

1 Scope of application

This Work Standard (WS) aims to be widely used. The purpose of this WS is to define the procedure in the supplier escalation process at Thomas.

2 Description

In the event of accumulating quality, scheduling or communication problems, Thomas reserves the right to initiate the Thomas escalation process with the supplier. This process is designed to help improving the quality level at suppliers in a structured and transparent manner. The Thomas escalation process provides 2 stages and serves to support problem solving. The supplier is obligated to fully implement the required measures for de-escalation.

2.1 Timing

The following process flow schematically shows the escalation process at Thomas. The goal is always to strive for one of the de-escalation outcomes. For this purpose, suitable actions must be agreed with the suppliers in order to improve their quality level.

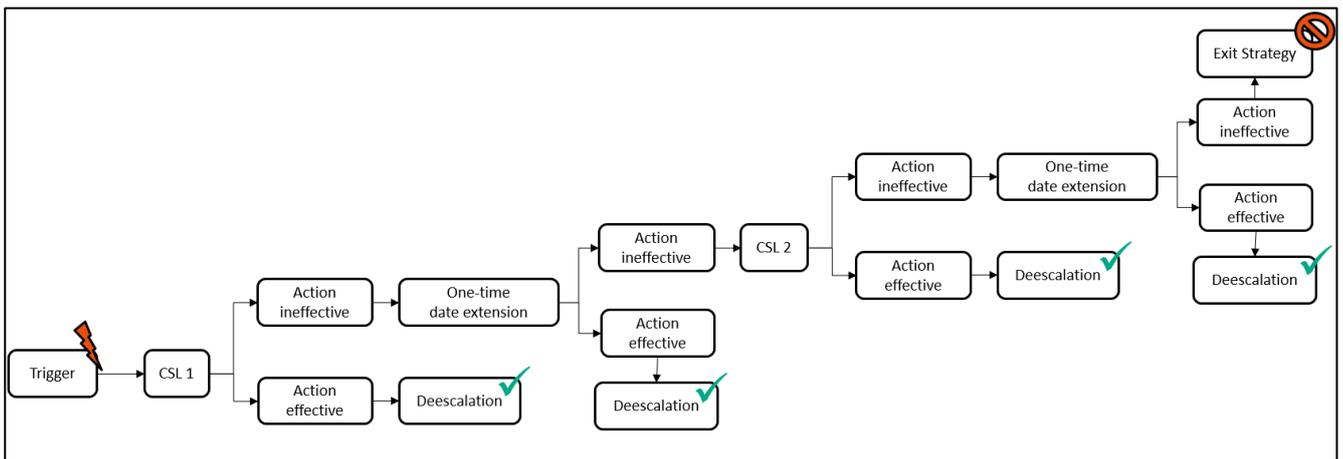


Image 1: Timing

2.2 Preconditions

1. The supplier escalation process is carried out exclusively from both Strategic Purchasing and Quality Assurance departments and by mutual agreement.
2. The actions for de-escalation must clearly be defined by the Thomas employees and must be achievable for the supplier within the specified time period.
3. Escalation is valid only with escalation letter and to be handed over by Strategic Purchasing.
4. The mentioned possible triggers can be supplemented if necessary; in this case, confirmation must be obtained from the vice presidents SU Purchasing and SU Quality & Processes.
5. A deviation in the process (e.g. scheduling) must be approved by the vice presidents SU Purchasing and SU Quality & Processes.
6. If the actions are successfully completed, there is always a de-escalation to level 0. Thus, all actions from possibly both levels must be fulfilled.

7. If a supplier fulfills a trigger for escalation again within one year, he enters at least the last escalation level.

2.3 Triggers

| CSL-level | Possible triggers | Actions |
|-----------|---|---|
| 0 | Supplier demonstrably triggers a production interruption at Thomas | Close coordination with the Supplier Quality Engineer / Commodity Purchaser |
| 1 | <ul style="list-style-type: none"> - min. 5 complaints regarding different topics exist in a period of 2 months and/or the claim rate > 10% due to a fault of the supplier. - Supplier changes process without prior notification - Red result at the VDA 6.3 audit - Delay in part industrialization with risk for Thomas project - Supplier does not meet the requirements part industrialization with risk for Thomas project - Delay in processing complaints with risk for Thomas - Strongly unsatisfactory response behavior in supplier evaluation or complaints in more than 3 cases. - Supplier does not meet Thomas' specifications during series launch phase, despite confirmed feasibility study, purchasing contracts and initial sample release | <ul style="list-style-type: none"> - De-escalation criteria defined and handed over in writing - Timeframe defined (max. 3 months) - Close coordination at director level with Thomas - Close coordination with production manager or quality manager level at the supplier - Meetings for actions tracking at least every 14 days - in particular assumption of costs for the increased incoming inspection - especially assumption of costs for on-site workshops - Re - Audit with costs optional - New projects only with reservation |
| 2 | <ul style="list-style-type: none"> - Incorrect or non-executed actions from stage 1 - Demonstrable deception of Thomas employees - Supplier demonstrably triggers production interruption at Thomas customer due to supplier's fault | <ul style="list-style-type: none"> - New de-escalation criteria defined and handed over in writing - Timeframe defined (max. 6 months) - Close coordination at vice president level at Thomas - Close coordination at executive board level at the supplier - On-site workshop on action tracking at least every 3 weeks - Install resident engineer at the supplier - Re - Audit with costs obligatory - especially assumption of costs for on-site workshops - especially costs of the resident engineer - No new projects possible |

2.4 Documentation and control

The process flow is to be controlled and documented by the Supplier Quality Engineer in coordination with the supplier and the Commodity Purchaser.

3 Applicable documents

[GS QM 034 Supplier development](#) (Thomas internal)

4 References

None