

Continuous Quality Evaluation of All Suppliers

- Each external provider is qualified for each product or service it has supplied, regarding the binomial external provider/product or external provider/service, as applicable. For the binomial external provider/service, qualification is performed based on the external providers' performance in the year considered for evaluation purposes.
- A calculation formula is used for final evaluation:

$$\left(1 - \frac{\sum_{i=1}^n (\text{Score } i * i)}{\sum_{j=1}^n j}\right) * 100$$

i = supply with nonconformity detected

j = number of supplies

- Based on the results, external providers are classed as A, B, or C suppliers:

Type	Evaluation result	Description
A	90-100	Good
B	70-90	Reasonable
C	< 70	Non-approved

External providers without occurrences are scored as "A".

External providers without supplies maintain their prior evaluation result.

- The results of this continuous Quality evaluation are assessed during the annual evaluation.

Annual Evaluation of all external providers

At January, all main external providers are evaluated in the categories of Level of Service, Quality, Price and technical support/assistance.

Criteria for Evaluation in the Individual Categories

- **Level of service** – compliance with the requested delivery time and quantity defined in the order, or service accomplishment time defined in the request (scheduled interventions). This criterion is measured by the number and magnitude of late deliveries, and by the quantitative differences between order and supply;
- **Quality** – compliance of products and services with requirements and specifications implied in the order. This criterion is measured by the number of nonconformities detected in the products or services on reception and on production. It must be also considered any non-conformities detected in audit findings or related with authorizations/licenses from external providers.
- **Price** – compliance with the defined price. This criterion is measured by the difference between the price given in the order and the invoiced price.
- **Technical support / assistance** – compliance with the expected time for answering, expected level of knowledge, solutions presented for troubleshooting of issues related to the service/product requested.

Stemmatters will inform all the products and services external providers that did not comply with the "A" score.