 30$ days $< 45$ days
1	$< 30$ days



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## *Support Rating Criteria*

**Rating Element: Business Relations Support**

**Primary Rating: 13%**

**Support Element is rated as follows:**

- **5 Points Exemplary Support**
- **3 Points Satisfactory Support**
- **0 Points Unacceptable Support**

**Support areas to consider:**

Supplier involvement and open communication's  
Technical Support  
Reactiveness to quality/delivery issues  
On-time and effective 8D responses  
Adjustable lead times during volume fluctuations



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## Example Supplier Report Card

SUPPLIER REPORT CARD							
Issued by: Jane Smith, SQE		Date: 4/1/2018		Haldex Business Unit:		Haldex Landskrona	
111 XYZ Stamping						1st Quarter 2018	
<u>Primary Rating Elements</u>							<u>Rating %</u>
<u>Sub-Elements</u>	<u>Rating %</u>	<u>Performance</u>	<u>Points (0-5)</u>	<u>Weighted</u>			
<b>QUALITY</b>							<b>36%</b>
PPM	50% x	20	5	=	2.500		
NCR Incidents	40% v	1	4	=	1.600		
QMS & EMS Certified	10% x		5	=	0.500		
					Results	4.600	1.656
<b>DELIVERY</b>							<b>31%</b>
On-Time	50% x	92.6	3	=	1.500		
Disruptions	50% *	1	3	=	1.500		
					Results	3.000	0.930
<b>VALUE IMPROVEMENT / COST</b>							<b>20%</b>
Approved/Implemented Ideas	70% x	(0%)	0	=	0.000		
Payment Terms	30% x	(90 days)	5	=	1.500		
					Results	1.500	0.300
<b>COMPLIANCE / SUPPORT</b>							<b>13%</b>
Continuous Improvement & Support	100% x		3	=	3.000		
					Results	3.000	0.390
<b>PERFORMANCE LEVEL</b>							
4.00 - 5.00 "A" - HIGH PERFORMANCE SUPPLIER							
2.25 - 3.99 "B" - APPROVED PERFORMANCE SUPPLIER							
0.00 - 2.24 "C" - LOW PERFORMANCE SUPPLIER / ACTION PLAN REQUIRED							
<b>Supplier Performance Summary</b>							
Weighted Result:						3.276	
Performance Level:						B	



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### Revision History:

Issue	Effective Date	Description of Change
1.0	2014-04-30	Added to Connect DMS and Document number assigned
2.0 / 3.0	2014-09-30	Changed Issuer from Roger Hellsten to Rita Hanson No change to content of document
4.0	2015-07-19	Annual Review – no changes to content.
5.0	2016-01-27	<ol style="list-style-type: none"> <li>1) Under Scope               <ol style="list-style-type: none"> <li>a. Updated 2<sup>nd</sup> paragraph “This program applies to all Haldex locations. This program applies to all current, active external direct material suppliers, including outside process suppliers to Haldex” - changed to “This program applies to all Haldex locations. This program applies to all current, active <u>external</u> direct material suppliers, including outside process suppliers to Haldex.”</li> <li>b. Removed bullet point “and monthly details on supplier quality and delivery”</li> </ol> </li> <li>2) Updated Definitions – changed “RMR” to “NCR”; added “QMS” and “EMS” definitions; removed definitions and references to “3-Factor SCIP suppliers” and “5-Factor SCIP suppliers”</li> <li>3) Updated Responsibility section – changed “Haldex Sourcing Council” to “Sourcing Management Team”; separated Local Site Quality and Local Site Logistics/Supply Chain responsibilities; changed “Haldex Strategic Sourcing personnel” to “Local Sourcing Category Managers”; removed “Haldex Strategic Sourcing, local Purchasing, and local Quality personnel” responsibility; added “Local Sourcing Category team, local Logistics/Supply Chain, and local Quality representatives shall cross-functionally grade the Support.”, added responsibilities for “Local Sourcing Category Team” and “Global Category Team”</li> <li>4) Updated Quality section of the Primary Rating Elements – changed “(RMR)” to “(NCR)”; changed “NCR” rating from 50% to 40%; added “QMS and EMS Compliance” to rating system at 10%</li> <li>5) Updated Support/Compliance of Expectations section – added statement “General sense of supplier support such as but not restricted to:”; removed “Quality and Environmental Management System Compliance”, “Continuous Improvement”, “Haldex Supplier Quality Manual Compliance” and added “Reactivity to quality/delivery issues; On-time 8D responses; “Adjustable lead times during volume fluctuations”</li> <li>6) Updated Quality Rating Criteria               <ol style="list-style-type: none"> <li>a. PPM point scale; was 0-50 = 5 points; 51-200 = 4 points; 201-500 = 3 points; 501-1000 = 2 points; 1001-5000 = 1 point; &gt;5000 = 0 points</li> <li>b. Added Quality and EMS Compliance rating criteria</li> <li>c. Removed statement “On-time delivery and incorrect shipment quantities are excluded. These are reported in the Delivery measurement.”</li> </ol> </li> <li>7) Updated Support Rating Criteria – removed all examples listed under each rating; removed the content under “Support areas to consider:” and replace with the ones listed on page 3 of procedure – see 5) in this list of changes.</li> <li>8) Updated Example Supplier Report Card to add the Quality rating changes - changed “RMR” to “NCR” and changed rating % to 40%; added “QMS &amp; EMS Certified” and added 10% rating.</li> </ol>
6.0	2017-04-17	Annual Review – No changes made to content of document. Issuer changed from Rita Hanson to Tintin Weng
7.0	2017-09-13	<ol style="list-style-type: none"> <li>1) Added to Purpose – “SCIP serves as one of the triggers for supplier development.”</li> <li>2) Added to “Local Sourcing Category Team” responsibility – bullet “• for requiring appropriate improvement action plans from non IATF suppliers and follow up to ensure completion”</li> </ol>



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Issue	Effective Date	Description of Change
8.0	2017-12-05	<ol style="list-style-type: none"> <li>1) Replaced all references of TS 16949 with IATF 16949</li> <li>2) Updated Header information</li> <li>3) Added a Revision History table</li> <li>4) Updated page 3 title from "Haldex Direct Material Supplier Rating" to "Haldex Direct Material/OVP Supplier Rating"</li> <li>5) Updated "Primary Rating Elements" on Page 3 – Under Delivery added sub-element for "Disruptions" and changed rating split to 50% for On-time Delivery and 50% for Disruptions</li> <li>6) Updated "Primary Rating Elements" on Page 3- changed "Performance Level "C" - Low Performance Supplier, Action Plan Requested" to "Low Performance Supplier, Action Plan Required"</li> <li>7) Updated "Quality Rating Criteria" – changed rating criteria for PPM; Was 5 pts =0-50 PPM; 4 pts =51-100 PPM; 3 pts =101-250 PPM; 2 pts =251-500 PPM; 1 pt =501-1000 PPM; 0 pts =&gt;1000 PPM</li> <li>8) Added notation below PPM "PPM rating criteria applies to all suppliers except in the rare case that a supplier has a signed agreement with Haldex citing a specific criteria level above 25 PPM"</li> <li>9) Updated "Quality Rating Criteria" – changed rating criteria for NCRs; Was 5 pts =0 NCRs; 4 pts =1-2 NCRs; 3 pts =3-4 NCRs; 2 pts =5-7 NCRs; 0 pts &gt;7 NCRs</li> <li>10) Updated "Delivery Rating Criteria" to include criteria for "Disruptions"</li> <li>11) Updated "Example Scorecard"</li> <li>12) Issue changed from Tintin Weng to Rita Hanson</li> </ol>
9.0	2019-03-15	<ol style="list-style-type: none"> <li>1) Updated "Quality Rating Criteria" – removed from PPM definition: "Haldex will only register the actual number of units confirmed to be nonconforming when rejecting a batch or lot to the supplier. The supplier has 15 days max from receipt of returned parts to report back actual nonconforming units found, otherwise the full batch quantity will be considered the final count."</li> <li>2) Added to PPM exception notation : "Any PPM amendment agreement must first be approved by Haldex SVP Sourcing and SVP Quality for supplier to receive an exception".</li> </ol>