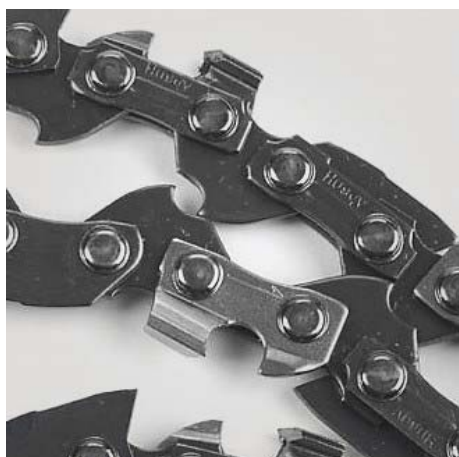
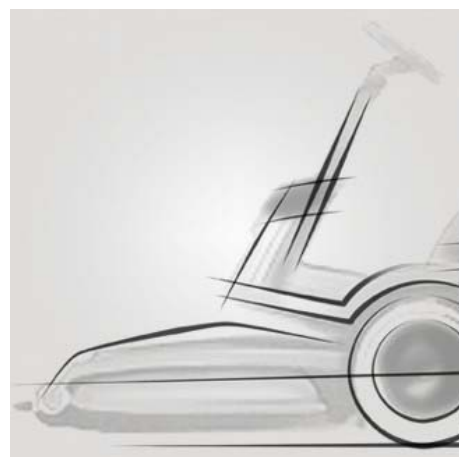


SUPPLIER CLASSIFICATION

Supplier Manual



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1. Purpose

Husqvarna Group will take the next step in its supplier classification process by introducing a supplier performance scorecard for our key suppliers.

The Supplier Classification Process at Husqvarna Group aims to provide you with accurate and detailed data of Your company's performance, and hence give input to Your company's development as well as strengthen the collaboration between our companies. The Supplier Performance Scorecard is provided to You on a quarterly basis in order to keep an open and transparent information exchange.

2. Rating Methodology



The Performance Scorecard contains parameters for Quality, Risk and Supply Performance. The result is used for rating the overall performance of suppliers to Husqvarna Group. All ratings and performance measurements are translated into a five-grade scale, where 5 = "Excellent" and 1 = "Not Performing". If a value or rating is missing, the average score 3 is given.

Here is a brief explanation of the rating parameters:

Quality

- **Return Rate (PPM)** - defined as $\frac{\text{Returned Quantity}}{\text{Received Quantity}} \times 1,000,000$ over a 6 months' period. A more detailed definition of the KPI "Return Rate" can be found at our web page: <http://corporate.husqvarna.com/purchase/en/definition-kpi-return-rate>. The values are retrieved from each factory.
- **Quality Rating** - reflects the overall picture of quality-related performance and is performed by Your SQA Responsible at Husqvarna Group. The rating is given on a global supplier level covering all deliveries from all Supplier Sites to Husqvarna Group.

The total quality rating = 50%* Quality Rating + 50%* Return Rate

Risk

- **Agreement** - indicates if a general supply agreement is in place. Captured on Supplier Site level, i.e. per Your delivering sites. 25% of Risk total score.
- **Supplier Failure Risk** - a weighted indication based on credit and legal information from Dun & Bradstreet. Captured on Supplier Site level, i.e. per Your delivering sites. 50% of Risk total score.
- **RoHS Compliance** - reflects the communicated RoHS¹ related facts and processes at Your company. Captured on Supplier Site level, i.e. per Your delivering sites. 25% of Risk total score.

Supply Performance - rated by the Husqvarna factories that interact with You and evaluated based on actual performance and service level in the daily business.

- **ECO Management, Service and Support** - The service level and support provided by Your company to our factories when issues arise, including inventory and engineering change order management. 10% of total supply score.
- **Lead Time** - The Lead Time from when Husqvarna places an order until delivery at the reporting Husqvarna factory. Includes transportation time, as this impacts our flexibility and inventory levels. 25% of total supply score.
- **Logistics Requirement Fulfillment** - This measures how many days of inventory each delivery from you will create for the factory, based around minimum order quantity or multiple order quantity. Reported by each factory buying Your products. 15% of total supply score.
- **OTIF vs. Confirmed/Request** - This KPI measures On Time In Full delivery performance versus either Requested Date, Confirmed Date, or both. It is reported by each factory buying Your products, and aims to ensure we have reliable delivery of parts to meet our production schedule. 25% of total supply score each.

The total Supply score is calculated in the following way:

Total Supply Score = 25%* OTIF Confirmed +25% OTIF Requested +25% Lead Time + 15%* Logistics Requirements Fulfillment + 10% ECO Management, Service and Support

If You have any questions about the scorecard, please contact Your Husqvarna Commodity Contact. You can find such information on the last page of Your performance scorecard document.

¹ RoHS - The Restriction of Hazardous Substances Directive 2002/95/EC, RoHS, short for Directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment, adopted in February 2003 by the European Union

Performance Index

The performance index summarizes all the KPIs in the supplier performance scorecard.

It is calculated in the following way:

$$\text{Performance Index} = 30\% \times \text{Risk} + 70\% \times \text{Supply Performance}$$

$$\text{Supply Performance} = 50\% \times \text{Quality} + 50\% \times \text{Supply}$$

$$\text{Quality} = 50\% \times \text{Quality Rating} + 50\% \times \text{Return Rate}$$

$$\text{Risk} = 50\% \times \text{Supplier Failure Risk} + 25\% \times \text{Agreement} + 25\% \times \text{RoHS Compliance}$$

$$\text{Supply} = 25\% \times \text{OTIF Confirmed} + 25\% \times \text{OTIF Requested} + 25\% \times \text{Lead Time} + 15\% \times \text{Logistics Requirements Fulfillment} + 10\% \times \text{ECO Management, Service and Support}$$

Supplier Performance Scorecard

Commodity Resp.: Multiple choice

SQA Resp.: Multiple choice

Supplier ID: G000

Period: Q2, 2016

G000				Current Value	Q2, 2016 Score	Q1, 2016 Score	Q4, 2015 Score	Q3, 2015 Score
KPI	Husqvarna Supplier Site ID	Local Supplier ID	Factory					
Performance Score					3.1	3.5	3.5	3.3
Quality	Audit			APPROVED	5			
				NO AUDIT	3			
	Return Rate (PPM)			2025	1	1	1	2
				0	5	1	1	1
Risk	Quality Rating			2102	1	2	3	3
					3	4	4	4
	Agreement				3	3	3	3
					3	3	3	3
Supply	Supplier Failure Risk				5	5	5	5
				Green	5	5	5	5
	RoHS Compliance			Grey	4	4	4	4
					5	5	5	2
Supply	ECO Mgmt, Service and Support			A	5	5	5	3
				A	5	5	5	1
	HA - Huskvarna Assembly				3	4	4	4
					3	3	3	3



3. How to read the performance scorecard - Guide

Supplier Performance Scorecard

Global supplier level covering all deliveries from all Supplier Sites to Husqvarna Group

Scores

SupplierID - Supplier Name		Current Value		Q4, 2013 Score	Q3, 2013 Score	Q2, 2013 Score
KPI	Husqvarna Supplier Site ID	Local Supplier ID	Factory			
Quality	Return Rate (PPM)			16	5	
	Supplier Site ID - Supplier Site Name			0	5	
	Supplier Site ID - Supplier Site Name			103	5	
	Supplier Site ID - Supplier Site Name			11	5	
	Supplier Site ID - Supplier Site Name				3	
Quality	Quality Rating			0	5	
	Supplier Site ID - Supplier Site Name			4	4	
	Supplier Site ID - Supplier Site Name				4	
	Supplier Site ID - Supplier Site Name				4	
	Supplier Site ID - Supplier Site Name				4	
Agreement	Agreement				4	
	Supplier Site ID - Supplier Site Name				3	
	Supplier Site ID - Supplier Site Name				3	
	Supplier Site ID - Supplier Site Name				3	
	Supplier Site ID - Supplier Site Name				3	
Supplier Failure Risk	Supplier Failure Risk				3	
	Supplier Site ID - Supplier Site Name				4	
	Supplier Site ID - Supplier Site Name			Yellow	3	
	Supplier Site ID - Supplier Site Name			Green	5	
	Supplier Site ID - Supplier Site Name					
RoHS Compliance	RoHS Compliance					
	Supplier Site ID - Supplier Site Name					
	Supplier Site ID - Supplier Site Name					
	Supplier Site ID - Supplier Site Name					
	Supplier Site ID - Supplier Site Name					

$$\frac{\text{Returned Quantity}}{\text{Received Quantity}} \times 1,000,000$$

- over a 6 months' period
- retrieved from each factory

- reflects the overall picture of quality-related performance
- performed by Your SQA Responsible at Husqvarna Group (can be found on the last page of your performance scorecard)
- given on a global supplier level covering all deliveries from all Supplier Sites to Husqvarna Group

Blank, if not applicable.

We have added color formatting to the first two columns of the report that correspond the score

5 4 3
2 1

Supplier Performance Scorecard

- indicates if a general supply agreement is in place
- captured on Supplier Site level, i.e. per Your delivering sites
- YES = 5 ; NO = 1

- reflects the reliability of communicated RoHS facts and processes at Your company
- captured on Supplier Site level, i.e. per Your delivering sites

- a weighted indication based on credit and legal information from Dun & Bradstreet
- captured on Supplier Site level, i.e. per Your delivering sites
- "Green" = 5 ; "Yellow" = 3 ; "Red" = 1

- Type A = 5: Supplier has very good understanding of RoHS, comprehensive and effective systems in place to ensure RoHS compliance and carries out selective analysis of high risk components/materials
- Type B = 3: Supplier has good understanding of RoHS and has a system for ensuring RoHS compliance but may be lacking in some respect, e.g. does not analyze high risk components/materials
- Type C = 1: Supplier does not have system to ensure compliance and does not check incoming components / materials or declarations

SupplierID - Supplier Name					Current Value	Q4, 2013 Score
KPI	Husqvarna Supplier Site ID	Local Supplier ID	Factory			
Quality	Return Rate (PPM)				16	5
		Supplier Site ID - Supplier Site Name			0	5
		Supplier Site ID - Supplier Site Name			103	5
		Supplier Site ID - Supplier Site Name			11	5
		Supplier Site ID - Supplier Site Name				3
		Supplier Site ID - Supplier Site Name			0	5
	Quality Rating				4	4
		Supplier Site ID - Supplier Site Name				4
		Supplier Site ID - Supplier Site Name				4
		Supplier Site ID - Supplier Site Name				4
		Supplier Site ID - Supplier Site Name				4
Risk	Agreement					3
		Supplier Site ID - Supplier Site Name				3
		Supplier Site ID - Supplier Site Name				3
		Supplier Site ID - Supplier Site Name				3
		Supplier Site ID - Supplier Site Name				3
	Supplier Failure Risk					4
		Supplier Site ID - Supplier Site Name				3
		Supplier Site ID - Supplier Site Name				5
		Supplier Site ID - Supplier Site Name				5
		Supplier Site ID - Supplier Site Name				3
	RoHS Compliance					3
		Supplier Site ID - Supplier Site Name				3
		Supplier Site ID - Supplier Site Name				3

Yellow	3
Green	5
Green	5
Green	5
Yellow	3

Supplier Performance Scorecard

- the service level and support provided by Your company to our factories when issues arise

- including inventory and engineering change order management

- the Lead Time from when Husqvarna places an order until delivery at the reporting Husqvarna factory

- includes transportation time as this impacts our flexibility and inventory levels

- measures On Time In Full delivery performance versus either Requested Date, Confirmed Date, or both
- reported by each factory buying Your products
- aims to ensure we have reliable delivery of parts to meet our production schedule

- measures how many days of inventory each delivery from you will create for the factory, based around minimum order quantity or multiple order quantity
- Reported by each factory buying Your products.

- If a value or rating is missing, the average score 3 is given per default. Such scores are marked in *italic* format.

					Current Value	Q4, 2013 Score
Supply Performance	KPI	Husqvarna Supplier Site ID	Local Supplier ID	Factory		
	ECO Mgmt, Service and Support	Supplier Site ID - Supplier Site Name	Local Supplier ID - Local Supplier Name	Husqvarna Factory Code	4	3
				Husqvarna Factory Code		4
				Husqvarna Factory Code		3
Lead Time		Supplier Site ID - Supplier Name		Husqvarna Factory Code	4	3
				Husqvarna Factory Code		4
				Husqvarna Factory Code		4
				Husqvarna Factory Code		3
Logistics Requirement Fulfillment		Supplier Site ID - Supplier Name		Husqvarna Factory Code	3	3
				Husqvarna Factory Code		3
				Husqvarna Factory Code		3
				Husqvarna Factory Code		3
OTIF vs Confirmed		Supplier Site ID - Supplier Site Name	Local Supplier ID - Local Supplier Name	Husqvarna Factory Code	4	3
			Local Supplier ID - Local Supplier Name	Husqvarna Factory Code		4
			Local Supplier ID - Local Supplier Name	Husqvarna Factory Code		4
			Local Supplier ID - Local Supplier Name	Husqvarna Factory Code		3
OTIF vs Request		Supplier Site ID - Supplier Site Name	Local Supplier ID - Local Supplier Name	Husqvarna Factory Code	4	3
			Local Supplier ID - Local Supplier Name	Husqvarna Factory Code		4
			Local Supplier ID - Local Supplier Name	Husqvarna Factory Code		4
			Local Supplier ID - Local Supplier Name	Husqvarna Factory Code		4

3

Supplier Performance Scorecard

Information		Contacts		KPI Category	Sources	
	Q2, 2016	Commodity Contact	SQA Contact		KPI	Source
Hqv Supplier ID:				QUALITY		
Hqv Supplier Site ID:					Return Rate (PPM)	
					Return Rate (PPM)	
Local Supplier ID:				RISK		
					Agreement	Supplier Master
Hqv Supplier Site ID:					Supplier Failure Risk	Supplier Master
					RoHS Compliance	Chemical Database
Local Supplier ID:				SUPPLY		
					ECO Mgmt, Service and Support	Local Factory Responsible
					Leadtime	Local Factory Responsible
					Logistics Requirement Fulfillment	Local Factory Responsible
					OTIF vs Confirmed	Local Factory Responsible
					OTIF vs Request	Local Factory Responsible

- Commodity Contact = Primary contact for supplier classification related matters
- SQA Contact = Contact for quality related matters

- indication for where the data for a specific criteria comes from