



Managed Supply at Mercateo



52_{/100} overall score | **66th** percentile | **top 12%** in our industry

Trust and quality are fundamental to any long-term business relationship. That's why we have such high standards for the suppliers chosen for the Mercateo Marketplace. Finding the right supplier can seem an overwhelming task. We make sure you get the greatest possible variety of items and a first-rate procurement experience by collaborating only with carefully evaluated, high-quality suppliers from every level of the supply chain.

www.mercateo.com/managed-supply

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March 2021

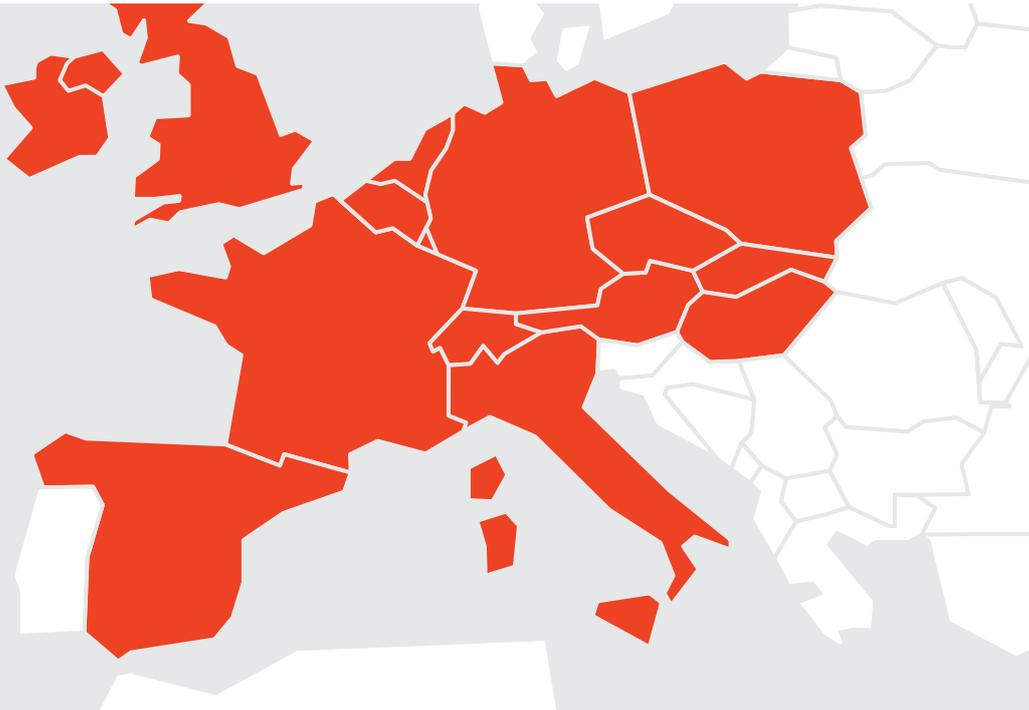


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1 Aims of our supplier management

Our primary aim is to offer our customers in every country the widest possible product range for their tail end procurement. We always offer competitive conditions, a comprehensive product range and a high level of performance.



We currently work with 760 evaluated suppliers in 14 European countries from every level of the supply chain including manufacturers, distributors and retailers.

We see supplier development as a collaborative process which supports sustainable, efficient procurement processes for our customers. With this in mind, all suppliers on the Mercateo Marketplace have to comply with Mercateo Group's quality criteria and Code of Conduct as well as adhere to legal and ethical requirements. Suppliers are contractually obliged to act accordingly under our Supplier Agreement. Our quality criteria stipulate a consistently high quality of deliveries and customer service from our suppliers.

In order to succeed together in this dynamic business sector, we expect competitive conditions, a high level of flexibility and outstanding delivery reliability. Another important feature of our approach is continuous quality control and the strategic development of our suppliers.

We understand that compliance is important in terms of value creation for our customers. That's why we aim to meet all the associated requirements for a reliable procurement process. Our supplier relationships are built around personal contacts, cooperation and longevity. We believe this is essential for the long-term success of everyone involved.

2 Trust and reliability as drivers for our mutual success

Integrity and trust are central to the success that the Mercateo Group has enjoyed since it was founded. These values are reflected in our external image and are cultivated in our daily interactions with our suppliers and customers.

External audits and certificates

Mercateo carries out internal audits and external rating agencies also check and evaluate the quality of our processes.

In February 2021 we were once again certified by EcoVadis for our CSR activities and awarded Bronze Rating. This puts Mercateo in the top 12% of companies assessed in its industry. This certification, given by external auditors, confirms Mercateo's sustainability activities and social responsibility as well as its commitment to the environment.

However, we're not stopping there. We are continuously working to become even better and optimise our service level in partnership with our suppliers.

The Mercateo Promise

We expect all our suppliers to comply with the applicable legislation and regulations of the country they are based in, to adhere to our Code of Conduct and to fulfil their obligations in a reliable manner. Needless to say, the standards we expect from our partners are also applicable for Mercateo.

We place great emphasis on equal opportunities so that suppliers and purchasers can participate in the market whatever the size of the company. No agreements will be made to the detriment



of any individual. We regard fair competition as one of the most important values in a trusting collaboration that will bring long-term success.

Data security

Mercateo takes data protection very seriously and all platforms in the Mercateo Group comply with the applicable data protection legislation, including the provisions of the EU General Data Protection Regulation (GDPR). Our data protection statement makes detailed reference to all data processing activities and is endorsed by all our business partners.

We've put suitable technical and organisational measures in place to protect data against unintentional or unlawful disclosure, access, manipulation, loss or other misuse. For example, we use the SSL encryption standard and our host servers and data processing computers are located in Germany.



Compliance with property rights and legal requirements

As a reliable partner for our customers, we ensure that intellectual property is protected and other property rights are adhered to. Product information and product images are obtained directly from the manufacturer or from selected content providers. Every supplier must comply with the constantly updated cease and desist declarations that we issue to trademark rights owners.

Continuous quality assurance

We place great importance on the consistent quality of our goods, so we have put rigorous checks in place to prevent trademark counterfeits, parallel imports and piracy. This means we can ensure that no inferior goods or counterfeit items are sold on our Marketplace.

However, if you notice any discrepancies or inconsistencies, you can notify our legal department at any time. To do this, use the email address recht@mercateo.com

4 Evaluated and quality-assured suppliers – diversity in action

At Mercateo we thrive on diversity. This is evident in our partners too.

We are currently collaborating in strategic partnerships with 760 evaluated and quality-assured suppliers from every level of the supply chain in 14 European countries. The broad product range on our Marketplace currently includes 16,400 brands from well-known manufacturers and over 23 million items in 29 categories.

For us, strategic partnership begins with our supplier selection. A well-informed choice is essential as the foundation for professional collaboration. Additional important cornerstones are provided by the successful integration, evaluation and systematic development of these suppliers.

Supplier selection

Who do we want to work with? We aim to select the best suppliers from across Europe. The quality of our collaboration, a high level of performance and a wide product range are decisive factors. Suppliers are selected on an equal footing

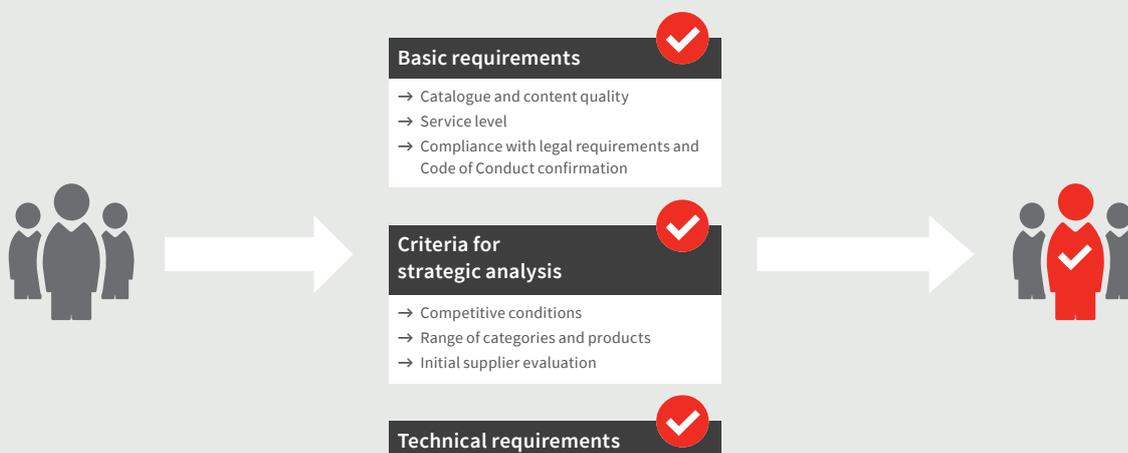
regardless of the size of company. We base our supplier selection on objective and transparent criteria. When it comes to selecting suppliers and evaluating their performance, we take customer-service factors, price and logistical considerations as well as consistent quality standards, reliability and sustainability into account. We follow consistent procedures and always work in a transparent manner.

Here we distinguish between basic requirements that our suppliers have to fulfil, criteria that have to be checked for strategic classification, and technical requirements.

Basic requirements

Catalogue and content quality

Our suppliers are required to provide us with an electronic catalogue. This must contain specific information on every item, for instance product data, manufacturer number, product safety information and safety symbols for particular products. We ensure that duplicate product information from different suppliers is clearly combined and summarised for the customer. To produce optimal search results, we collate any duplicates, relying not just on algorithms but also on the expertise of our specialist departments.



This means our customers can compare different conditions for different items. Our suppliers are obliged to update their product information regularly. In addition, we supplement the product data from suppliers with information from external content providers, catalogue data from over 280 manufacturers as well as UNSPSC and eCl@ss specifications. This means we can guarantee that we meet our customers' need for optimum information sharing where no supplier is excluded.

Service level

Our customer service is based on our commitment to reliability and flexibility. Consequently, we expect the same from our suppliers. For complaints or returns, for example, Mercateo takes responsibility for communicating with suppliers and seeks a comprehensive solution in the interests of the customer. Suppliers must, therefore, be easy to contact and have an excellent record when it comes to responding and acting in good faith. Both sides will provide a reliable contact person in the relevant national language.

Compliance with legal requirements and confirmation of the Code of Conduct

Any joint collaboration requires compliance with the statutory provisions, such as RoHS II, safety documentation, the REACH regulation and the German Ordinance on the Avoidance of Packaging Waste (Verpackungsverordnung). Suppliers must also agree to and comply with the Code of Conduct as part of the supplier contract.

»» Mercateo offers a wide range of products as well as detailed descriptions of items, making it really simple to compare products. It's great that we can list items from our regular suppliers with special conditions in catalogues. This means that users have access to a large range of C-items without the need for time-consuming master data maintenance. ««



Kerstin Groß
Strategic Procurement Manager,
Uniklinik Köln

»» *Mercateo takes us seriously as a customer and is quick to react. That's why we want to introduce our subsidiaries in Europe to the Mercateo platform.* ««



Rocco Barresi
Procurement Management Cemex
Deutschland GmbH

Criteria for strategic analysis

To get a comprehensive overview of a supplier's strategic significance, we evaluate their potential based on their conditions and product range as well as conducting an initial supplier evaluation.

Competitive conditions

While our focus is on competitive market conditions, we do not actively interfere in our suppliers' pricing. Our customers benefit from active competition driven by supply and demand on the Mercateo Marketplace. All suppliers are given advice on their individual development in a personal annual review. They also receive a detailed price report comparing their conditions with those of their competitors. Each supplier decides what conditions they offer. This includes shipping costs.

Range of categories and products

In order to ensure a diverse product range, we carefully select suppliers that we can build long-term business relationships with. We focus equally on the breadth and depth of the product range to satisfy our customers' needs. With this in mind, we have also established an active feedback process which we use to incorporate new suppliers and products.

Initial supplier evaluation

Our initial supplier evaluation is based on 20 weighted criteria. This evaluation is repeated annually and in greater detail as long as we continue working with the relevant supplier.

Technical requirements

In order to be listed on the Mercateo Marketplace suppliers are required to provide an electronic catalogue and to include a Mercateo delivery note. For large quantities of data, this information exchange is facilitated by an API. We help reassure customers after they place an order by sending out track and trace information, stock levels and delivery notifications.

Supplier evaluation

We regularly evaluate supplier performance in order to constantly improve our Marketplace and the range of items on offer there. This supplier evaluation is done using standardised evaluation criteria and the initial assessment forms part of the selection process, with regular follow-ups for existing suppliers.

The evaluation is based on the following criteria:

- Logistics and delivery reliability
 - what are the actual delivery times?
- Product range – is it still up to date?
 - Does it continue to meet requirements?
- Conditions – how do conditions compare to the competition?
- Catalogue and content quality
 - are all specifications met?
- Service level – are all specifications met?
 - What kind of service is there for complaints, returns and cancellations?
- Technical criteria – are all data and the Mercateo delivery note transmitted correctly?

Specific criteria are described in more detail from page 8.

Annual supplier evaluation

Comprehensive evaluation of all suppliers based on 25 objective KPIs from categories including logistics, delivery reliability, conditions and service level.

Processing feedback

Suppliers work through the agreed improvement points. Mercateo also works to improve points that come back as unsatisfactory.



ABC rating

Classification of suppliers into quality categories A, B and C based on the weighted overall result using their score for the relevant evaluation period.

Annual performance review

Evaluation results are communicated and ways to optimize performance are identified in an annual performance review.

A twelve month evaluation period is defined on an ongoing basis for the six aforementioned criteria. The ABC supplier rating is derived from the overall score achieved by the supplier during this evaluation period. The evaluation results are documented and are discussed during the annual performance review with each individual supplier. Potential areas for optimisation are agreed as part of this process. The outcome of the evaluation is also a factor in determining the nature of any future collaboration.

If any irregularities are identified, the relevant supplier will be downgraded and required to remedy the situation. Specific product ranges or suppliers may be deactivated until the desired improvements are made to our satisfaction and our customers are happy with the resolution.

Supplier development

We aim to develop our suppliers specifically to meet our customers' requirements and to everyone's ultimate mutual benefit so they can secure and strengthen their market position.

The results of the supplier evaluation are translated into actions for supplier development and serve as the foundation for future strategic direction. For example, this could involve:

- Establishing a joint internationalisation strategy
- Product range development e.g. inclusion of additional (complete) manufacturer product lines
- Joint development of concepts for supplying items in specific (critical) product areas (for example, for chemical products or occupational safety)

» Mercateo offers us great flexibility because we benefit from the competition between existing suppliers and other suppliers on the platform. «



Thorsten Woike
Head of Procurement,
SAG Group

» We are impressed with Mercateo's wide range of categories and products, because it gives us flexible access to a great variety of items for procurement on a single platform. We have also integrated our framework agreement with a central stationery supplier on Mercateo. We're still really happy with our choice. «



Thomas Kremling
Purchasing Manager, Skandia Versicherungen
Management & Service GmbH

» Mercateo is an excellent addition to the suppliers we use for our own procurement needs and has extensive expertise in internationalisation. «



André Lückert
Head of Relationship & Master Data
Management innogy SE

Now you know what we mean by Managed Supply. Our daily work on these core values has made us a market leader in the procurement of tail end spend in B2B e-commerce in Europe and sets the standard for cooperative partnerships in supplier management. We are delighted that you are a part of this.

Do you have any questions?

Please get in touch via our contact person or contact our supplier management team directly.



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