



Donaldson Company, Inc.

## Donaldson Buys Value



### Donaldson Supply Management Program

Donaldson Company is one of the largest and most successful filtration manufacturers in the world. Since 1915 our innovative technologies have been solving complex filtration challenges to improve people's lives, enhance equipment performance and protect our environment. As you may know our track record of success and growth is unprecedented. Much of this success is a result of aligning our stakeholders to our strategic initiatives. As a supplier and stakeholder your alignment and execution is critical in continuing our mutual progress.

The Donaldson Buys Value (DBV) program is our method to ensure we are working together to meet customer expectations. DBV is focused on establishing quality, service, cost, and continuous improvement metrics which align our valued supply partners with Donaldson's strategies and actions to meet customer expectations. Performance and execution from our supply base is a critical success factor and establishing processes and programs in your organization to achieve DBV targets is imperative to our mutual success.

In the spirit of continuous improvement, DBV is not a static program and evolves every year. In the following pages, you will learn more about the changes, areas of focus, and metrics for measuring success.

We would like to thank you for being an active member in our Donaldson Buys Value community! Donaldson appreciates the focus our suppliers place on solid performance. We look forward to a great Fiscal Year and beyond as we embark on a path of mutual success and growth with your company.

Sincerely,

A handwritten signature in black ink, appearing to read 'Izzet Moreno'.

**Izzet Moreno**  
Director of Global Procurement

# Donaldson Buys Value (DBV) Program

## Introduction

Donaldson Buys Value (DBV) is a supply management program based on the premise that value is defined as a combination of quality, service and cost. Donaldson works with a limited supply base to achieve the best value possible.

*Note: The information in this book can also be found on the Donaldson Company website at [www.Donaldson.com](http://www.Donaldson.com). Scroll to the Suppliers hyperlink at the bottom of the homepage. Most users will default to the correct region and language based on their internet service provider. However, preferences for region and language can be changed through the links on the top banner.*

## Objective:

The objective of the Donaldson Buys Value (DBV) program is to assist Donaldson in exceeding its customers' expectations. Donaldson expects to accomplish this by maximizing the value of purchased products, services, and processes, and by identifying and working with suppliers who consistently and reliably perform at or above Donaldson's expectations. These expectations are:

- 50 DPPM or less (Donaldson Procurement may communicate during RFQ stage different DPPM requirements depending on specific applications and/or customer programs.)
- 100% on-time delivery
- 100% attainment of identified cost support goals and continuous improvement objectives
- Long-term customer/supplier partnership

## Partnerships

The Donaldson Buys Value program requires the commitment of both parties. This commitment is an investment in the ability and willingness of both parties to grow with the business. Donaldson's requirements are explained in this document and in the Supplier Quality Manual (DSQM). The Donaldson Supplier Quality Manual can also be found on the Donaldson website: <https://www.donaldson.com/en-us/about-us/suppliers>.

To support this partnership, each Strategic supplier will identify a DBV Champion. The DBV Champion is responsible for completing any required training, communicating DBV Performance within the supplier's organization, and serving as Donaldson's primary contact for DBV communications.

## Supplier Categories

Suppliers are categorized into one of two groups: Strategic or Approved.

**Strategic** suppliers are those who meet or exceed our performance criteria and have a high unit volume, high spend level, and/or provide a critical product, service, or process to Donaldson Company at a global level. Based on these criteria, Donaldson representatives from plant and corporate procurement will work together to review the supply base and select Strategic suppliers.

A **High Performing** Strategic supplier is a long-term partner to Donaldson that will receive recognition and preferential consideration in product sourcing. Donaldson will also work with its partners to achieve mutual goals and, where feasible, make training and other resources available to assist with ongoing development.

**Approved** suppliers are those remaining suppliers to Donaldson's manufacturing facilities who have the potential to become Strategic. Suppliers that consistently meet expectations and increase **value** will be considered for promotion to Strategic status.

## Supplier Performance

A **high performing supplier** meets the following criteria:

- The supplier must be identified as Strategic.
- The supplier must achieve a score in the top 10% of all Donaldson suppliers.

Strategic Suppliers with a score of 1200 points or less may be required to complete an Action Plan highlighting their plans to improve Quality, Delivery and Cost Support in the next fiscal year as part of Donaldson's Supplier Development process. Supporting information for your Action Plan may consist of an 8D, 5-Why analysis or other documents, as requested.

If an Action Plan is required, your Corporate Category Manager will initiate the request through the DBV Champion. Action Plans shall be approved by senior management at the supplier, and then submitted by the DBV Champion. Category Managers will facilitate acceptance of the Action Plan by Corporate Procurement, Corporate Supplier Quality, and Donaldson production plants / distribution centers. Corporate Category Managers will also monitor progress against the Action Plan.

It is possible to be a high performing supplier and still be requested to provide an Action Plan for improvement in one or more specific area, such as Quality or Delivery.

Progress against the Action Plan will be reviewed regularly for a minimum of one year. If the supplier does not make sufficient progress against the Action Plan within the year, the Donaldson Team may decide to demote the supplier from their current Strategic status.

## Supplier Development

At the start of each Donaldson fiscal year, a team comprised of Corporate Procurement and Corporate Supplier Quality, with support from the Donaldson plants / distribution centers, will review the past performance of all suppliers to determine which suppliers should participate in the Supplier Development program for the new fiscal year to drive improved performance. Suppliers who were in the Supplier Development program for the previous fiscal year will be reviewed to determine whether the supplier has made sufficient progress to leave the Supplier Development program or if additional actions are required. Supplier meetings will be held at intervals determined by the Donaldson team to support the Supplier Development process.

## How We Measure Success

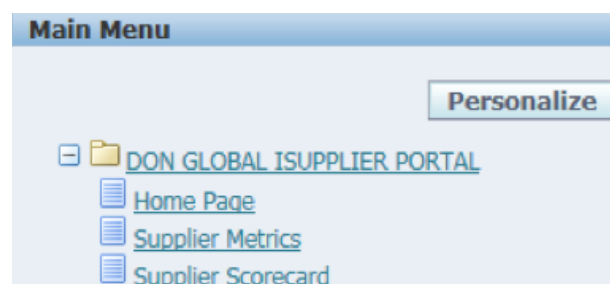
The Donaldson Buys Value scorecard has a total of 2000 available points. There are 800 points assigned to Quality, 700 points assigned to Service, and 500 points assigned to Cost Support / Continuous Improvement. Suppliers also have opportunity to earn Bonus Points based on Lead Time, though the total number of points cannot exceed 2000 points.

Each supplier will receive a single, combined scorecard for all Donaldson plants / distribution centers worldwide. Each supplier can view their own scorecard by logging into their iSupplier account and choosing the Supplier Scorecard option from the Main Menu as shown below. Scorecards can be retrieved at any time during the course of the month. Suppliers do not need to wait until the end of the month to view their scorecards.

Suppliers are encouraged to use the Supplier Metrics option in conjunction with the Supplier Scorecard for a better understanding of their scores. Suppliers can use the Supplier Metrics report to drill down and view performance details for Quality, Delivery, and Lead Time based on month, Donaldson plant, or Supplier Site. Suppliers can also drill down to see specific PO Line details and/or Non Conformance Report details.

Additional instructions for these iSupplier tools can be found on the DBV extranet site: <https://donaldson.sharepoint.com/sites/SupplierDocumentation-Extranet/>

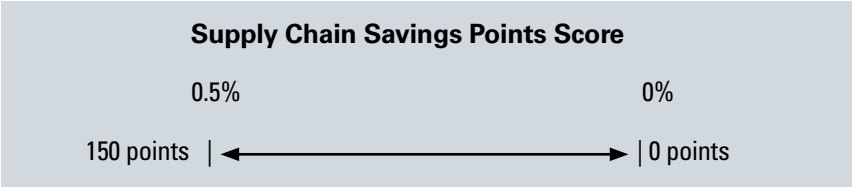
Scorecard Categories	Maximum
Quality	800
Service	700
Cost / Continuous Improvement	500
<b>Subtotal</b>	<b>2000</b>
Bonus: Lead Time	100
<b>Final Score</b>	<b>2000</b>











**Continuous Improvement Projects**

Continuous improvement projects are those projects agreed to each year, between the Donaldson Corporate Category Manager and the supplier representatives.

The supplier is awarded 50 points upon the successful completion of each Continuous Improvement project, up to a maximum of 2 projects or 100 points per fiscal year. No points are awarded for partial completion of a project.

- Successful completion of 2 Continuous Improvement Projects = 100 points
- Successful completion of 1 Continuous Improvement Project = 50 points
- No points are awarded for partial completion of a project.

**Average Lead Time**

Donaldson recognizes that short lead times are important to our plants and our customers, and we wish to recognize the value provided by this service. At the same time, we do not want to penalize supply partners who cannot provide this service. Therefore, the Average Lead Time category is treated a bonus section with a total of 100 points available as an option to suppliers who are below the 2000 point scorecard maximum.

Average Lead Time is calculated as the difference between the Order Date on the Purchase Order and the supplier’s actual Ship Date. All calculations in this category are based calendar days during the current fiscal year.

- Average Lead Time of 7 days or less will be awarded the full score of 100 points.
- Average Lead Time of 14 days or more will not earn any points in this category.
- Average Lead Time between 7 days and 14 days will be awarded points prorated on a straight-line calculation as shown in the table below.
- Points awarded in this category may be adjusted so that the total number of points on the scorecard does not exceed 2000 points.



Specific performance details in this category can be viewed through the Supplier Metrics Report on the iSupplier portal or through your Donaldson buyer.

## Sample Supplier Scorecard

The Supplier Scorecard contains 4 distinct sections:

The top section reflects basic performance data, including YTD Receipt Amount, PO Lines Received, YTD Receipt Quantity, and Quality data.

Selected Currency Code	YTD Receipt Amount	PO Received Lines	YTD Receipt Quantity	NCR's Issued	Quantity Rejected	Cost of Non Conformance
USD	3,883,194	3,004	3,390,739	4	137	460

The second section reflects Quality Certification records on file with Donaldson:

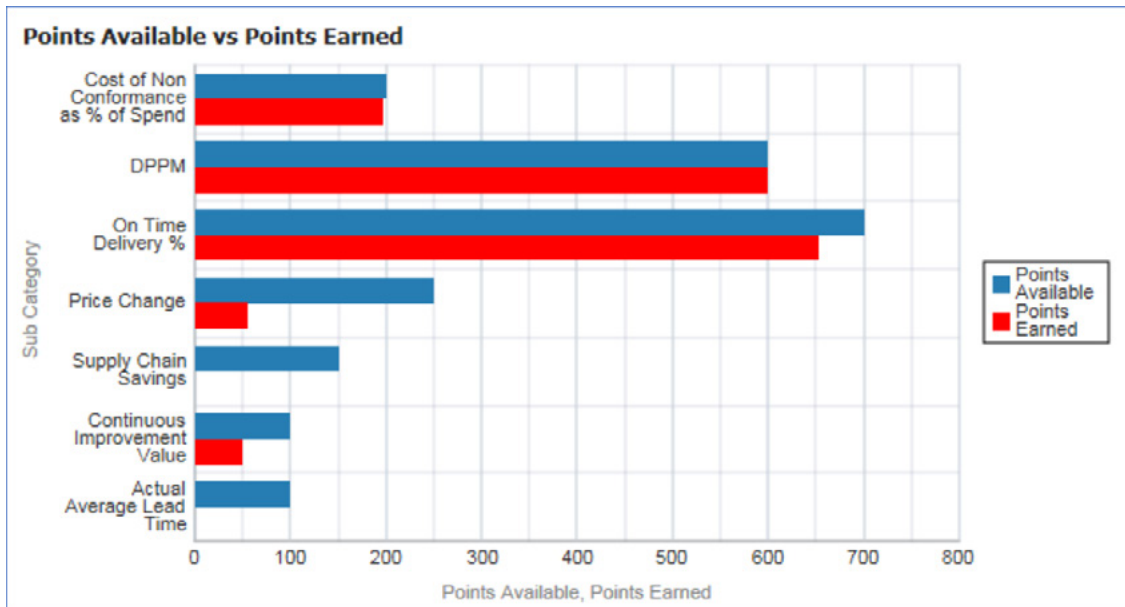
Contract Name	Contract Status	Effective Date	Expiration Date	Category Manager
TIP TOP SUPPLIER ST PAUL ISO 9001:2008	SIGNED	4/30/2016	9/14/2018	Steene, Cameron M

The third section contains the scorecard data. This section includes a description of each category and subcategory, as well as actual performance in each category.

Category	Sub Category	Performance	Points Available	Points Earned
Quality	Cost of Non Conformance as % of Spend	0.01	200	198
	DPPM	40.4	600	600
Quality Total			800	798
Service	On Time Delivery %	98.74	700	654
Service Total			700	654
Cost / Continuous Improvement	Price Change	0.44	250	55
	Supply Chain Savings	0	150	0
	Continuous Improvement Value	1	100	50
Cost / Continuous Improvement Total			500	105
Bonus	Actual Average Lead Time	17.38	100	0
Bonus Total			100	0
			Points Available	Points Earned
Grand Total			2000	1,556



The fourth section of the scorecard includes a graph that reflects the actual points earned in each category, relative to the points available in each category.



Additional instructions for working with Supplier Scorecards and the Supplier Metrics report can be found on the DBV extranet site: <https://donaldson.sharepoint.com/sites/SupplierDocumentation-Extranet/>