

	<b>Supplier Escalation Procedure</b>	Document No.: CP-8-ALL-80 Revision: F Revision Date: 11 <sup>th</sup> May 2023
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## 1. **PURPOSE / SCOPE:**

- 1.1. The purpose of this Procedure is to provide all TI Fluid Systems facilities with minimum expectations with regards to escalating multiple supplier complaints.
- 1.2. The goal of this procedure is to respond to continued supplier concerns; ensuring support functions are notified and involved at the correct stage to solve supplier performance concerns by applying appropriate measures.
- 1.3. This procedure is relevant for all production materials.
- 1.4. The Escalation process should be initiated when three (3) or more complaints are received from one supplier in any given rolling 12-month period. This is irrespective whether the complaint is a quality concern, logistics concern different root cause, repeat concern or whether the complaint is for the same component.
- 1.5. The scope of this procedure is for all TIFS direct material supply from external suppliers globally for all divisions.

## 2. **RESPONSIBILITIES:**

- 2.1. The process owner of this procedure is the divisional Global Purchasing Director.
- 2.2. The process approver is the Divisional Global Quality Director.
- 2.3. It is the responsibility of the Quality Manager and logistics / materials manager within each facility to ensure that the requirements of this procedure are understood, and that effective training and resource is provided for this procedure and any subsequent changes.

## 3. **DEFINITIONS:**

- 3.1. SD – Supplier Development (pre-serial production - post 90 days).
- 3.2. SQA – Supplier Quality Assurance (post 90 days – serial production).
- 3.3. GPD – Global Purchasing Director
- 3.4. GQD – Global Quality Director
- 3.5. S/R/F – Safety, Regulatory, Functional
- 3.6. ASL – Approved Supplier List

## 4. **REFERENCES/ASSOCIATED DOCUMENTS:**

- 4.1. IATF 16949 – Automotive Quality Management Standard
- 4.2. ISO 9001 – Quality Management Systems – Requirements
- 4.3. CP-5-ALL-58 – Directed / Mandated Supplier Procedure
- 4.4. CP-8-ALL-41 – Global Supplier Requirements Manual
- 4.5. CP-8-ALL-46 – Supplier Concern Management
- 4.6. CP-8-ALL-70 – Corrective Action Procedure
- 4.7. Supplier Escalation Letter Stage 1 – 3

#### 4.8. SBIC – Supplier Best In Class Audit

### 5. SUPPLIER COMPLAINT MANAGEMENT AND ESCALATION OVERVIEW

#### 5.1. RASI Chart

Escalation	Supplier Quality Assurance	Regional SQA Manager	Plant Quality Manager	Regional Quality Director	Supplier Development	Logistics	Logistic Manager	Purchasing	Global Purchasing Director	Global Quality Director	Global SQA Director	Divisional EVP
Zero Issues	-	-	-	-	-	-	-	-	-	-	-	-
Escalation 0 ≤ Two (2) Concerns	R/S	I	A	I	-	R/S	A/S	-	-	-	-	-
Escalation 1 Three (3) Concerns RPN ≥ 100	R/S	I	A	I	S	R/S	A/S	I	I	I	I	-
Escalation 2 > Four (4+) Concerns RPN ≥ 100	S	S	A	S	S	S	S	R	I	I	I	I
Escalation 3 > Four (4+) Concerns, RPN ≥ 100 With No Improvement	S	S	A	S	S	S	S	R	S/A	S/A	S/A	I

<b>Key:</b> R – Responsible A – Approval S – Support I – Inform
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### 6. Escalation 0 PROCEDURE / INSTRUCTIONS FOR FIRST and SECOND COMPLAINT:

6.1. Follow Supplier Concern Management Procedure CP-8-ALL-46

6.2. Note for Critical / S/R/F complaints / concerns: Suppliers can be placed immediately onto Escalation 3 at the discretion of the divisional / global Quality and / or Purchasing Director.

### 7. ESCALATION PROCESS FOR THIRD AND ADDITIONAL SUPPLIER COMPLAINTS:

7.1. If a **THIRD** complaint is received from a Supplier within the same rolling 12-month period, the escalation process must be initiated. To initiate escalation, it must be confirmed that:

- All complaints are formal - informal complaints can be ignored for this escalation process.
- All complaints are valid - cancelled / rescinded complaints should be ignored.
- A management review / risk assessment has been conducted and approved prior to moving to escalation where applicable. [Ref process outlined in Appendix A](#)
- The purchasing lead will indicate escalation level 1 initiated against the supplier in the ASL.

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7.2. Where a third complaint is confirmed, **ESCALATION LEVEL 1** should be initiated and based on the RASI the lead responsible function will arrange:

Escalation Letter Stage 1

- SQA / Logistic to update the draft letter with details of Supplier, Component Parts Numbers and Complaints.
- SQA / Logistic to issue letter to Supplier within 10 working days.

Supplier Review.

- A meeting face to face or virtual (ref: Global Supplier Requirements Manual clause 8.4.2.4.1 and 8.7.1.7) should be organised and hosted by SQA / Logistic with the supplier. Where necessary the meeting should be supported by additional Plant Management, for example Quality Manager and / or Plant Manager.
- This meeting is an opportunity for the Supplier to present 8D status of complaints.

Supplier Improvement Plan:

- Additional to the 8D reporting, the Supplier must present an improvement plan outlining how they will prevent further quality / logistic concerns and recover to TIFS expected performance level, that includes at a minimum:
  - Detailed containment plan(s) to prevent future outflow of non-conforming product.
  - Interim corrective action(s) implementation.
  - Permanent corrective action(s) with implementation plan.
- SQA / Logistic should on a regular basis follow up progress against the Supplier Improvement Plan.
- During review of the Supplier Improvement Plan, where supplier actions taken are considered insufficient to protect TIFS, SQA / Logistic should initiate implementation of CSL1 activity.
- A supplier working to implement an agreed improvement plan shall only be moved to escalation level 2 if repeat complaints are found at a TIFS facility.

7.3. Where a fourth complaint is confirmed, **ESCALATION LEVEL 2** should be initiated and based on the RASI the lead responsible function will arrange:

Escalation Letter Stage 2

- Update draft letter with details of Supplier, Component Parts Number/s and Complaints and issue to SQA / SD / Logistic / Purchasing for additional signature.
- The purchasing lead will indicate escalation level 2 initiated against the supplier in the ASL.

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- The Purchasing lead will be responsible for sending the letter to the Supplier Senior Management Team.

Face to Face / Virtual Review

- Reference Global Supplier Requirements Manual clause 8.4.2.4.1 and 8.7.1.7
- SQA / Logistic should arrange the review, ensuring sufficient additional resources are available as required (SD / PUR etc).
- During the review, the Supplier Management Team should present a detailed investigation into why the improvement plan introduced at escalation level 1 was not sufficient and how they will prevent further quality complaints and recover to TIFS expected performance level.
- During this review, where actions taken by the supplier are considered insufficient to protect TIFS, SQA / Logistic should mandate implementation of CSL1 or where CSL1 was already implemented CSL2.

TI Process Audit at Supplier Manufacturing Facility

- An audit of the supplier manufacturing process should be led by SD and required supporting functions following established divisional guidelines. Alternate auditors will be confirmed on a case-by-case basis, looking at availability and locality of resource. The audit should be performed against TIFS running process and verify actual results looking at:
  - Process Flow
  - Process Failure Mode Effects Analysis
  - Control Plan and Control Plan test results (minimum 3 months).
  - Set up verification logs.
  - Maintenance Logs (minimum 3 months).
  - Operator Instructions for the process.
  - Staff experience / skills matrix and turn over for the last year (salaried and hourly).

7.4. The output of the meeting will be a written agreement between all parties of actions to be taken to improve.

7.5. Where additional, repetitive, or critical / S/R/F complaints occur and / or where a supplier does not proactively respond to previous escalation levels, the supplier will be moved to

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**ESCALATION LEVEL 3** within the Approved Supplier List and the Purchasing Lead should arrange:

7.6. Escalation Letter Stage 3

- This letter will be issued by the relevant Purchasing Manager to the Supplier Senior Management and details higher level activity to follow.
- The purchasing lead will indicate escalation level 3 initiated against the supplier in the ASL.

7.7. Level 3 suppliers are considered a critical risk for TIFS and may result in a business hold situation, dependant on each supplier status.

### Appendix A – Escalation Process

No	Supplier	All Other	Logistics (non OTD)	On-Time Delivery	Quality	Warranty Related	Total	S	O	D	Total [100]	Risk Assessment / Actions
1	Ricor Ltd	2	4	4	49		59	5	8	5	200	Escalation level 3 / Certification body informed
2	Kohler Automobiltechnik GmbH		4		13		17	5	6	5	150	Escalation 2 / Action in progress
3	Hyundam Industrial Co. Ltd.				13		13				0	Mandated supplier
4	Padmini VNA Mechatronics Pvt. Ltd.			11	1		12				0	Mandated supplier
5	Ricor Polska Sp. Z.O.O.				6		11	5	4	5	100	Escalation level 3 / No new SNCR
6	Stanzwerk Ag			10	1		11	6	9	2	108	Escalation 1 / Action in progress
7	Hidro Rubber Iberica Sa		3	2	4		9	5	6	4	120	1 new SNCRs. Low risk - Escalation to be started by Rastatt
8	Hyundam Slovakia SRO		2		7		9				0	Mandated supplier
9	Schurholz GmbH & Co. Kg Stanztechnik		3		6		9				0	Mandated supplier
10	Alfmeier Präzision Aktiengesellschaft Baugruppen Und Systemlosungen		5		3		8				0	Mandated supplier

Risk Priority Calculation = S x O x D

Suppliers with RPN values ≥ 100 will be subject to escalation.

#### Severity

**Rank 1 (Minor)** – Unreasonable to expect that the minor nature of the **nonconformance** will have any noticeable effect **on the** item, system performance, subsequent process, or assembly operation. Customer will most likely not **be** able to detect the **nonconformance**.

**Rank 2 – 3 (Low)** – Due to the nature of this **nonconformance** TIFS experiences only slight annoyance. TIFS will probably notice slight deterioration of the item or system performance or a slight inconvenience with a subsequent process or assembly operation, i.e., minor rework.

**Rank 4 – 6 (Moderate)** – **Nonconformance** causes some TIFS dissatisfaction. TIFS will notice item or system performance deterioration **that** may result in unscheduled rework/repair and/or damage to equipment.

**Rank 7 – 8 (High)** – High degree of TIFS customer dissatisfaction due to the nature of the **nonconformance**, such as inoperable item or system. **Nonconformance** does not involve safety or government regulation **but** may result in serious disruption to subsequent processing or assembly operations and/or require major rework.

**Rank 9 – 10 (Very High)** – **Nonconformance** affects safety or involves noncompliance to government regulations. May endanger machine or assembly operator (9 with warning, 10 without warning)

#### Occurrence

**Rank 1 (Remote)** – **Nonconformance** unlikely. No **occurrence** associated with this process or almost identical processes – lpb max 1 000.

**Rank 2 (Very Low)** – Only isolated **nonconformances** associated with this process or almost identical processes – lpb 1 001 – 5 000

**Rank 3 – 5 (Low)** – Isolated **nonconformances** associated with similar processes – lpb 5 001 – 15 000

**Rank 6 – 7 (Moderate)** – This process has occasional **nonconformances**, but not in major proportions – lpb 15 001 – 25 000

**Rank 8 – 9 (High)** – This process or similar processes have **frequent nonconformances** – lpb 25 001 – 50 000

**Rank 10 (Very High)** – **Occurrence of nonconformance** is almost inevitable – lpb above 50 001.

In case of Reoccurrence Rank to be increased by 1

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**Detection**

**Rank 1 – 2 (Very High)** – Current controls almost certain to detect the **nonconformance**. Reliable detection controls are known with similar processes. Process automatically prevents further processing

**Rank 3 – 4 (High)** – **Process** controls **show a high probability** of detecting the **nonconformance**, process automatically detects **nonconformance**.

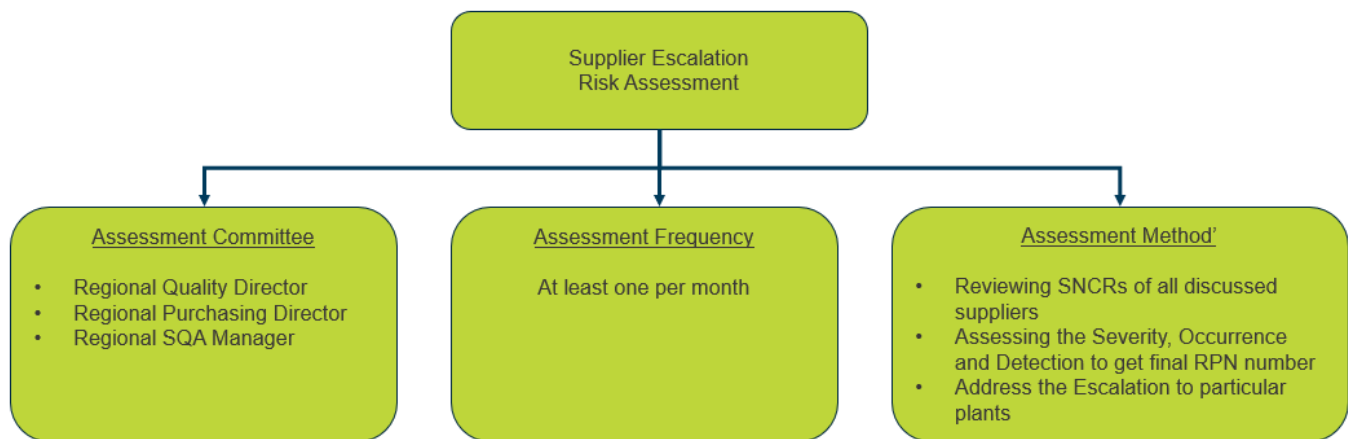
**Rank 5 – 6 (Moderate)** – Controls may detect the existence of a **nonconformance**.

**Rank 7 – 8 (Low)** – Controls have a poor chance of detecting the existence of a **nonconformance**.

**Rank 9 (Very Low)** – Controls probably will not detect the existence of a **nonconformance**.

**Rank 10 (No Detection)** – Controls will not or cannot detect the existence of a **nonconformance**. No known controls available to detect a **nonconformance**.

**Escalation Risk Assessment – Process**



**Escalation Exit Criteria**

To exit escalation the supplier must satisfy the following minimum mandatory requirements shown in bold font, other items are applied at the discretion of the escalation assessment committee:

- 6 months without NCR (or 3 months after closure of all NCR). Timing can be modified depending of supplier and kind of issues
- **Quality improvement plan from supplier**
- **Closure of all ongoing 8D with evidence (or checked during exit audit where applicable)**
- Requalification of involved products – depended on escalation content (no requalification required for logistic issues)
- Agreement for payment on cost recovery (linked to SNCRs) on going.
- No findings on Firewall control (CSL1/2) – where applicable, could be defined for Escalation levels 2 and 3.
- **Escalation exit audit - Audit to be conducted on site according to Supplier Escalation Procedure or as a Supplier Self-Assessment at the discretion of the SQA lead.**

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**Appendix B – Escalation Letter Template**

*(Cut and Paste to TIFS Letter Head)*

Supplier Sales Manager  
Supplier Name  
Supplier address  
Supplier location country

dd-mm-yyyy

**Supplier performance Escalation X (chose from 1.2.3)**

Dear Supplier Sales Manager

TI Fluid Systems is a 1<sup>st</sup> tier supplier to vehicle manufacturer, and you as our system- or component supplier, we are committed to our customer’s expectations in premium on-time quality over the entire supply chain and utilization phase. Therefore, quality management of supplied components plays a critical role in our organization.

TI Fluid Systems adheres to a zero-defect policy. We expect all suppliers to provide -materials, services, and processes that are fully meeting specifications and delivered 100% within the prescribed delivery schedule. Suppliers are monitored in accordance with IATF16949 requirements.

TI Fluid Systems has determined that current quality control process set up by your organization is not sufficient to protect TI Fluid Systems from receiving nonconforming material produced by your facility.

By this letter we are requesting a detailed review of all incidents and concerns generated in YYYY again to analyze if root causes of these non-conformities were identified at all or correctly, counter measures were put in place appropriately, verified as effective. Concerns are enlisted in EPC activities and addressed in lessons learned. Please submit this overview in a PowerPoint presentation including your plan how you will recover from the current quality level and stabilize the production process in short term. We are also interested to understand how your organization will establish long term 0 defect deliveries on time. Please include this in the presentation as well.

This letter is to inform you about your company’s quality performance for the XX quarter of YYYY. The Reported Quality performance over last X months is showing an unacceptable status and went off track from our targets.

XX YYYY YTD performance was showing incidents in X of our TIFS Plants.

User plant 1: X Complaints. Delivery Performance XX (GRY status)


User plant 2: X Complaints. Delivery Performance XX (GRY status)

User plant 3: X Complaints. Delivery Performance XX (GRY status)

Overall: X Complaints, (GRY)

Escalation Status SD: 1 2 3



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Please submit the overview and the quality improvement plan before **DDMMYYY** to your TI Fluid Systems Supplier Quality Assurance representative. (SQA\_name from\_involved plants), provide copy to us.

Resulting from above your organization (production location) -is being -listed as a concern supplier to be improved and rated by color YELLOW in ASL (Approved Supplier List). Next Level would be RED suspended from Bidding list for all new projects globally if no improvements are demonstrated.

*(OR in case to RED)*

Resulting from above your organization (production location) is being suspended from bidder list for all new projects globally and rated by color RED in ASL (Approved Supplier List) – new business hold.

After receipt of the overview and our common review with SQA, we will continue monitoring quality performance for improvements over the following 3 months or until our next quarter ASL review.

Your sincerely (Please adapt signatures and names as required)

XXXXXX

Commodity Manager / Regional Purchasing Director

XXXXX

SQAM / QD

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**8. REASON FOR CHANGE TABLE:**

REV. LTR.	REV. DATE	DESCRIPTION OF CHANGE	APPROVAL HISTORY
A	30 March 2012	First release of Procedure.	Global Quality Director
B	30 January 2014	Updated to remove Supplier Development Position. Authority is now split between SQA and Purchasing. Also, escalation level 1 is initiated on three concerns, previous was two concerns.	Global Quality Director
C	30 January 2014	Changed numbering to reflect CI area of QMS. Previous document was TS-OP-P-008.	Global Quality Director
D	18 <sup>th</sup> May 2021	Branding change – TI Fluid Systems was TI Automotive, TIFS was TI multiple locations. Reformat document 2.1 and 2.2 add to responsibilities. Document number change: CP-8-All-80 was TS-CI-P-010 1.4 “rolling 12-month period” was “year (Jan-Dec) 1.5 added: external suppliers globally for all divisions. 3.5 S/R/F added to definitions. 4.3 Added: CP-8-ALL-46 – Supplier Concern Management 5.1 Added RASI chart 6: Added escalation 0 6.1: Added CP-8-All-46 6.2 was 5.1. 7.2 Supplier Review: Added ref Global Supplier Requirements Manual clause 8.4.2.1 and 8.7.1.7 7.2 Supplier Improvement Plan – Added: Minimum requirements and criteria for Escalation Level 2 Added Appendix A: Escalation Letter Template	Global Quality Director
E	18 <sup>th</sup> June 2021	7.3 – An audit of the supplier manufacturing process should be led by SD and required supporting functions following established divisional guidelines. Was: An audit at the supplier manufacturing process should be performed by SD following established guidelines.	Global Quality Director
F	11 <sup>th</sup> May 2023	5.1 RASI Chart updated for RPN calculation. 7.1 Added: ref process outlined in Appendix A Added Appendix A – Escalation Process Appendix B was Appendix A	Corporate Quality Systems Director