



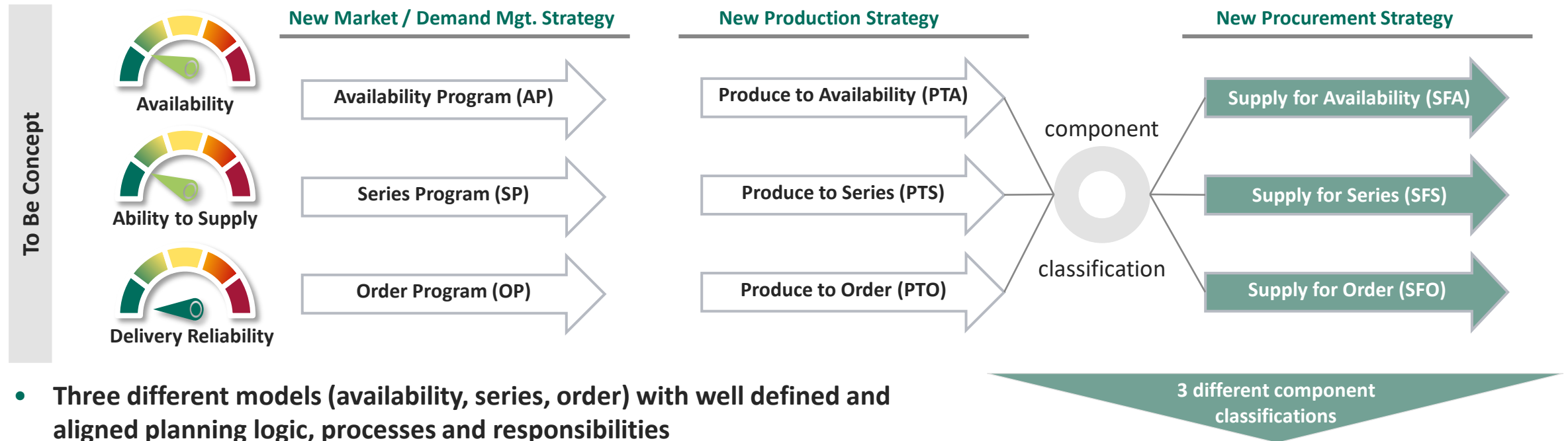
Schaeffler Purchasing Division Industrial: Introduction to Supply Chain Performance Program

Schweinfurt, May 2021

AGENDA

1	Overview of the S&OP Purchasing concept at Schaeffler Industrial
2	Activities required before the actual S&OP rollout
3	Outlook: Solution concepts coming with the S&OP rollout

In the Industrial Division we will align planning processes according to a consistent market and supply chain segmentation



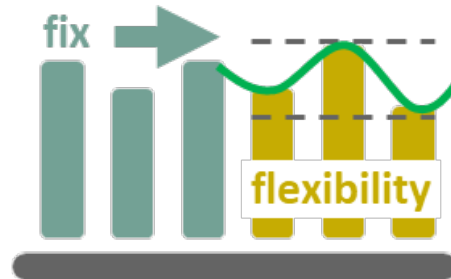
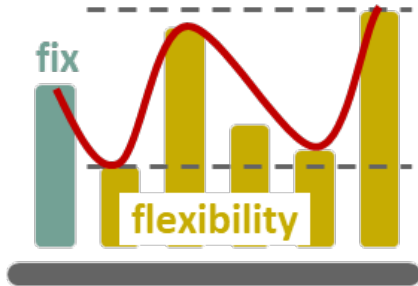
- **Three different models (availability, series, order) with well defined and aligned planning logic, processes and responsibilities**

- Availability Program: Replenishment Lead Time only limited by transportation time
- Series Program: High planning reliability for our customers
- Order Program: Valid replenishment lead times based on current production capacity

After BOM (bill of material) explosion:

- Classification of components into SFA, SFS or SFO (each with different supply requirements)
- Supply Agreements will be agreed with suppliers. Target: reliable component supplies

We want to step-up in supply chain performance: from fluctuating forecasts and long lead times to rolling demand plans, confirmed supplier capacity and competitive lead times



From...

- Erratic short-term adjustments
- Inefficient communication
- Lack of supply chain transparency

...to

- **18-month rolling component forecast for suppliers**
- **Product specific frozen horizons & narrowed volume corridors**
- **Intensified digital supplier integration**

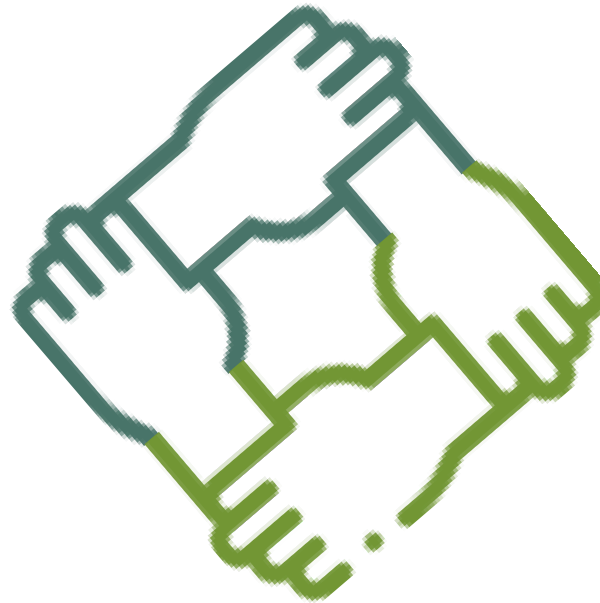
Key aspects of supplier alignment & integration:

1. **Aligned planning processes according to a consistent market & supply chain segmentation**
2. **Formalized supply agreement with all suppliers and deliveries according to the rules defined (important: “stick to the rules defined”)**
3. **Technical supplier integration via SupplyOn (Web/EDI, ASN, GTL, Performance Monitor)**
4. **Centrally coordinated & supported rollout ... with resources in the regions & plants**

A key element of our supply chain performance program is the Industrial Sales & Operations Planning (S&OP) project which requires intensified supplier integration

Schaeffler Industrial S&OP key targets

- 1. Availability program:
Availability = 95%
- 2. Series program:
Ability to supply = 98%
- 3. Order program:
Delivery reliability = 95%



Intensified supplier alignment & integration

- 1. Provide up-to-date component delivery lead times
- 2. Formalized supply agreement (incl. process integration requirements)
- 3. Technical supplier integration via SupplyOn (EDI, ASN, GTL, Permo)
- 4. Support the creation of packaging data sheets

“ S&OP targets and intensified supplier alignment go hand in hand”

AGENDA

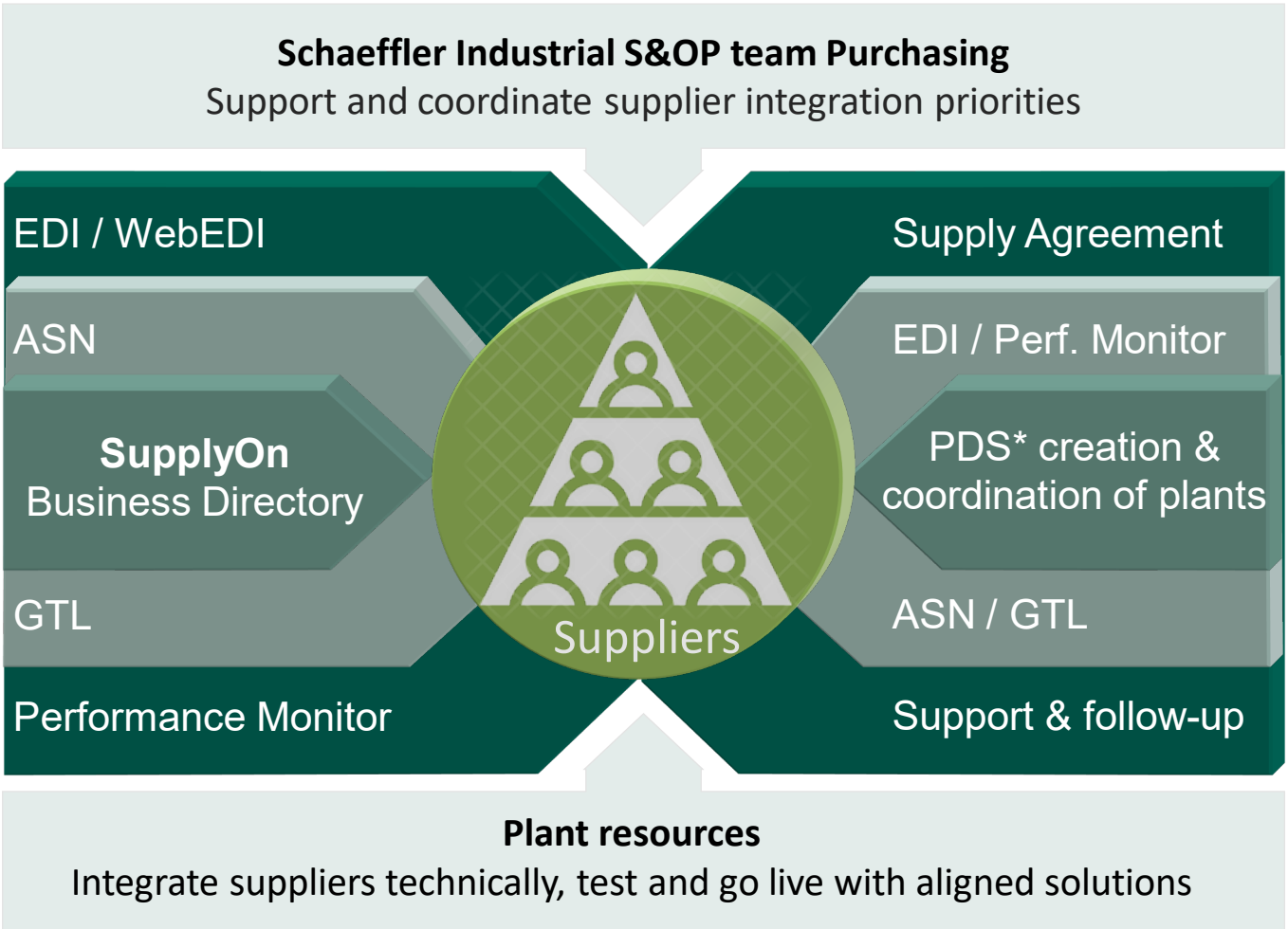
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Supplier integration and mass creation of packaging data sheets will be critical for Schaeffler Industrial and the suppliers to be ready for the S&OP rollout in Production



Trainings for suppliers:

- Media library (tutorials)
- Customized trainings
- Online help



Schaeffler Corporate rollout team



- Centrally coordinated & supported process
- Coordinated support, tools & trainings (e.g. supplier info page, SupplyOn trainings, controlling)
- Coordination for the timely creation of packaging data sheets (PDS)

*) (Web)EDI = electronic data interchange; ASN = advanced shipping note; GTL = global transport label; PDS = packaging data sheets

Additionally, the new Supply Agreement will help to get key supplier requirements aligned and suppliers ready for S&OP before the actual rollout in Production takes place

EDI / WebEDI

Electronic Data Interchange (EDI or WebEDI), the future standard of data exchange

Performance monitor

Always up-to-date performance-figures

ASN (advanced shipping note)

Advanced Shipping Notification (ASN) for the better management of supply-chains

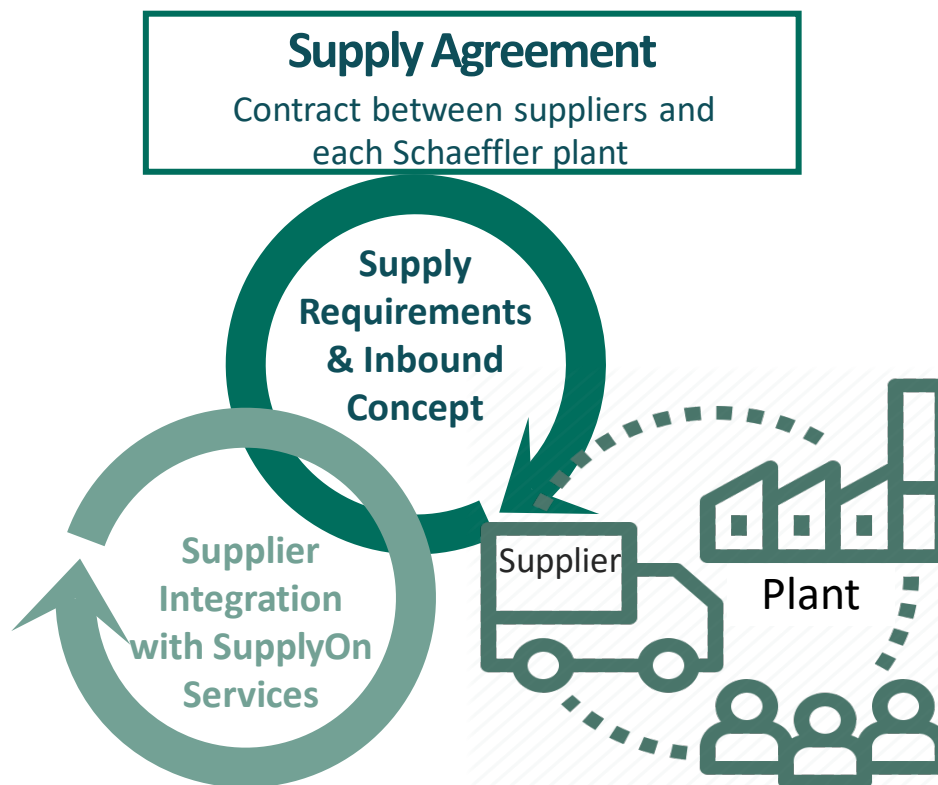
GTL (global transport label)

Global Transport Label (GTL), the tag for efficient handling of inbound

Prerequisite for GTL

Packaging data sheet

Aligned packaging data sheets, exchanged via SupplyOn → the basis for GTL functions



Prerequisites for suppliers:

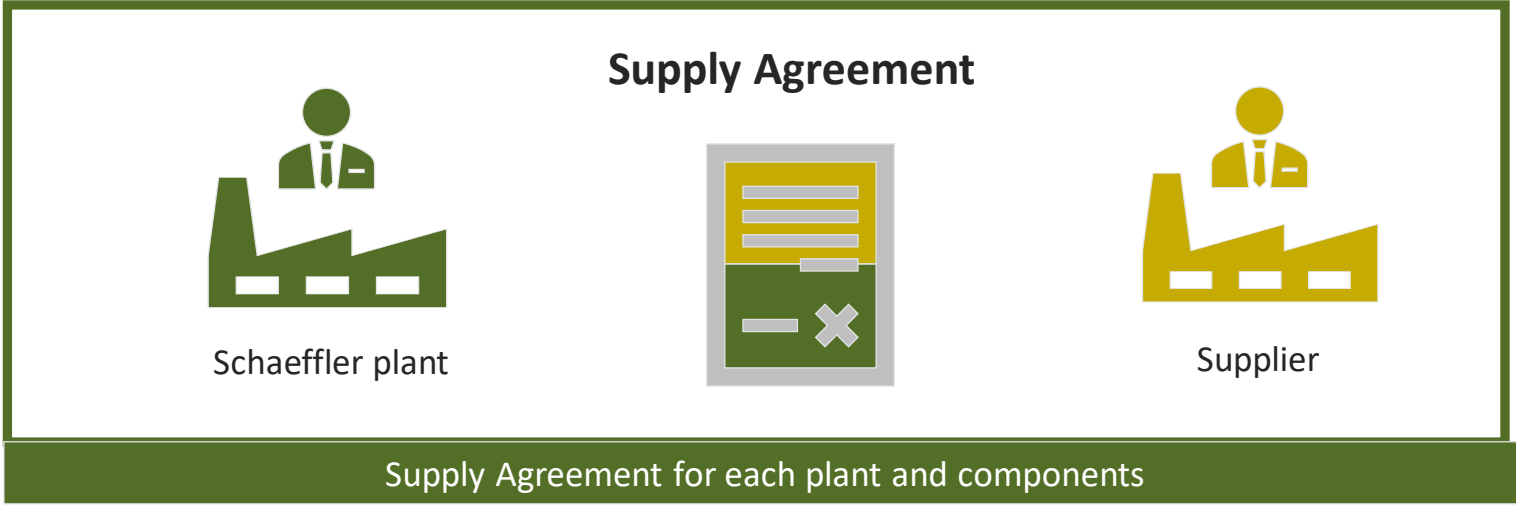
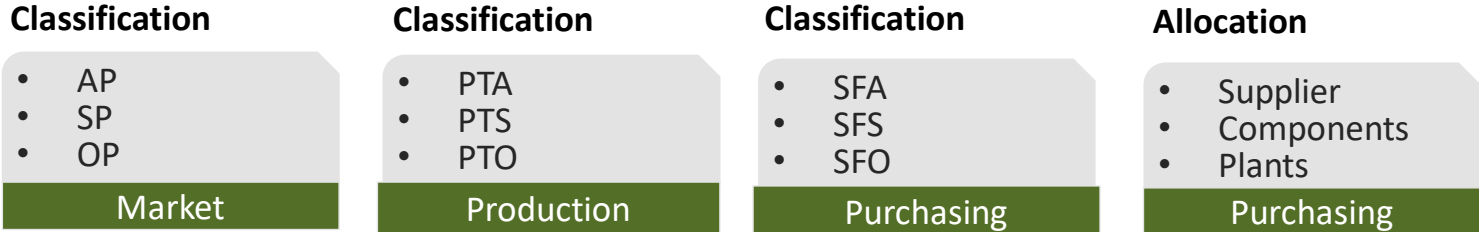
- Intensified digital integration and usage of key SupplyOn services
- Implementation of supply models (where needed) to match lead time requirements
- Deliveries according to supply model / supply agreement
- Understand and “stick to the rules” defined in the SA*



Suppliers for plant ready for S&OP rollout in Production

*) SA = Supply Agreement

The Supply Agreement is a new contract between suppliers and each Schaeffler plant: Overview



Lead time check



The Supply Agreement – Key benefits for our suppliers

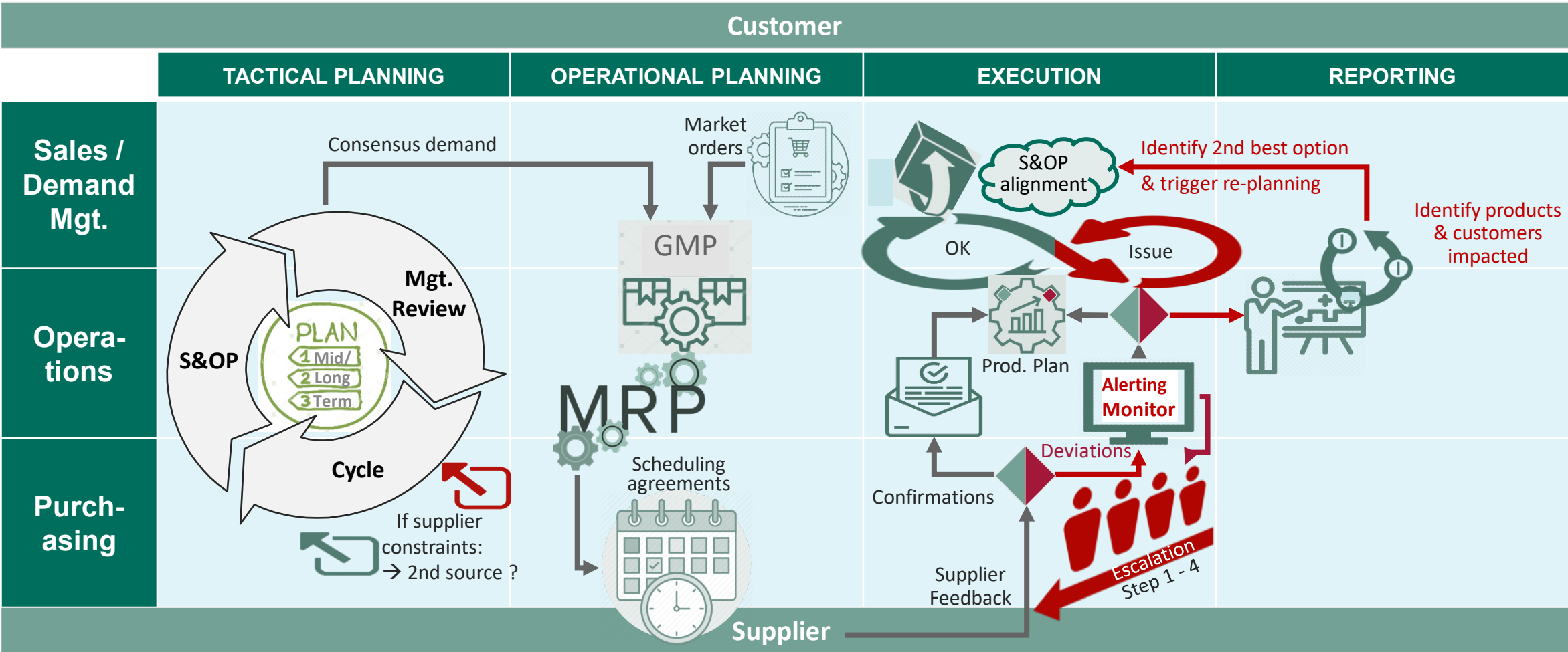
- (1) Implementation of highly efficient standards and processes
- (2) Proactive adjustments of capacities based on 18 month-forecasts
- (3) Mutually agreed stable production plans without changes
- (4) Lot size optimization due to reliable component classifications (SFA/SFS/SFO)
- (5) Aligned lead times for short-term orders
- (6) Purchase commitments according to agreed horizons
- (7) Capture growing business



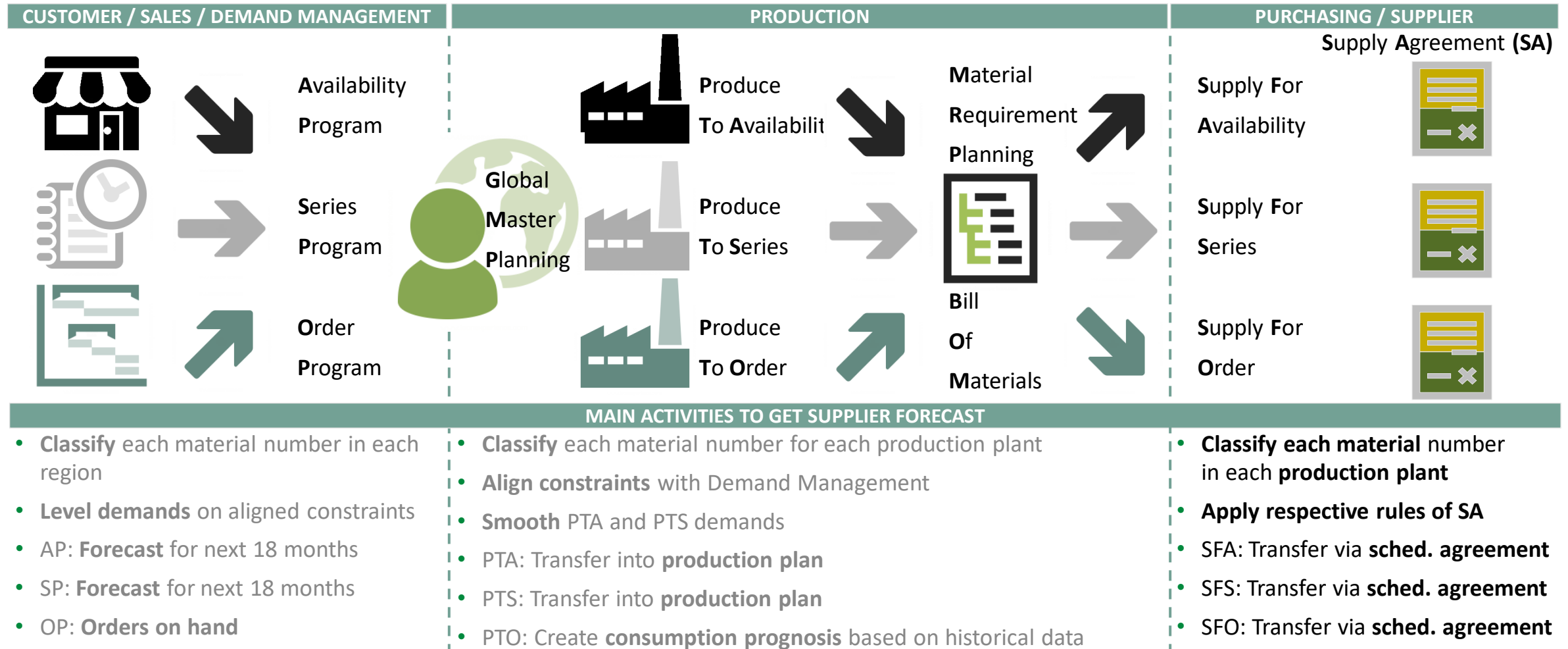
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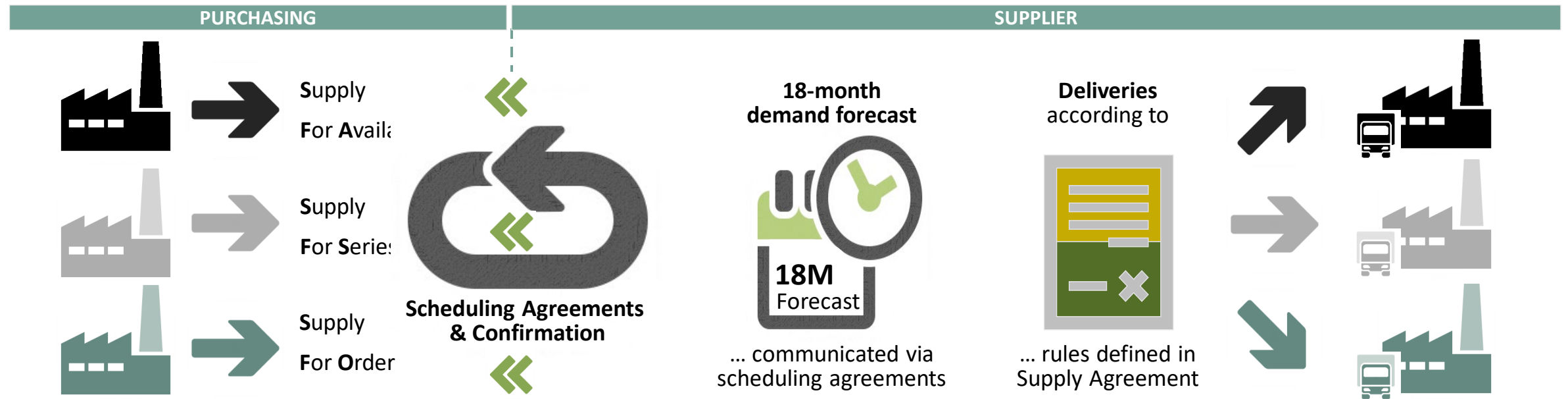
S&OP To Be concept Schaeffler Industrial: How we will plan our demands for the Supply Chain and aim to align capacities with our suppliers



Classification of supplier demand is based on an end-to-end Supply Chain segmentation (coming from market demands)



Supply planning and communication of our forecasted demands to our suppliers



MAIN ACTIVITIES TO GET SUPPLIER FORECAST AND FIX SUPPLY PLANNING

- **Classify** each material number in each production plant
- SFA demand: Transfer via **sched. agreement**
- SFS demand: Transfer via **sched. agreement**
- SFO demand: Transfer via **sched. agreement**
- **Purchase orders** only used for exceptions
- **Get forecast** updates for next 18 months (incl. transportation time)
- Transfer **confirmation** for Schedule Agreement lines via Supply On
- Transfer **advanced shipping note** via Supply On
- Know the demand characteristics (SFA, SFS, SFO) and **design** your supply chain **accordingly**
- Be proactive and keep **confirmations up to date** in case of any changes
- **Be a reliable partner for Schaeffler**

Process for up-to-date component delivery lead times – important for the delivery reliability to our customers and customer order confirmation

Data Provided by Schaeffler								
Typenspektrum								
Supplier No.	Material number	Material description	Supplier material number	Country supplier location	Plant	Plant name	Recipient country	Incoterm
...								FCA

Updates Required by Supplier		
1	2	3
Lead time for raw material	Production throughput time	Transit time supplier to incoterm destination
Supplier		
60	25	5

- Schaeffler will provide a standardized Excel template that is to be used for all updates to the component delivery lead times (initial and recurring updates)
- The template is pre-filled with relevant data from Schaeffler
- We will add the Schaeffler transit time to determine the total replenishment lead time for unplanned orders and will upload the total value to our SAP system automatically

- Add only the data highlighted in red above (split between raw material / production / transit time)
- Enter times in calendar days (numbers only - no letters, comments, text, etc.!)
- Return the file to our email-address: wbz_abfrage@schaeffler.com

Compare total replenishment lead time (for unplanned orders) with required delivery times (for SFA/SFS/SFO) in the Supply Agreement

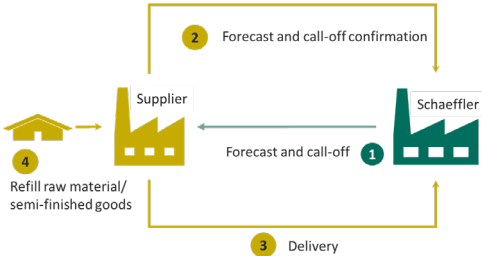
“Deliveries according to ... rules defined in Supply Agreement”



Required delivery times (DT) for volumes in our forecast:
 Supply For Availability: Max. 5 months
 Supply For Series: Max. 3 months
 Supply For Order: Max. 3 months



Use supply model to realize DT if not required for forecasted demand



Any questions?



If you have any questions, please email us at:

SupplyChainPerformancePurchasingQ&A@Schaeffler.com

We will collect your questions and publish the answers regularly on our website for [Purchasing and Supplier Management](#)