THE ESTĒE LAUDER COMPANIES INC.

Quality Assurance

Concern and Corrective Action Report
CCAR

Kevin Hill
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Estēe Lauder Companies

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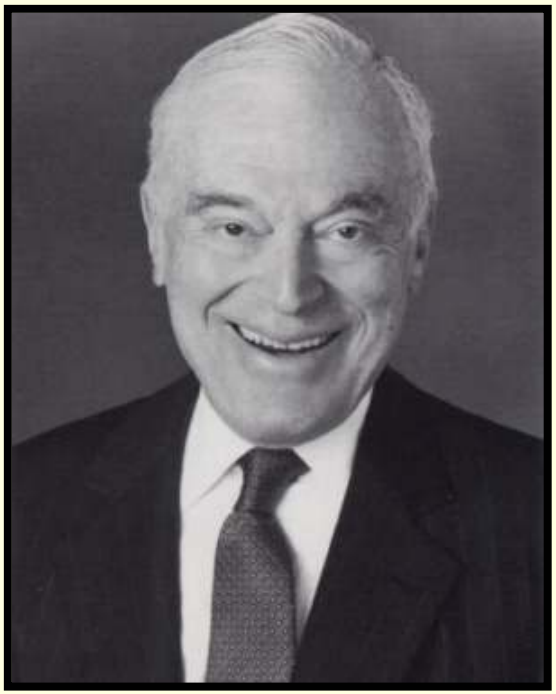
Quality Heritage

Quality Assurance



"Estee Lauder Companies have pursued Mrs. Lauder's goal of quality, innovation and consumer satisfaction."

"Every step taken from that first year through the one just completed has been guided by the three principles on which she founded the business: quality, innovation and a strong connection to our consumers."

Supplier Communication

Quality Assurance

In the Quality conscience and Competitive business we are all engaged in, it has become a necessity to identify issues as they arise and implement irreversible corrective actions to fix them.

K. Hill from CCAR letter to suppliers, July 2005

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Agenda

Quality Assurance

- CCAR Overview
  - What is CCAR?
  - Why utilize CCAR?
  - How does CCAR work?
  - What are the expected outcomes?
- The CCAR Process
- CCAR Reports
- Measuring Compliance
- Current Status
- Continuous Improvement
- Benefits of CCAR
- Summary

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What is CCAR?

Quality Assurance

- A systematic approach to solving a quality concern
- A closed loop process utilizing the Six Sigma DMAICR model
- A Lessons Learned document and database

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Why Adopt CCAR?

Quality Assurance

- To move from a problem notification system to a problem resolution system
- Resolve issues at their source
- Supplier accountability for root cause and corrective actions
- Improve efficiencies and costs
- Improve incoming and outgoing Quality

How Does CCAR Work?

Quality Assurance

- An issue with a product, component, or raw material is identified via various sources
  - Incoming inspection (AQL violation/Out of specification)
  - Consumer complaint
  - Production issue
- A Non Conformance Report (NCR) is created for financial tracking
- The person affected, the originator, raises a CCAR in the database on the process owner, the supplier, and tracks the progress
- There is one CCAR raised for every NCR or group of similar NCR's

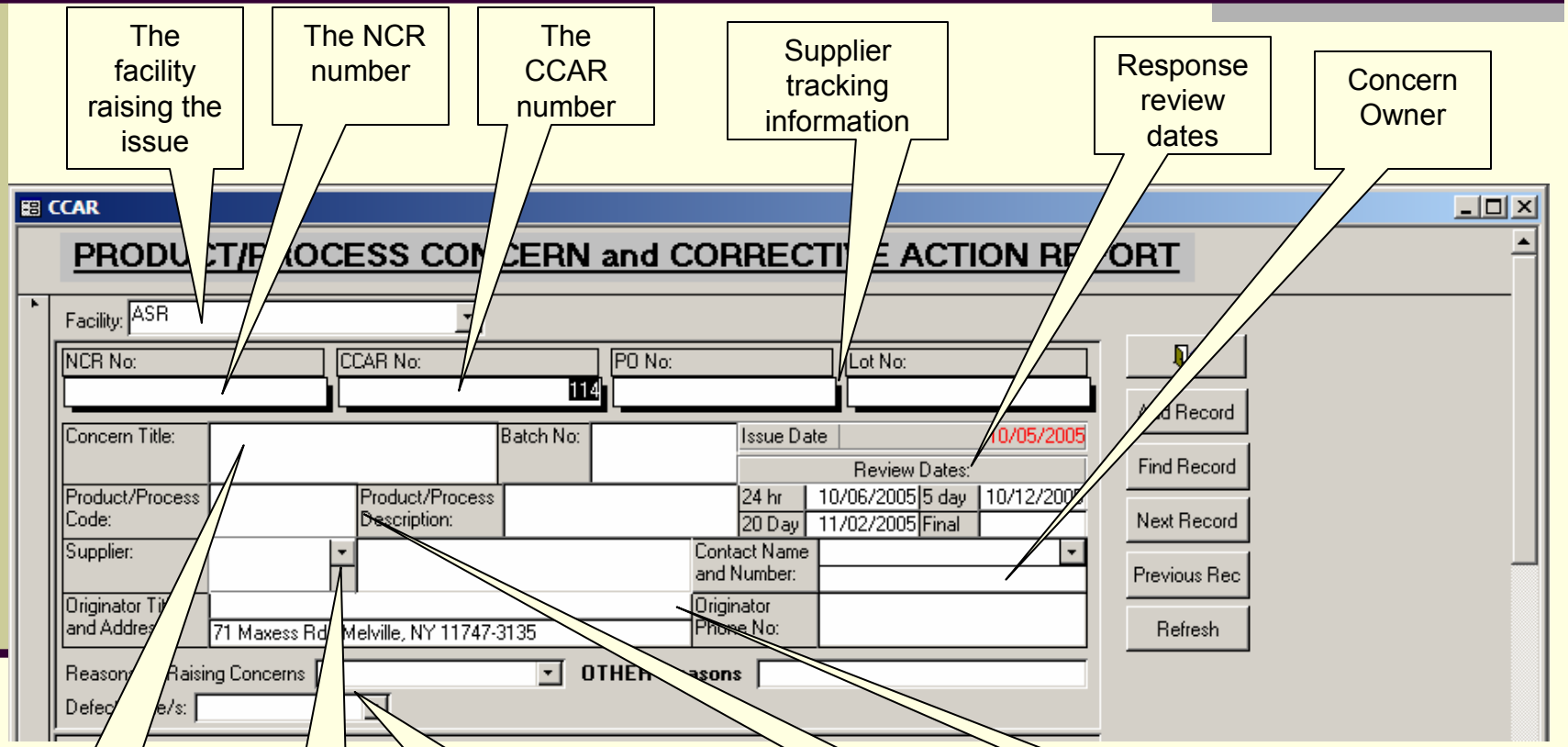
What are the Expected Outcomes?

Quality Assurance

- Identification of supplier controlled material and source containment within 24 hours of being notified
- Understanding of the issue by the supplier and definitive root cause and corrective action within 5 days of being notified
- Implementation plan to address corrective action within 20 days of being notified
- Closure of the issue within the timeframe identified
- Replication of the corrective action across similar products or processes

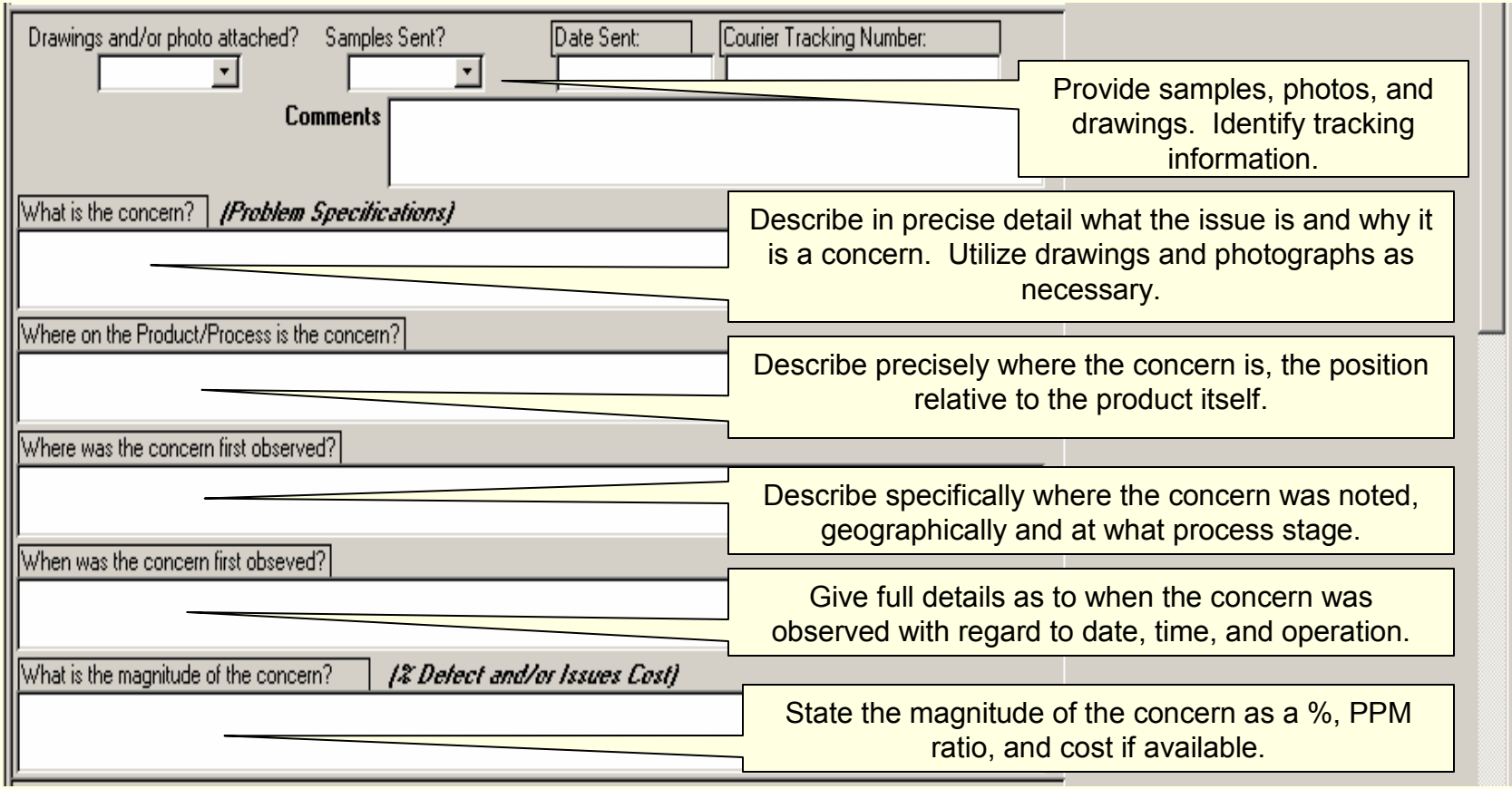
The Process
Define the Issue

Quality Assurance



The Process
Define the Issue

Quality Assurance



Provide samples, photos, and drawings. Identify tracking information.

Describe in precise detail what the issue is and why it is a concern. Utilize drawings and photographs as necessary.

Describe precisely where the concern is, the position relative to the product itself.

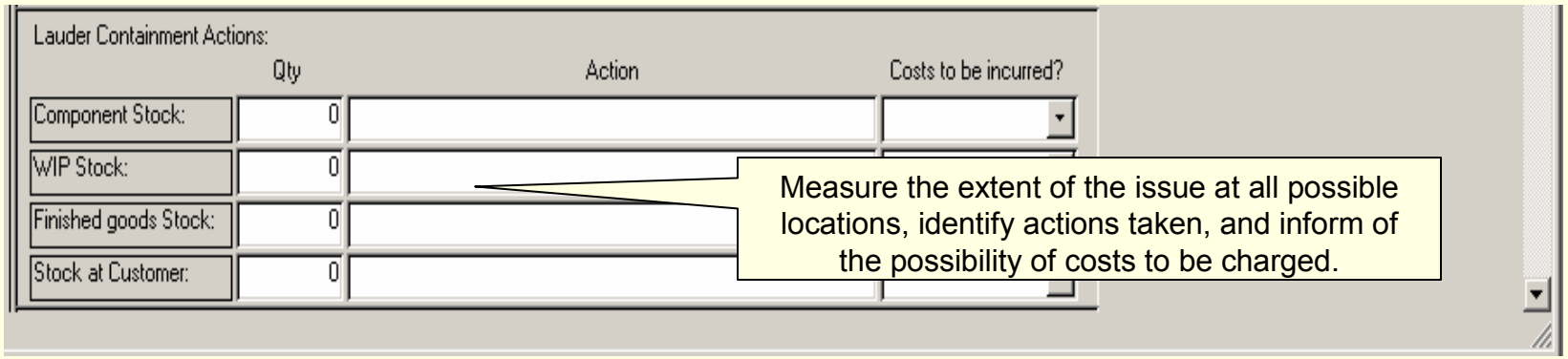
Describe specifically where the concern was noted, geographically and at what process stage.

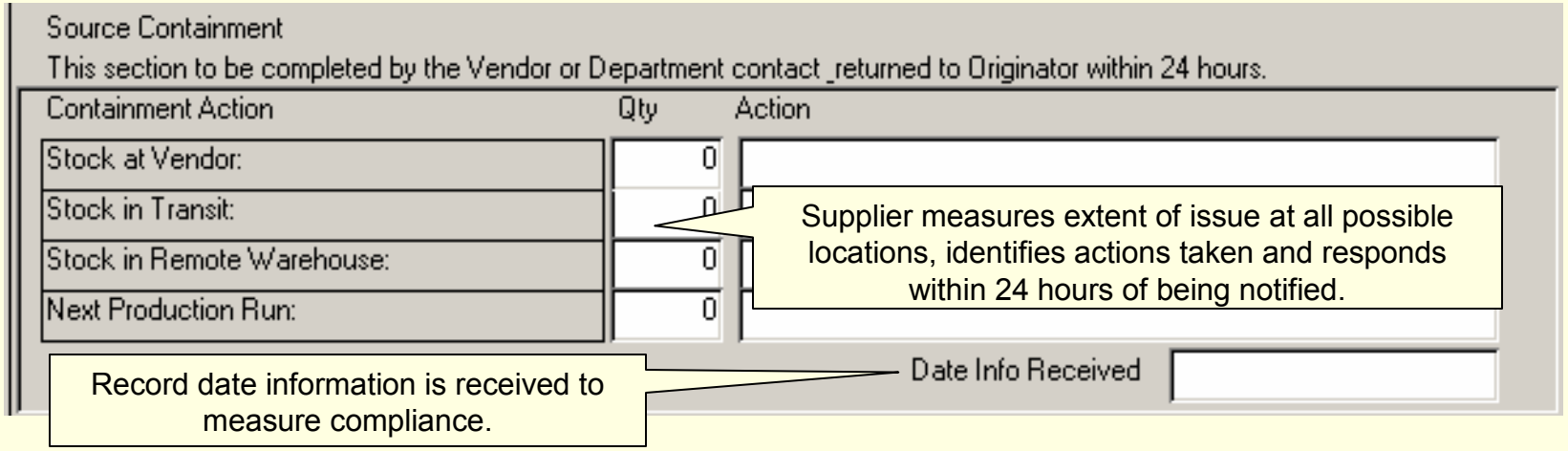
Give full details as to when the concern was observed with regard to date, time, and operation.

State the magnitude of the concern as a %, PPM ratio, and cost if available.

The Process
Measure the Issue

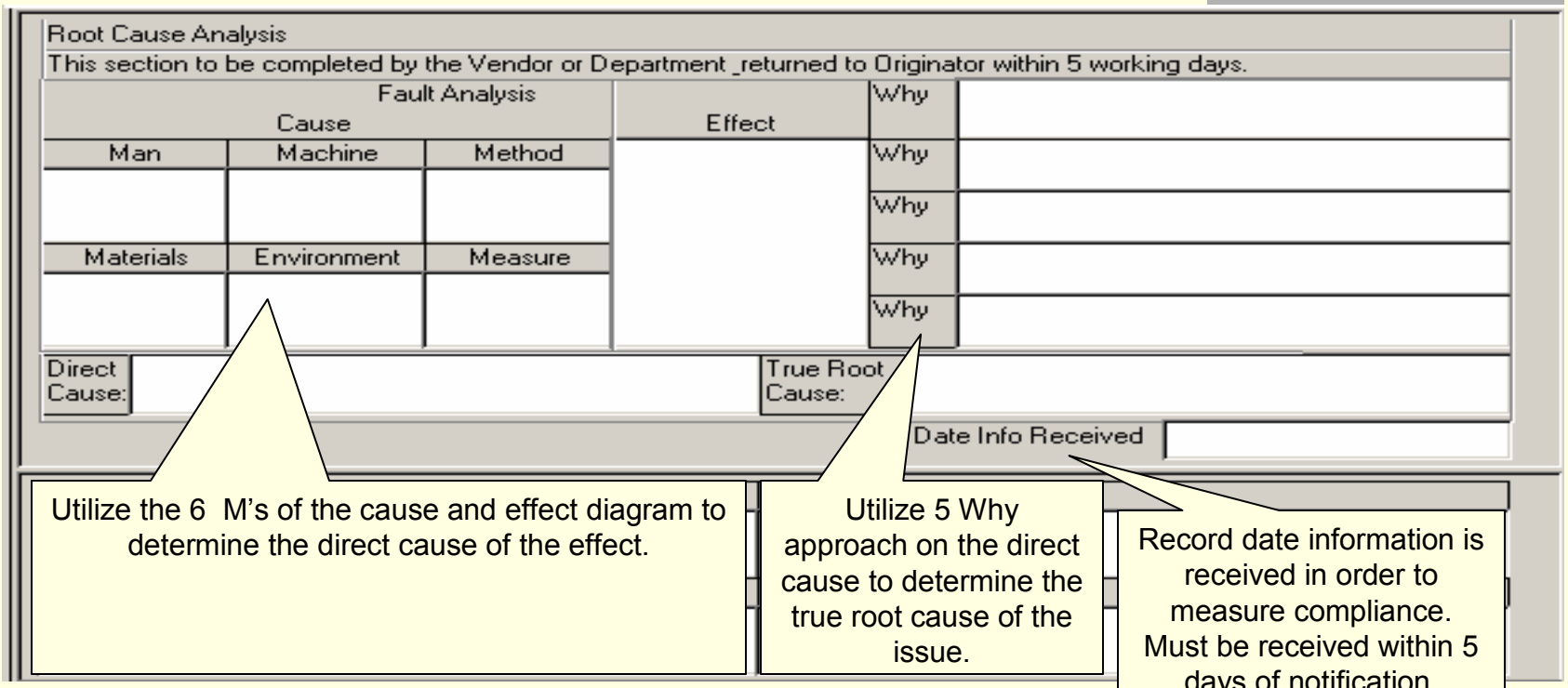
Quality Assurance





The Process
Analyze the Issue

Quality Assurance



The Process
Improve and Control

Quality Assurance

Upon conclusion of the true root cause, the supplier must address the issue with a permanent corrective action. They must decide on a method of verification that will test that the action is robust and agree on this verification with the originator of the CCAR. As each action is completed, the supplier will test to the verification method.

Chosen Permanent Corrective Action:	Actions
Verification Method	Verification Result

The Process
Improve and Control

Quality Assurance

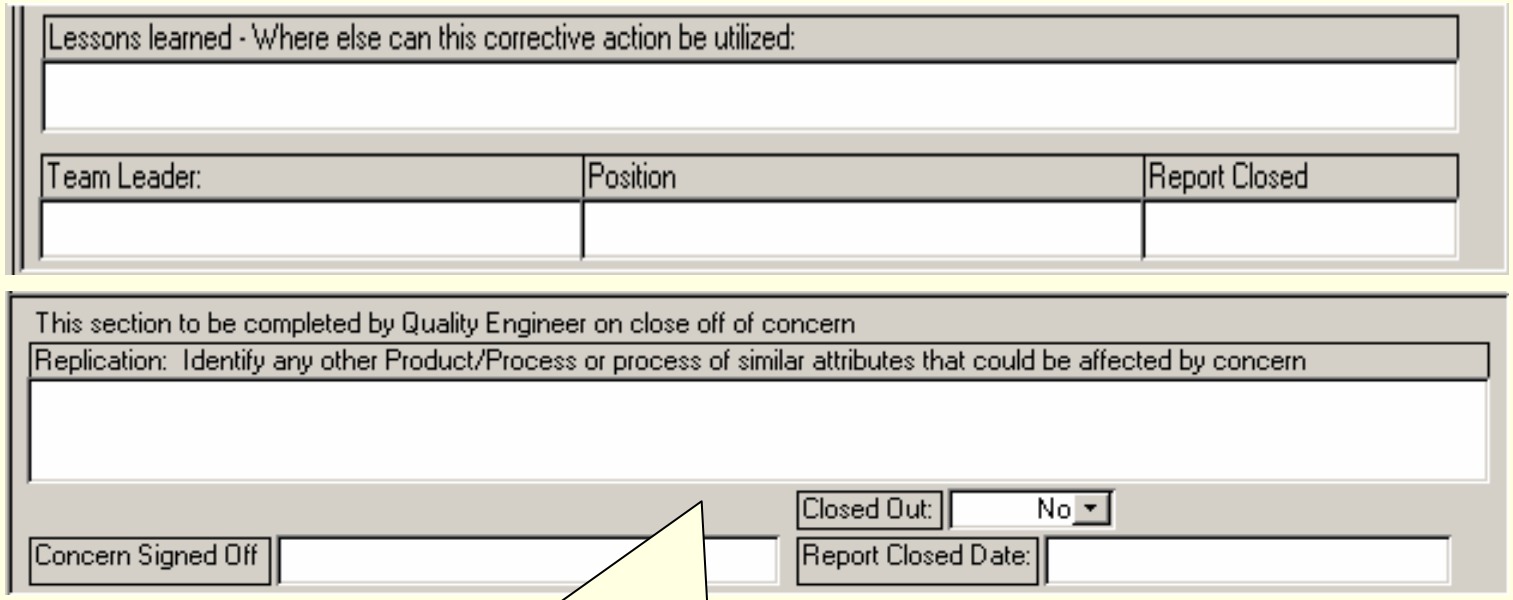
Implementation Plan			
This section to be completed by the Vendor or Department _returned to Originator within 20 working days			
Activity	Responsible	Progress	Implementation Date
		B- - E	
		B- - E	
		B- - E	
		B- - E	
		Date Info Received	

The implementation plan must be reported to the CCAR originator within 20 days of notification of the issue. This section becomes a working document and will be re-sent as implementation dates are met. Until all activities are completed, any containment put in place within the supplier's process must be maintained.

Record date information is received to measure compliance.

The Process
Replicate the Learning

Quality Assurance



Replication/lessons learned are provided by the supplier and the originator. Only the originator can sign off on CCAR and officially close it out.

Process Flow

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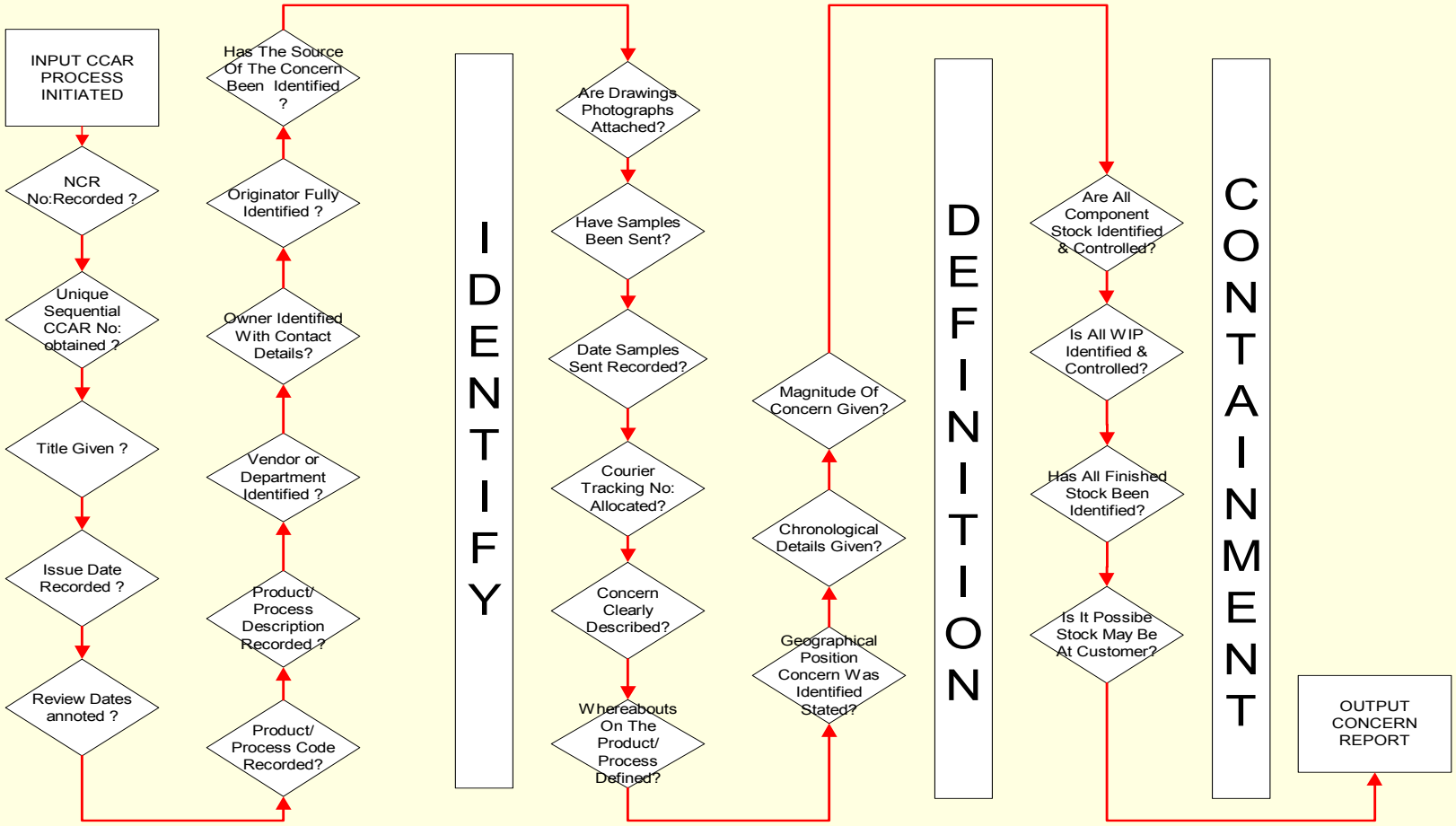
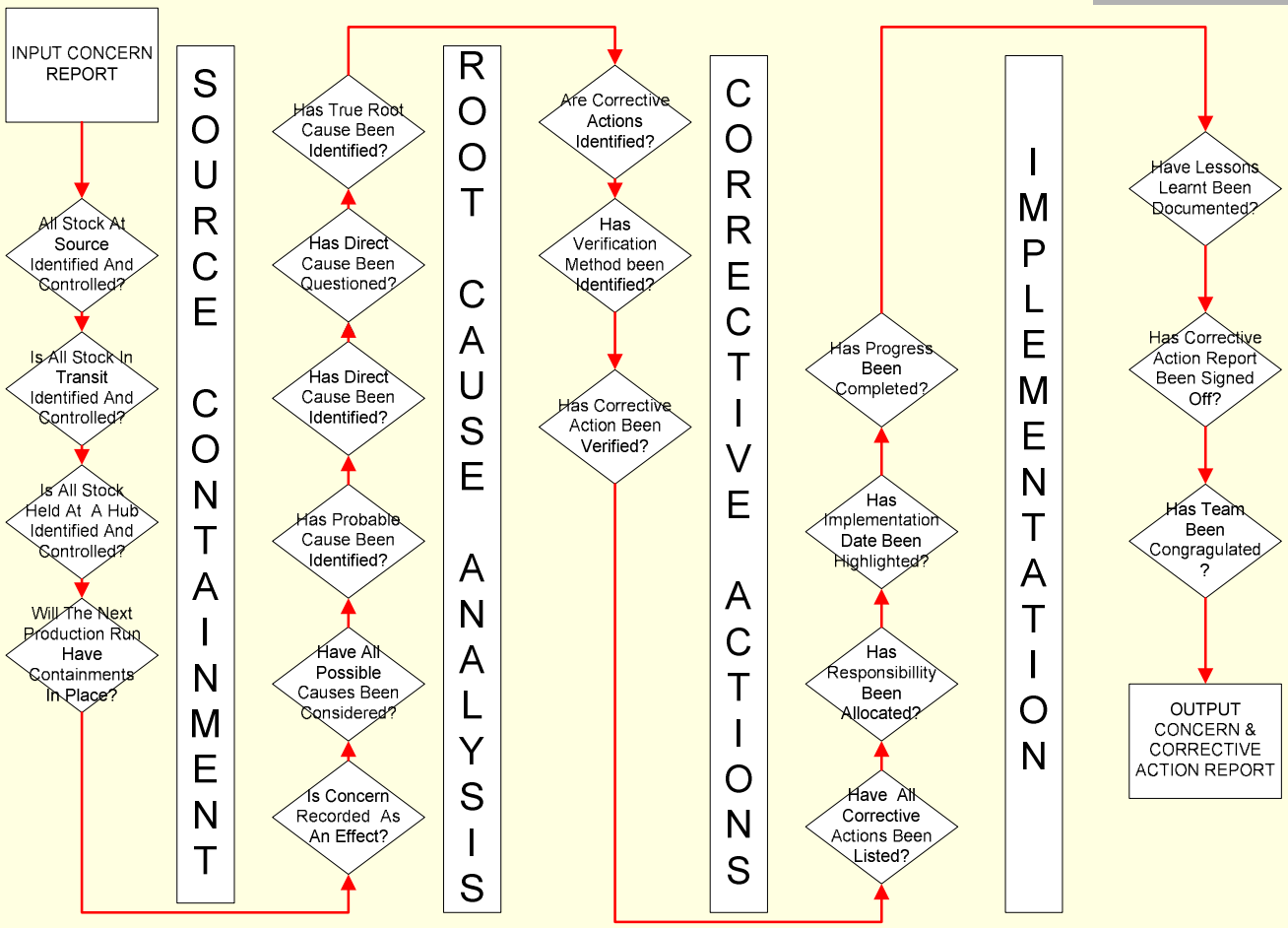


Process Flow

Quality Assurance



CCAR
Report Generation

Quality Assurance

- To facilitate tracking compliance to the CCAR review dates, reports are generated for:
  - Open CCAR's by site, supplier, and defect code
  - CCAR's that have missed the 24 hr review deadline
  - CCAR's that have missed the 5 day review deadline
  - CCAR's that have missed the 20 day review deadline

Measuring Compliance

Quality Assurance

- Suppliers will be measured on their compliance to the CCAR review dates on a monthly basis via the Global Quality Measurement System (GQMS)

Global Quality Supplier Measurement - Monthly Supplier Performance Report

		Percent Rejects							Critical Issues/Complaints					Responsiveness *Compliance to CCAR time requirements:*					Problem Mgmt Cost *Amount of time and expense associated with resolution*							Other Deductions			
Raw Material Suppliers	Deliveries	Total Rejects	Highly Critical	Critical	Major	Minor	Weighted % Rejects	Points	External Complaints	Other Quality Issues	OOS Exceptions	Weighted Score	Points	24 Hrs	5 Days	20 Days	Weighted score	Points	Minimal time or little cost	<$1,000 or Manager	$1,000 - $5,000 or Dir	$5,000 - $10,000 or Executive Director	>$10,000 or VP	Weighted Score	Points	Regulatory Issue	Quality Alert	Total Deductions	Total Rating

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CCAR
Current Status

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- Use of CCAR communicated to suppliers and supported by GSR
- Access database established to track CCAR's
  - Shared database for US facilities
  - Separate shared database for Canadian facilities
  - Site specific database for European facilities
- Originator controlled data entry
- Process accepted by suppliers

CCAR
Continuous Improvement

Quality Assurance

- Move from Access based system to Web based system
  - Suppliers responsible for data entry
  - Lessons learned capability globally
- Convert current systems to SAP
  - Incorporate CCAR into SAP system

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Benefits Seen Utilizing CCAR

Quality Assurance

- Immediate supplier response
- Resolution of problem vs. strictly containment
- Heightened awareness of quality issues
- Consistent global system
- Facilitation of teamwork
  - QA, SRP, GSR, Mfg.

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CCAR Summary

Quality Assurance

- A systematic approach to problem solving utilizing the Six Sigma DMAICR model
- A closed loop system focusing on problem resolution rather than containment
- A lessons learned database
- A method to measure supplier performance
- A means to facilitate teamwork across functional areas
- A global system that deals with suppliers and issues in a common fashion