

## Schedule 11 Supplier Performance

1

### 1.1. KEY PERFORMANCE INDICATORS

- 1.1.1. DELIVERY – The target is 100% on time delivery, to the agreed times included in the Material Contract Data Sheets. Failure to meet delivery times will attract the following abatements against the full order value of all Goods due to be delivered in the measured period. This will be measured for each Accounting Period.

<b>Delivery Performance by Value</b>	<b>Abatement Attracted on Full Value of orders</b>
>= 99.00%	0%
97.00% - 98.99%	1%
95.00% - 96.99%	2%
90.00% - 94.99%	3%
80.00% - 89.99%	4%
<80.00%	5%

- 1.1.2. Not required

### 1.2. SDI PERFORMANCE CRITERIA / SERVICE DELIVERY INDICATORS (SDI's)

- 1.2.1. QUALITY – The Supplier will supply Goods with 0% Defects. When Defects are found the escalation process will begin in the following circumstances:

#### 1.2.1.1. Non Safety Critical Goods

- Defects found in 3 or more Accounting Periods over a rolling six Accounting Periods; or
- Defects found in over 2% of Goods Delivered in an Accounting Period.

#### 1.2.1.2. Safety Critical Goods

- Any single Defect

- 1.2.2. STOCK HOLDING – The Supplier shall maintain the value of agreed stock holding.

Where the stock holding is:

- below 100% for 4 or more Accounting Periods over a rolling six Accounting Periods;
- below 90% for 2 or 3 Accounting Periods over a rolling six Accounting Periods; or
- below 75% in any single Accounting Period,

the escalation process shall begin.

- Stock holding to be measured by review of the agreed delivery schedules, Contract Programme and in line with London Underground's Material Team.

## 2. ESCALATION PROCESS

In the event of unsatisfactory performance standards, including (but not limited to) failure to reach the targets set by the Service Delivery Indicators, failure to reach the targets set by the key performance indicators (in 1.1. above), faults open beyond the rectification time and any other deficiencies in performance, the escalation process shall be invoked by the Company in their absolute discretion.

The purpose of the escalation process is to provide a structured framework within which the Parties can address unsatisfactory performance standards against timescales and deliverable targets. For the purposes of this process notified levels of poor performance will be termed "**Non-Conformances**".

This procedure operates with four levels; the lowest level Non-Conformance being Level 1. Should Non-Conformances escalate they will receive an appropriate level of management intervention from the Company and the Supplier. Level 3 gives final review and opportunity for remedial actions to resolve issues before the Non-Conformance reaches Level 4, which will entitle the Company to terminate in accordance with Clause 22.1 of this Agreement.

In the event that a performance issue is not resolved between the Company and the Supplier then the Non-Conformance may be raised formally to a Level 1 or Level 2 Non-Conformance, depending upon the severity of the performance failure. It is possible for a number of Level 1 and/or Level 2 issues to be in hand at any one time.

**Summary of Escalation Process**

TRIGGER	LEVEL	ACTION	BY	RESULT
Failure to rectify identified non-conformance issued as part of KPIs and/ or SDIs	LEVEL 1	Improvement plan with precise end date required. On going review dates specified.	Supplier	Satisfactory - Stop  Unsatisfactory - Level 2
Level 1 re-occurrence  Consistent failure to meet required requirement  Safety Condition infringements.	LEVEL 2	Improvement plan with precise end date required. Ongoing review dates specified.	Supplier	Satisfactory - Stop  Unsatisfactory - Level 3
Level 2 re-occurrence	LEVEL 3	Final review. Final opportunity for remedial action. Precise end date required.	Supplier	Satisfactory - Stop  Unsatisfactory - Level 4
Level 3 re-occurrence	LEVEL 4	POSSIBLE TERMINATION		

Issues shall be resolved locally on a day-to-day basis to the mutual satisfaction of all Parties and shall not be raised to Level 1 without prior endeavours to resolve. At this stage of the process, the Supplier may be required to supply a Root Cause Analysis and a Recovery Plan.

**Level 1**

The Level 1 Non-Conformance will be recorded by the Company and a notice submitted to the Supplier. The Supplier shall in response (such response to be within 10 Business Days of service of the notice by the Company) prepare and submit to the Company a Level 1 Non-Conformance Report. Such report will contain:

- Confirmation of the date and details of the Level 1 Non-Conformance
- The steps to be taken by the Supplier to ensure there is no repetition of such Level 1 Non-Conformance (the "**Level 1 Required Action**")
- The time within which such Level 1 Required Action is to be completed (which shall be a reasonable period and no longer than the "**Level 1 Rectification Period**").

The Supplier and the Company will use all reasonable endeavours to agree the Level 1 Rectification Period and the Level 1 Required Action. If the agreed Level 1 Required Action is carried out within the agreed Level 1 Rectification Period then the Non-Conformance will be classed as closed.

## **Level 2**

If the Company determines, that a Non-Conformance should be treated as a Level 2 Non-Conformance; or the Supplier fails to provide the Company with a Level 1 Non-Conformance Report within 10 Business Days; or the Supplier fails to rectify the Level 1 Non-Conformance within the Level 1 Rectification Period, then this shall be a "**Level 2 Non-Conformance**" and the Company will submit a notice to the Supplier.

The Supplier shall in response (such response to be within 10 Business Days of service of the notice by the Company) prepare and submit to the Company a Level 2 Non-Conformance Report. Such report will contain:

- Confirmation of the date and details of the Level 2 Non-Conformance
- The steps to be taken by the Supplier to ensure there is no repetition of such Level 2 Non-Conformance (the "**Level 2 Required Action**")
- The time within which such Level 2 Required Action is to be completed (which shall be a reasonable period and no longer than the "**Level 2 Rectification Period**").

The Supplier and the Company will use all reasonable endeavours to agree the Level 2 Rectification Period and the Level 2 Required Action.

If the Level 2 Required Action is taken within the agreed Level 2 Rectification Period then the Non-Conformance will be considered resolved. However, a record of the Non-Conformance will be made and Level 2 trends monitored.

## **Level 3**

If the Company determines, that a Non-Conformance should be treated as a Level 3 Non-Conformance; or the Supplier fails to provide the Company with a Level 2 Non-Conformance Report

within 10 Business Days; or the Supplier fails to rectify the Level 2 Non-Conformance within the Level 2 Rectification Period, then this shall be a “**Level 3 Non-Conformance**” and the Company will submit a notice to the Supplier.

The Supplier will provide the Company a report (a “**Level 3 Non-Conformance Report**”), setting out the steps which the Supplier has taken, or will take, to ensure that no further Non-Conformances of this type shall arise (the “**Level 3 Required Action**”); and the period (being no greater than 2 months from the time of occurrence of the Level 3 Non-Conformance for the Supplier to put in place steps to ensure that no further Non-Conformances of the same type occur (the “**Level 3 Rectification Period**”).

#### **Level 4**

The Supplier fails to provide the Company by the agreed deadline, a Level 3 Non-Conformance Report; or the Supplier fails to undertake the Level 3 Required Action within the Level 3 Rectification Period; or the Supplier fails to rectify the Level 3 Non-Conformance within the Level 3 Rectification Period.

