Smart Buy @NIO

NIO Business Purchasing Process

03 March 2023
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V.1

NIO Business Purchasing

The commercial purchase category is all products and services purchased from third parties to maintain the normal operation of NIO
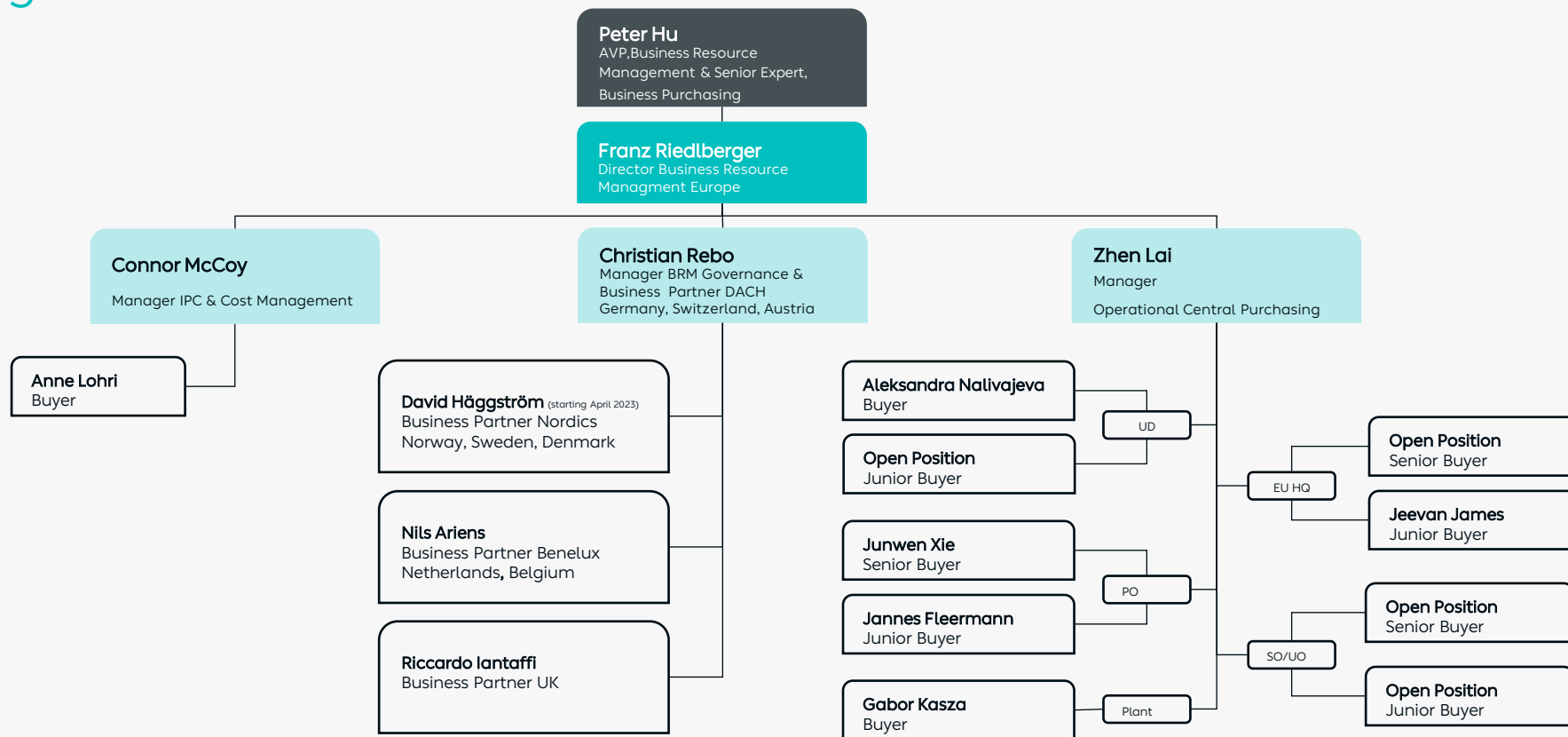

Business Purchasing

Purchasing Category

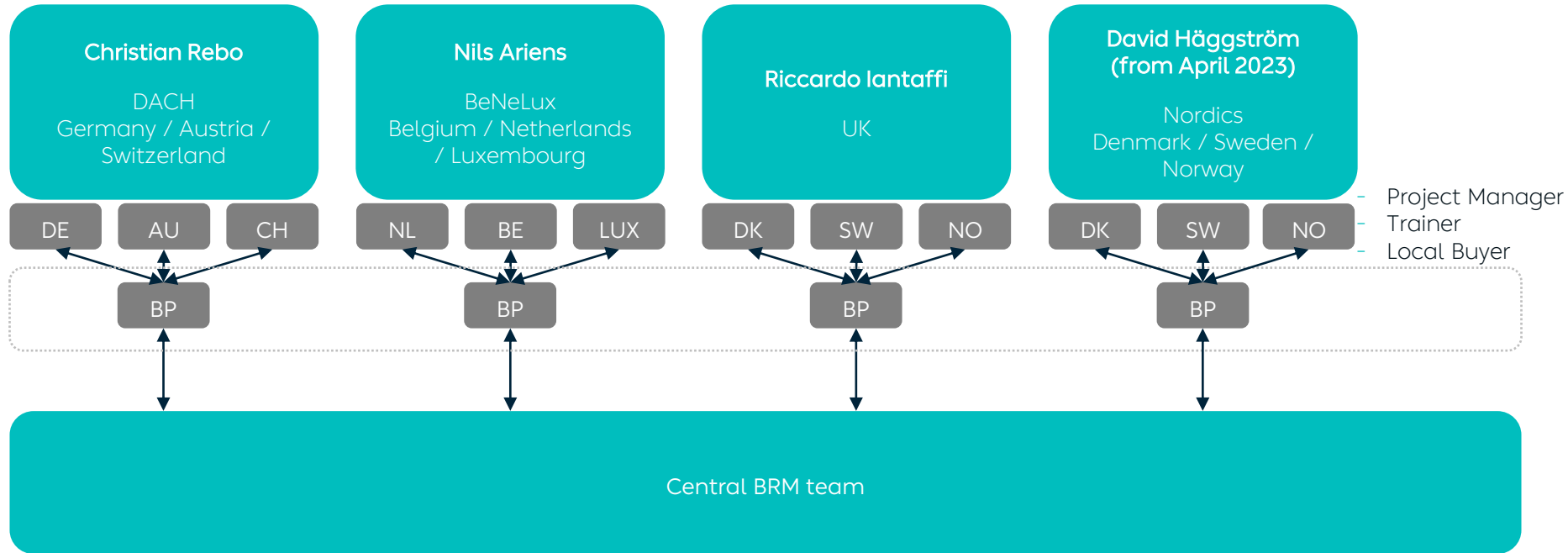## Business Purchasing Resources

Manufacturing Engineering & Extension Goods	Operation and Service Assurance	Marketing & Commercial Development	IT Operation	Construction Engineering Support	PK	Regional Purchasing Assurance
Show cars	Professional services	Event	IT services	Engineering Materials	PK-Survey and Design	Regional Event
Accessories	Human Resource related Service	Media & PR	IT equipment	Construction	PK-Application For Construction & Approval	Regional Media
Power Goods	Integrated Property	communication materials	Software	Consulting Services	PK-Consulting Services	Site leasing
Standard MRO	Customized Service	Auditory communication materials		Soft-outfit & Exhibition	PK-Construction Engineering	Operation Service
MRO-customized	Infrastructure implementation			Soft decoration display	PK-Engineering Materials	Regional multidimensional commerce
Consultation Certification	Infrastructure Implementation			Display Fixture		Regional visual design
Market Logistics	Infrastructure Maintenance					
	Energy Planning & Operation					

1st Tier Category

2nd Tier Category

Organisational Structure

Peter Hu
AVP, Business Resource Management & Senior Expert, Business Purchasing

Franz Riedlberger
Director Business Resource Managment Europe

Connor McCoy

Manager IPC & Cost Management

Christian Rebo
Manager BRM Governance & Business Partner DACH Germany, Switzerland, Austria

Zhen Lai
Manager

Operational Central Purchasing

Anne Lohri
Buyer

David Häggström (starting April 2023)
Business Partner Nordics
Norway, Sweden, Denmark

Nils Ariens
Business Partner Benelux
Netherlands, Belgium

Riccardo Iantaffi
Business Partner UK

Aleksandra Nalivajeva
Buyer

Open Position
Junior Buyer

Junwen Xie
Senior Buyer

Jannes Fleermann
Junior Buyer

Gabor Kasza
Buyer

UD

PO

Plant

EU HQ

SO/UO

Open Position
Senior Buyer

Jeevan James
Junior Buyer

Open Position
Senior Buyer

Open Position
Junior Buyer

Where does the business partner role sit

Christian Rebo

DACH
Germany / Austria / Switzerland

Nils Ariens

BeNeLux
Belgium / Netherlands / Luxembourg

Riccardo Iantaffi

UK

**David Häggström
(from April 2023)**

Nordics
Denmark / Sweden / Norway

DE	AU	CH
NL	BE	LUX
DK	SW	NO
DK	SW	NO

- Project Manager
- Trainer
- Local Buyer

BP   BP   BP   BP

Central BRM team

Collaboration Mode Between BP and BU in Business Purchasing

The user department determines the purchasing needs and seek approval of purchasing request.

01

The user department communicates with the BP.

02

03 The BP bridges the user and the BU by timely and effectively communicating the needs, tracking business progress, and optimizing the processes and systems.

05

The buyer conducts sourcing and signs the purchasing contract to complete the purchasing task.

04

The BU head coordinates with the BU buyer to develop purchasing plans and strategies.

Demand Department | BP | BU Head | BU Buyer | Partner

The BP and BU work together with the demand department and partner to complete the purchasing by category.

01 Requirements Management

02 Brief Introduction of Business Purchasing Process

Business Purchasing Process Modules (Team Collaboration)

Business purchasing consists of four business modules, covering the whole purchasing process from purchase request (PR) to payment as well as business improvement. All business modules require the participation of the demand, purchasing, and other relevant functional departments.

	SOR Management PR	Source to Contract	PO to Pay	Business Review
User Department	• Complete SOR • Submit PR	• Can recommend partners • Evaluate partners	• Pull orders • Goods receipt (GR) • Payment request(IR) • Submit GR/IR	• Provide business data • Business analysis and evaluation Offer business improvement suggestions
Purchasing Department	• Help complete SOR • Check PR integrity and compliance	• Develop sourcing strategy • Evaluate partners • Find partners • Select partners • Confirm the business and sign purchasing contract		• Propose business improvement suggestions Annual partner evaluation • Partner feedback and communication
Other Departments *	• Review purchasing budget	• Review purchasing contract	• Make payment	

* Including the finance, legal, and other functional departments.

Do´s & Don´ts

DO´s

- Always align with BP
- Check if active NDA is in Place
- Prepare SOW for each request

DON´Ts

- don´t contact suppliers without purchasing
- don´t ask suppliers for quotations
- don´t nominate suppliers or
  kick-off suppliers for a specific job
- don´t allow suppliers to publish press releases

Purchasing Prerequisites: About PR and SOR

The demand department should submit a purchase request (PR) in the Workflow in a timely and effective manner and provide an effective SOR to initiate the purchasing process.

PR
Purchase Request

- An approved PR is a prerequisite for sourcing.
- Multiple similar needs should be included in one PR to negotiate more competitive terms for the purchasing.
- The PR should be submitted timely to allow sufficient time for approval.
- The amount of the PR should be sufficient.

SOR
Statement of Request

- An effective SOR may increase the efficiency of purchasing sourcing.
- The request should be described accurately and clearly, including the specifications or standards of services or products, quantity, time of delivery, and place of delivery.
- The SOR can take any form and should be detailed and complete.
- The request should be reasonable.
- Partner qualification requirements (as required by national laws and regulations, or NIO's special requirements) should be met.

Purchasing Contract Types

After sourcing, NIO will sign the purchasing contract with the partner. There are two types of purchasing contracts: frame contracts and one-time contracts.

Types	Description	Advantages
Frame Contracts	For services or supplies that need to be purchased repeatedly, a frame contract shall be signed with the partner to specify the price, service level, and other business terms over the long term.	• Improving purchasing efficiency • Reducing purchasing cost • Building long-term partnership
One-Time Contracts	For new or one-time requirements, a one-time contract shall be signed to establish a short-term relationship.	• Accelerating negotiation • Finding potential partners

Frame Contract Types

Frame contracts are classified into type 1 and type 2 frame contracts based on the payment process.

Type 1 Frame Contracts: Applicable to long-term recurring purchasing needs with fixed unit prices and variable amount

Type 2 Frame Contracts: Applicable to long-term recurring purchasing needs with a fixed amount or with continuity

- Fixed amount and periodic payment: venue leasing, parking space leasing, vehicle leasing, warehousing operation, software license, etc.
- Continuous demand: personnel agency, logistics, express delivery, etc.

Type	Frame Contract (Buyer)	Purchase Request (User)	Purchase Order (User)	Goods Received (User)	Invoice Received (User/Fin)
Type 1 Frame Contracts	Yes	Yes	Yes	Yes	Yes
Type 2 Frame Contracts	Yes	Yes	No	No	Yes

Frame contract settlement process:

1. The PO/order generated shall be completed by the demand department in the Workflow.

2. A PO under the frame contract shall be chopped by demand department.

3. In the process of GR settlement, users should upload the project performance evaluation form in Workflow.

NIO Internal

Sourcing Types in Business Purchasing (1/2)

Based on different purchasing categories and NIO's business needs, business purchasing sourcing falls into five types: standard selection, fast sourcing, orientational selection, urgent sourcing and single-sourced selection.

Standard Selection

- This process is carried out by the purchasing department, including technical evaluation, scheme evaluation, and price limit bidding.

Fast Sourcing

- Fast sourcing is classified into four types: order of less than RMB 50,000 / 7.100,- EUR (excluding tax), continued use(Carryover), Variation, and Specific scenarios.

Orientational Selection

- The demand department leads the selection of partners, and the purchasing department is responsible for the negotiation of business terms.

Urgent Sourcing

- Used only in emergencies by the first-line sales or production department.

Single-Sourced Selection

- A single-sourced selection process is available for standard selection and orientational selection processes.
- The user department should apply for a single-sourced selection and obtain approval from the purchasing department and the company management in advance.

Standard Selection Process Flow

In the case that the quotations from different partners are consistent in price and content: 1) among the technically qualified partners, the one with the best performance in business will win the bid, or 2) the one with the best overall performance (technically and commercially) will win the bid, or 3) the top one or more partners that are technically qualified will be selected based on the budget and business needs.
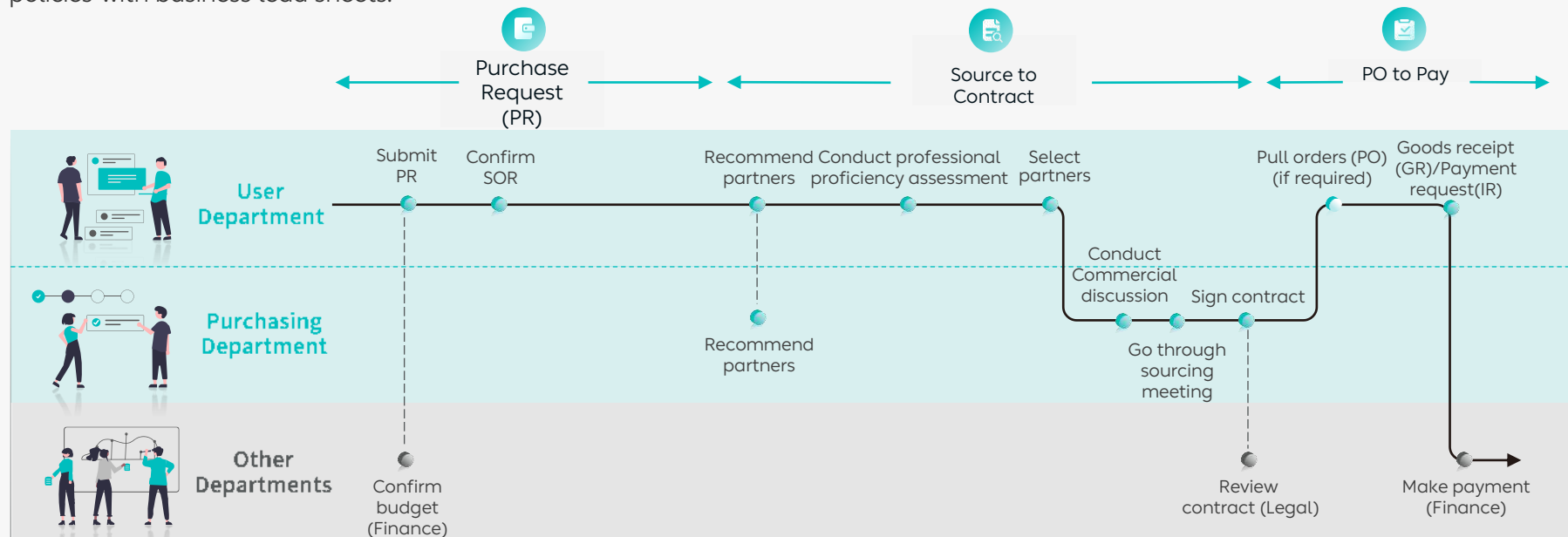
Purchase Request (PR) ← → | Source to Contract ← → | PO to Pay ← →

User Department
- Submit PR
- Confirm SOR
- Recommend partners
- Make technical evaluation
- Update SOR (if required)
- Pull orders (PO) (if required)
- Goods receipt (GR)/Payment request(IR)

Purchasing Department
- Send a request for quotation
- Recommend and evaluate partners
- Receive quotation documents
- Commercial discussion (There shall be no less than 2 valid quotations.)
- Conduct team discussion
- Go through sourcing meeting
- Sign contract

Other Departments
- Confirm budget (Finance)
- Review contract (Legal)
- Make payment (Finance)

- The business department should confirm the business terms, legal terms, payment cycle, intellectual property rights, claims, quality assurance, etc.
- The purchasing cycle begins with the confirmation of sourcing SOR.

Fast Sourcing Process Flow

In the process of fast sourcing, for the amount of the order below 50,000, do not force price comparison, you can use a simplified version of the fixed file.

Purchase Request (PR) ← →

Source to Contract ← →

PO to Pay ← →

User Department

- Submit PR
- Confirm SOR
- Recommend partners
- Make technical evaluation
- Update SOR (if required)
- Pull orders (PO) (if required)
- Goods receipt (GR)/Payment request(IR)

Purchasing Department

- Send a request for quotation
- Recommend and evaluate partners
- Receive quotation documents
- Commercial discussion (Quotation must be valid and not less than 50,000 There shall be no less than 2 valid quotations.)
- Conduct team discussion
- Go through sourcing meeting
- Sign contract

Other Departments

- Confirm budget (Finance)
- Review contract (Legal)
- Make payment (Finance)

- The business department should confirm the business terms, legal terms, payment cycle, intellectual property rights, claims, quality assurance, etc.
- The purchasing cycle begins with the confirmation of sourcing SOR.

Orientational Selection Process Flow

Orientational selection applies to those services and products that cannot be measured by price. The demand department leads the selection of partners, while the purchasing department is responsible for business negotiation. Business departments need to approve policies with business lead sheets.

Purchase Request (PR)

Source to Contract

PO to Pay

User Department
- Submit PR
- Confirm SOR
- Recommend partners
- Conduct professional proficiency assessment
- Select partners
- Pull orders (PO) (if required)
- Goods receipt (GR)/Payment request(IR)

Purchasing Department
- Recommend partners
- Conduct Commercial discussion
- Go through sourcing meeting
- Sign contract

Other Departments
- Confirm budget (Finance)
- Review contract (Legal)
- Make payment (Finance)

- Download the Orientational Selection Form from [BOX]/GPS.

Single-Sourced Selection Process Flow

Single-Sourced Selection applies to the standard selection , orientational selection, and the demand department shall submit the application of designated partner and obtain the approval of the purchasing department and the management of the company before implementation.

Purchase Request (PR)

Source to Contract

PO to Pay

User Department
- Submit PR
- Confirm SOR
- Intention to communicate with single-source partner
- Initiate and approve application for single-source partner
- Pull orders (PO) (if required)
- Goods receipt (GR)/Payment request(IR)

Confirmation of business conditions — Sign contract

Purchasing Department
- Let BP know
- Single-source partner apply for approval
- Go through sourcing meeting

Other Departments
- Confirm budget (Finance)
- Review contract (Legal)
- Make payment (Finance)

⚠ Working with a single-sourced selection may impair our ability to bargain on the purchase and place us in a disadvantageous position in the business negotiation. Therefore, we should avoid doing so as much as possible.

Urgent Sourcing Process Flow

Suitable scene of urgent sourcing includes: a line of business, or to deal with sudden user complaints or public relations crisis produces a line of customer service related procurement requirements, or to meet the design research and development need to immediately start emergency procurement designed and developed products or services, or find other source fixed time is far less than standard procurement time emergency procurement requirements.

Purchase Request (PR)

Source to Contract

PO to Pay

User Department

Submit an urgent purchase request and sign the user form of the urgent purchasing order

Confirm SOR

Confirm the urgent purchase request

Goods receipt (GR)/Payment request(IR)

Purchasing Department

Create purchasing task

Confirm business conditions

Approve urgent sourcing

Issue a letter of intent and sign the contract

Other Departments

Confirm budget (Finance))

Make payment (Finance)

- Download the Urgent Purchasing Application Form from [BOX]/GPS
- Submit the monthly urgent purchasing summary to the internal control department

After Effect (Done Deal) Purchasing case
Handling process and mechanism

Definition ⚠

The user departments do not follow the requirements of the purchasing process and inform partners privately to provide goods or services and start the project without completing the approval.

Handling process

- Users that violated the purchasing rules must contact the corresponding buyer timely, and the buyer will give advice and guidance on how to handle the situation.

- The user needs to apply for approval in the corresponding Workflow module

- If the application is not approved, the offending department or user will be responsible for all the costs incurred as a result.

- For complex matters, the relevant user department, finance, purchasing, internal control and compliance departments can initiate special meetings to discuss

End-to-End Partner Management

- Preparation: Access approval for partners based on purchasing categories and update the partner pool before actual business needs are brought up.
- Review: Make evaluations online or offline depending on the project type

Approved | **Incumbent**

Supplier

New → Registration → Approved ← Evaluation → LongTerm Partner (LTP)

Evaluation / Registration — Exiting — Evaluation

Business

PR/SOR

K.O.   K.O.

Lead Time

Start   Pre-RFQ RFQ Table LOI   PO Countersigned   Delivery

Sourcing   Procurement
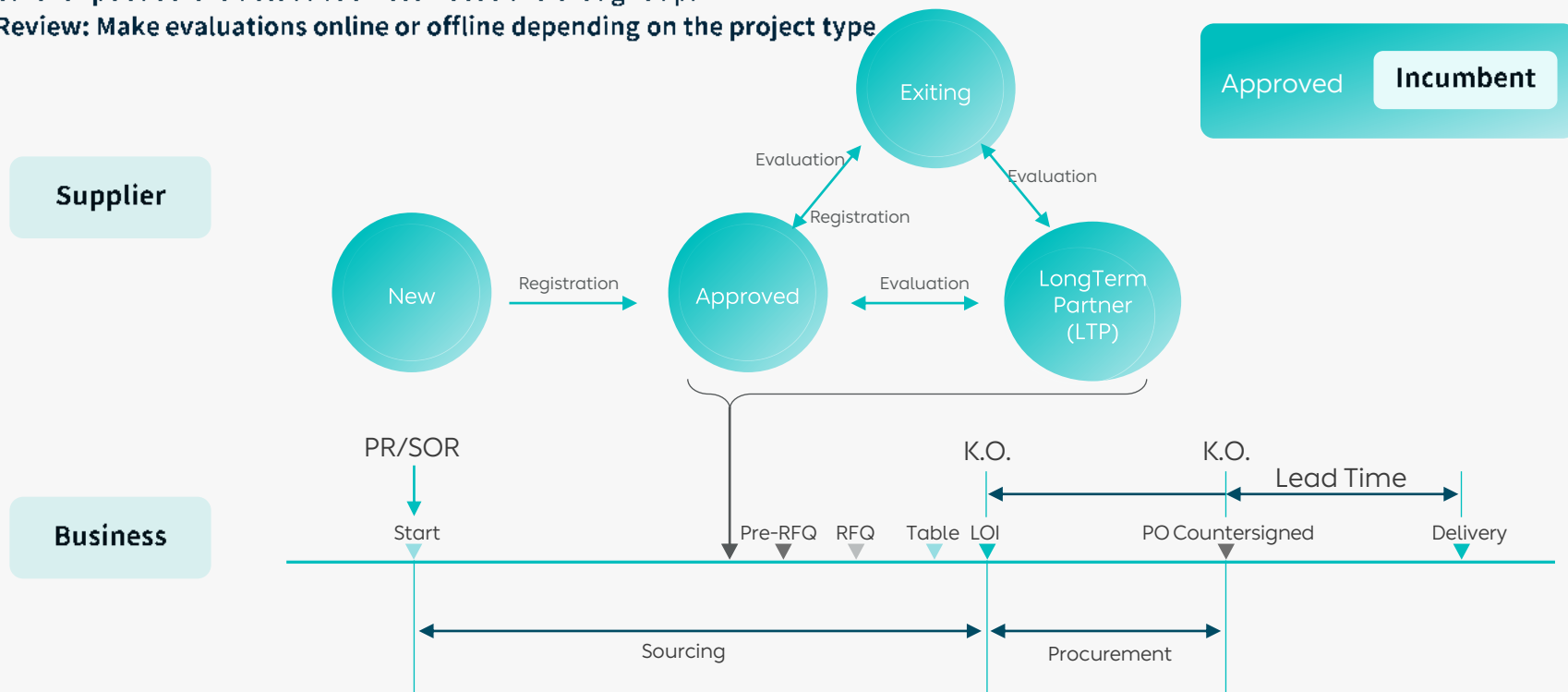
Attachment: NIO Purchasing Guidelines

The purchasing guidelines are the codes of conduct that must be followed by all NIO business personnel (including the demand, purchasing, and other relevant functional departments) involved in product and business purchasing.

a. Purchasing Department Service Guidelines

- The purchasing department shall work with the demand department to drive the fast development of the company.
- The purchasing department shall consult with the demand department to determine the right sourcing method for different purchasing categories.
- The purchasing department shall work to continuously improve the purchasing business.

b. Professional Code of Conduct

- Personnel involved in purchasing shall strictly abide by the purchasing policies, systems, and processes of the company.
- Duties shall be divided effectively. All departments involved in purchasing shall fulfill their responsibilities and do their work well, ensuring the separation of implementation and review.
- The integrity system shall be effectively implemented. Personnel involved in purchasing must be honest and self-disciplined, with a high level of precaution consciousness and a great awareness of the rule of law.

c. Cooperative Guidelines for Fair Competition

- Partners shall be selected on a fair basis.
- A competitive environment shall be created with a competitive partner selected.
- A partner evaluation and development system shall be established to ensure high-quality cooperation and develop long-term partnerships.

d. Business Guidelines

- All personnel involved in the purchasing process shall act in the best interest of the company.
- For all products and services purchased from partners (other than those eligible for easy purchasing), a valid contract shall be signed under the lead of the purchasing department, including NDA, GTC, and MPSA.

e. Payment Guidelines

- Payment must be made based on a valid order or contract.
- Payment must be made according to the terms of the contract.

f. Confidentiality

- All employees must keep the business secrets of the company and the partners.
- The business secrets of the company and the partners are closely related to the development and interests of the company. Access to such information shall be limited to certain employees within a certain period.

Thanks

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Attachment 1： Orientational Selection Form Approval Process

The business department can download the Orientational Selection Form from NIO BOX, and complete the approval process before sourcing.
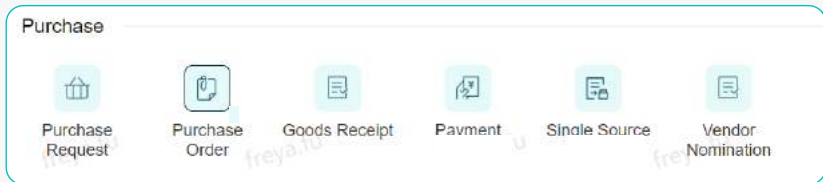
ⓘ Tips

- Subtasks under large projects can be combined in a single Orientational Sourcing Form and processed in batches.

- The accurate amount is not mandatory in the Orientational Sourcing Form.

- If a single-source purchase is required for a non-resource-constrained orientational sourcing category, SSL should be used instead of the Orientational Sourcing Form.

- **DOA:**
  L1 approval is required for HQ projects;
  UO L1 approval is required for regional projects with an amount of more than RMB 400,000.

Attachment 2: Urgent Sourcing Application Form

The business department can download the Urgent Sourcing Application Form from NIO BOX and complete the approval process before sourcing.

ⓘ Tips

- An approved PR is a prerequisite for sourcing.

- A complete and accurate description of the reasons for an urgent purchase helps the team quickly determine the right process and take prompt action.

Attachment 3：Urgent Sourcing Application Form

The business department can download the Urgent Sourcing Application Form from NIO BOX and complete the approval process before sourcing.