

SPM Transformation



Supplier Performance Management

December, 2019

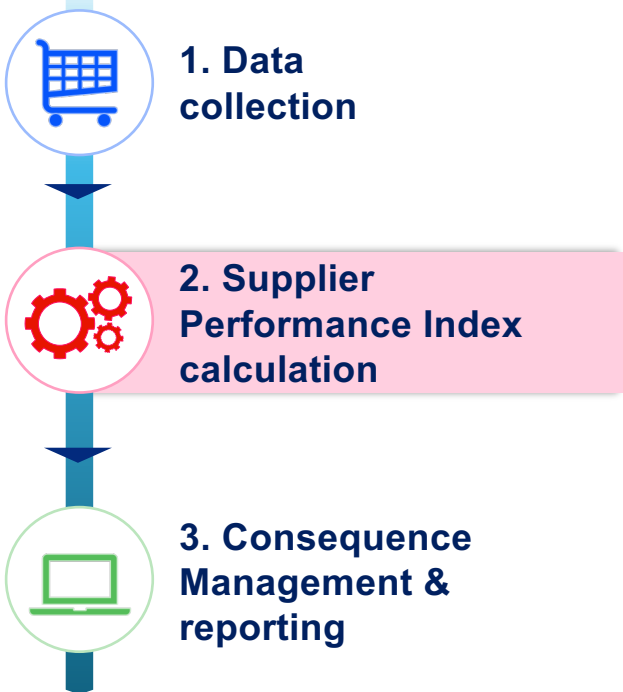


Supplier Performance Management (SPM)

To reduce risks while improving performance and rewarding excellences



Main process stages



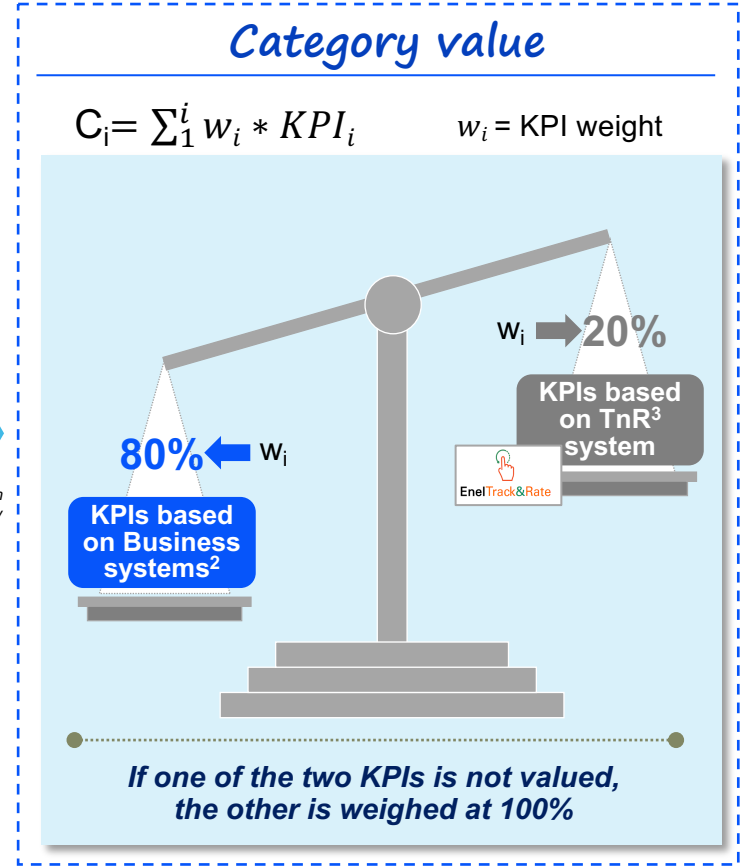
Supplier Performance Index (SPI)

$$SPI = \sum \text{Weight} * \text{Category}$$

Category	Weight
Quality	Distribution based on risk of MG ¹
Punctuality	
Safety	
Environment	
Human Rights & Correctness	Set by default
Innovability & Collaboration	Set by default

If one category is not valued, its weight is assigned proportionally among other categories

For each category

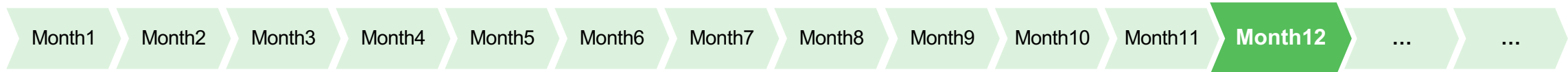


SPI is calculated on 6 Categories. Each category is calculated with KPIs based on Business Systems and TnR

1. Weight is distributed between 4 categories proportionally to associated risk; 2. Every IT systems that allows to gather systematically data on suppliers performance (e.g. Inspections on site); 3.Track and Rate (focus on slide 4)

Supplier Performance Management (SPM)

Consequence Management Framework



Frequency of evaluation: **monthly**

Type of evaluation

• **Short term**

• **Long term**

Scope of evaluation

• **Supplier performance by contract** – detailed evaluation

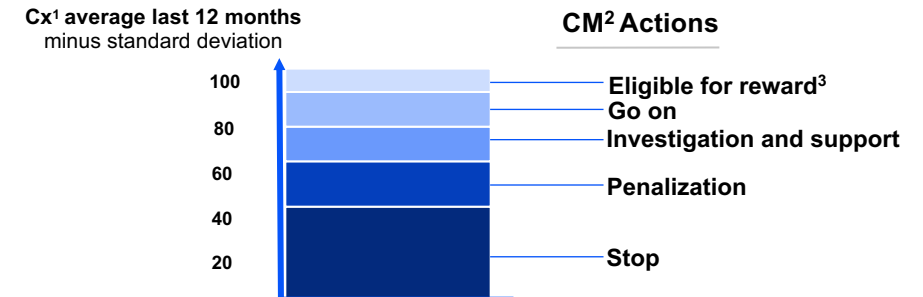
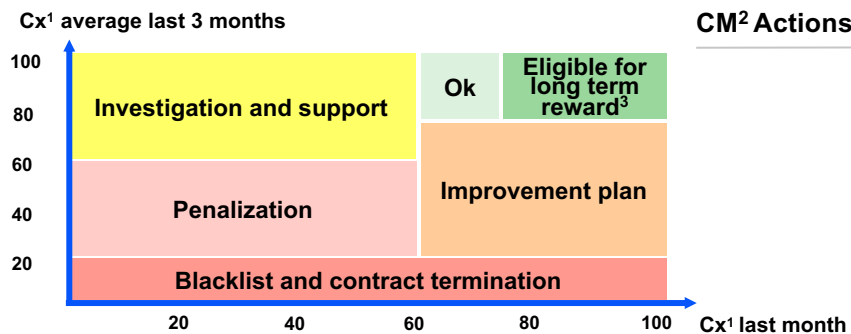
• **Supplier performance by Merchandize Group** – comprehensive evaluation of multiple contracts

Period of evaluation

• **Last month**
• **Average of last 3 months (rolling)**

• **Average of last 12 months (rolling) minus standard deviation**

Output

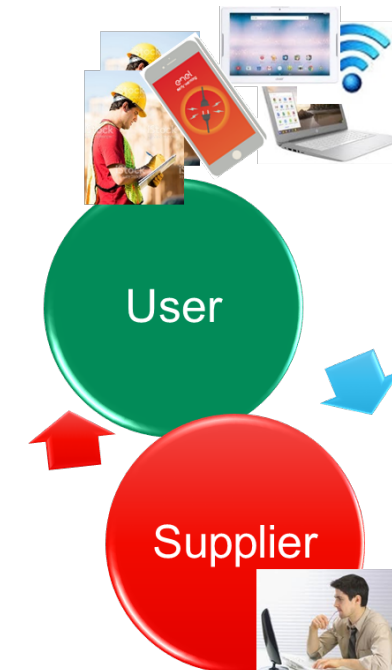


CM effects towards suppliers will start 3-6 months after SPM⁴ go-live. Actions towards suppliers will be automatic

Supplier Performance Management (SPM)

What is Track and Rate

- **Track and Rate** is an App that allows **users to report events** about supplier performance:
 - When identified a certain event, even in real-time and from any kind of device (Smartphone, Tablet, PC)
- **Information** collected is considered as data input for **the Supplier Performance Management**

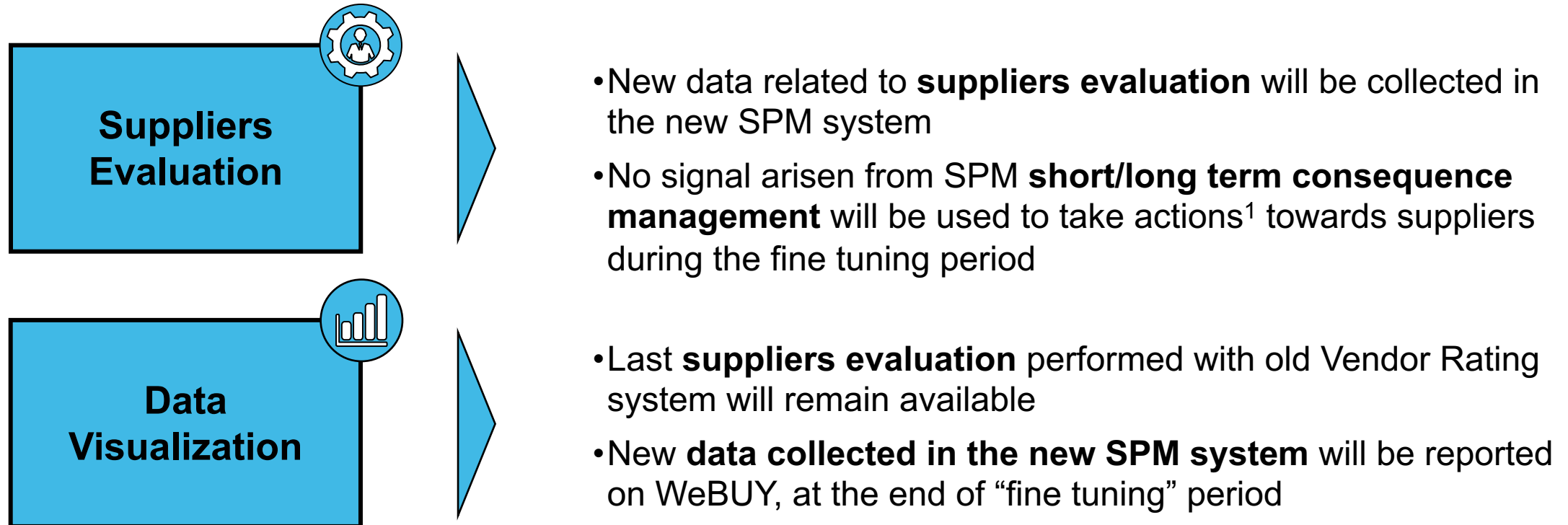


Supplier Performance Management (SPM)



“Fine tuning” period

Key information regarding “fine tuning” period (it will last at least 3 months)



When the fine tuning period ends and SPM starts suppliers will be duly informed

1. Anyhow actions will be taken in case of violations and unacceptable performances