Escalation process

This is a description of the customer's escalation process for suppliers of production materials and the associated services such as coating or heating treatment.

**E 1**

**Intensified process**

**E 0**

**Standard process**

**E 2**

**Warning**

**E 3**

**New Business Hold**

**E 4**

**Disqualification**

**100 % inspection / sorting *CSL 1***

**- by customer**

**- by supplier**

**Quality review**

**- in house**

**- on site**

**100 % inspection / sorting *CSL 2***

**- by external service provider**

**Corrective action plan**

**Process audit**

**Temporary stop on**

**new orders**

**Stop on new orders**

# Escalation levels

Appendix 1 "Status report" is used to communicate with the supplier.

The supplier receives notification of the escalation status and must confirm his acceptance by way of signature.

## Escalation level E 0 – Standard process

In the standard process (escalation level E 0*)*, deliveries from the suppliers are checked by the customer in accordance with the contract using standard dynamic sampling, in the incoming goods facility and rejected if deviations from the specification are identified.

After a rejection, the relevant quality assurance department at the customer's receiving plant can ask the supplier to carry out a special inspection for individual deliveries, by means of a formless inspection report, for example by 100% inspection of the next three deliveries. This request is valid for the rejected characteristic and the rejected product.

## Escalation level E 1 – Intensified process

If there is an accumulation of quality problems caused by the supplier, the customer can place increased requirements on inspection of the goods at the supplier. The Purchasing department at the customer's receiving plant then issues escalation level E 1 and informs the supplier's Executive Board formally of the conditions by means of a *Status report* (*QSV* / *S 296001*-*6*, *Appendix 1*).

If the supplier applies suitable corrective actions and causes no further rejections over a period of time defined by the customer, the customer downgrades the escalation level by means of a formal *Status report* from E 1 to E 0.

## Escalation level E 2 – Warning

If the supplier causes further quality problems during the time when he is classified as being at escalation level E 1, the customer can initiate further escalation. The customer's Purchasing department then issues escalation level E 2 and informs the supplier's Executive Board formally of this by means of a *Status report*.

If particularly critical defects occur, escalation level E 2 can be issued without prior classification to E 1.

If the supplier applies suitable corrective actions and causes no further rejections over a period of time defined by the customer and, as necessary, fulfils any additional conditions imposed by the customer, the customer downgrades the escalation level by means of a formal Status report from E 2 to E 1.

## Escalation Level E 3 – New Business Hold (NBH)

If there is no significant improvement in quality upon completing all the activities, or the duration of escalation level E 2 is too long, the supplier is temporarily stopped for orders relating to new projects by issue of the status *New Business Hold* (*NBH*). The Purchasing department informs the supplier's Executive Board formally by means of a *Status report* , in which the criteria are defined that must be fulfilled before the status *New Business Hold* can be rescinded.

Other reasons for issuing the status *New Business Hold* may include:

* Certification of the quality management system expired more than six months previously or is invalid.
* The supplier provides inadequate cooperation on the necessary corrective actions
* Security of supply is inadequate

The status *New Business Hold* will only be rescinded once the effectiveness of the defined actions has been checked by the customer and this has been notified to the supplier by the customer's Purchasing department formally by means of a *Status report*.

## Escalation level E 4 – Disqualification

If no significant improvement in quality is achieved despite the support of the customer or the defined conditions are not fulfilled, the supplier will be permanently excluded from new business and a change of supplier will be made as soon as possible.

# Conditions

## Controlled Shipping Level 1 (CSL 1)

*Controlled Shipping Level 1* (*CSL 1*) means that, in addition to the standard scope of inspection, the supplier must carry out 100 % inspection before each delivery to the customer on the material numbers and characteristics defined by the customer. This information, together with the requirements relating to documentation, is notified to the customer's supplier in the *Status report*.

The products inspected as well as the packaging must be marked specifically. The type and content of the marking must be agreed in consultation with the customer.

## Controlled Shipping Level 2 (CSL 2)

*Controlled Shipping Level 2* (*CSL 2*) means that, in addition to the standard scope of inspection, the supplier must arrange for 100 % inspection to be carried out by an external service provider before each delivery to the customer on the material numbers and characteristics defined by the customer. This information, together with the requirements relating to documentation, is notified to the customer's supplier in the *Status report*.

The supplier must prepare a sorting instruction for the external service provider that must be approved in advance by the customer. He is responsible for the correct implementation of the sorting work, the documentation of the results and the quality of the products delivered.

The products inspected as well as the packaging must be marked specifically. The type and content of the marking must be agreed in consultation with the customer.

# Applicable documents

**Applicable appendix to 296001-6**

(see www.Schaeffler.de / Suppliers / Quality / Production material)

*Appendix 1 Escalation process – Status report*