

Supplier Selection and Development

Process steps for supplier selection and development

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1. Supplier selection and rating

The supplier selection process consists of several steps. It leads to the approval of a supplier for a product order. This means that the supplier is also approved for the sourcing group concerned and included in the Heidelberg supplier base as an Approved Supplier. To be approved for a product order and thereby accepted into the Heidelberg supplier base, a (potential) Heidelberg supplier must meet certain minimum requirements regarding quality, price, reliability, cooperation, innovation and environment (Fig. 1).

The supplier is initially assessed by means of supplier questionnaires; the assessment may be confirmed with an audit on the supplier's premises. Suppliers who are certified according to DIN ISO 9001 make this process easier and are preferred, subject to suitability.

Once the supplier has been approved for product orders, the quality of delivery, keeping of deadlines and pricing are permanently monitored and compared with the target agreement. Deviations and adjustments are discussed and laid down as binding criteria in new target agreements.

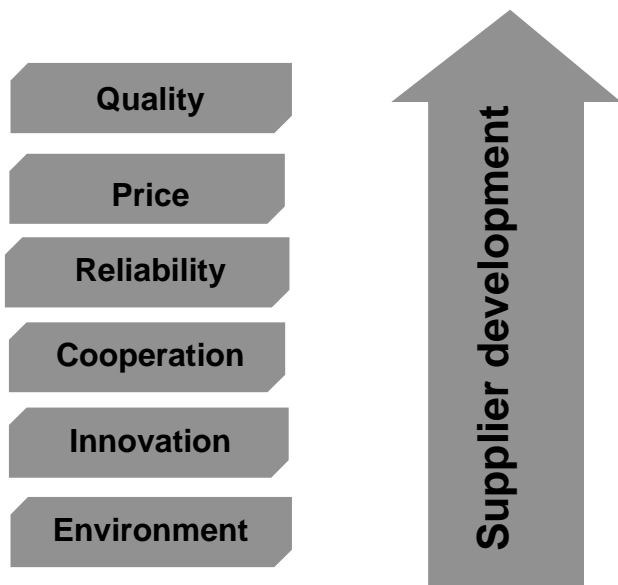


Figure 1: Supplier selection and development

2 Supplier rating and development according to the Preferred Supplier system (PSC system)

The criteria in the selection process that are used to rate a supplier's potential form the basis of a continued supplier rating and development, and hence for the application of the PSC system. The development stages of a Heidelberg supplier are shown in Figure 2:

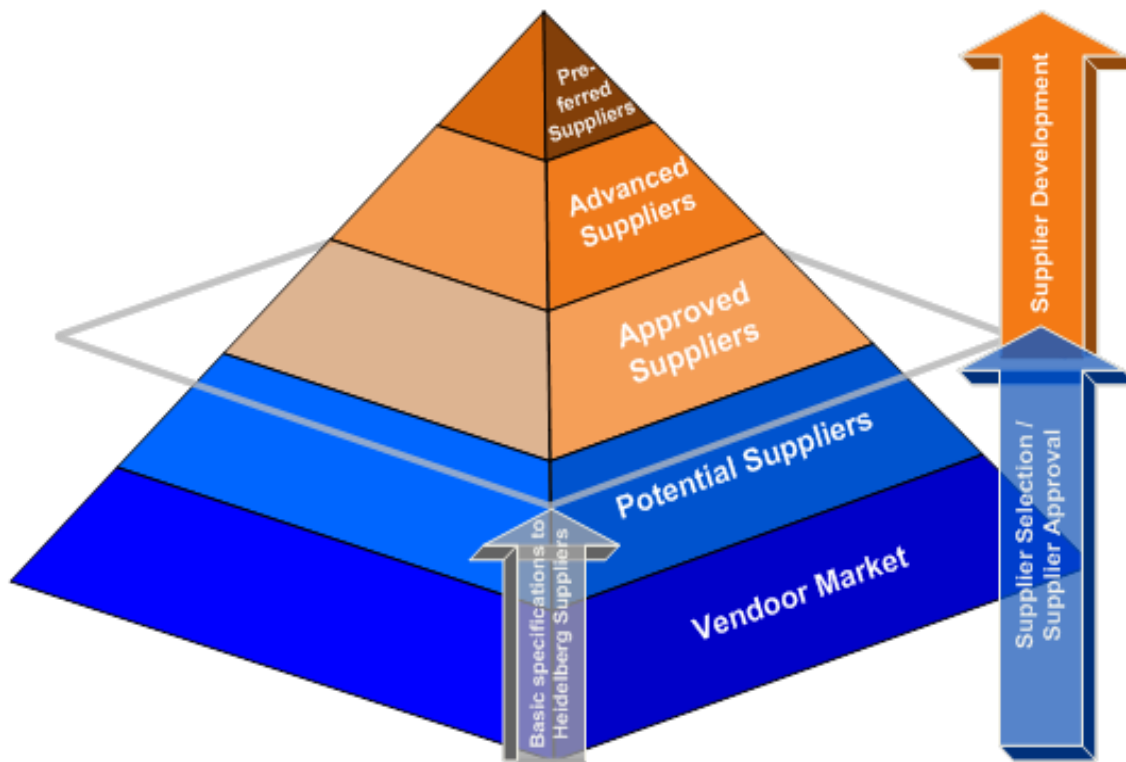


Fig. 2: Supplier development stages at Heidelberg

If the supplier meets the minimum requirements for approval, he is classified as Approved Supplier. If he continues to be rated positively in the following years, he may go on to become an Advanced Supplier before he can qualify as Preferred Supplier.

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2.1 Criteria and attributes of the PSC system

The PSC system focuses on the attributes listed below. These attributes are described in terms of current figures whenever possible. Attributes which cannot be captured and evaluated automatically are evaluated by a team of experts. The PSC attributes are:

- Continuous financial improvement
 - Price development
 - Cost reduction
 - Transparent pricing
- "Zero defects" policy
 - Product quality
 - Quality processes
- Supplier integration
 - Communication method
 - Quality of cooperation
- Synchronous production
 - Reliability of supply
 - Logistics performance
- Innovation
 - Development quality
 - Contribution of know-how
- Environment

2.2 The rating process

Suppliers are rated according to the results for each of the criteria described in 2.1. In order to become a Preferred Supplier / Advanced Supplier, the supplier must exceed a minimum percentage of the maximum number of points in each of the six areas.

2.3 Presentation of the result

The result of each supplier's rating is documented on the **Preferred Supplier Card (PSC; Fig. 3)**. The PSC shows the individual results in tables and in a graphic overview (network diagram), and the overall result in a table (absolute and relative values in %). A brief characterization of the supplier is added in a special field.

The results of the rating are presented annually to the supplier.

Appendix 20_INT

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Preferred Supplier Card (PSC)

Supplier	Name		
Supplier number			
commodity group			
Range of parts for HDM			
Quantity active part-no.			
Turnover FY 15	Supplier Classification		
Share of turnover	Supplier of Systems		Supplier of parts
Ranking turnover	A	B	C
	Supplier of assemblies		Production specialist

No.	Continuous financial improvement	FY14	FY15
1	Price development	8,0	8,0
2	Cost reduction	8,0	8,0
3	Transparency in pricing	7,5	8,5
	Total cont. financial improvement	8,0	8,0

No.	0-Defects	FY14	FY15
4	Product quality	9,0	8,0
5	Quality process	9,0	9,0
	Total 0-Defects	9,0	8,5

No.	Supplier integration	FY14	FY15
6	Communication	4,0	4,0
7	Quality of collaboration	8,5	8,5
	Total supplier integration	6,3	6,3

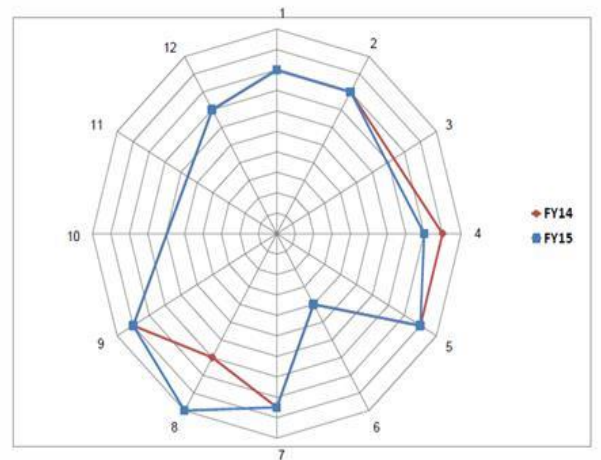
No.	Synchronous production	FY14	FY15
8	On-time delivery rate	7,0	10,0
9	Logistic performance	9,0	9,0
	Total synchronous production	8,0	9,5

No.	Innovation	FY14	FY15
10	Quality of engineering	8,0	8,5
11	Know-How contribution	8,0	8,5
	Total innovation	8,0	8,5

No.	Environmental aspects	FY14	FY15
12	Fulfills requirements	7,0	7,0

Summary	Points		%		Target value [%]	
	max	achieved	achieved	Pref	Adv	
Continuous financial improvement	10	8,0	80%	80%	60%	
0-Defects	10	8,5	85%	80%	60%	
Supplier integration	10	6,3	63%	75%	50%	
Synchronous production	10	9,5	95%	80%	50%	
Innovation	-	-	-	-	-	
Environmental aspects	10	7,0	70%	75%	50%	

Status: **ADVANCED**



Remarks

Name purchaser

Date

Fig. 3: Example of a Preferred Supplier Card

2.4. Placing orders with Preferred Suppliers

New products or projects are awarded to Preferred Suppliers whenever possible. In the case of demanding projects with innovative requirements, Preferred Suppliers are given the chance to become involved in product development early on in the process.