



Memorandum

DATE: December 2, 2024

TO: Lockheed Martin Aeronautics Global Supply Chain

FROM: Eugene Jaramillo, Vice President, Global Supply Chain Operations
Lindsay Muth, Vice President, Quality & Mission Success

SUBJECT: 2025 Aeronautics Supplier Performance Quality and Delivery Rating Enhancements

Lockheed Martin Aeronautics (LMA) Company recognizes the criticality of the products our suppliers provide to our aircraft platforms, and the vital role it plays in supporting our business. LMA values and acknowledges your commitment to quality, delivery, and innovation in both service and quality of the products. LMA supply chain performance is a key enabler to achieving our mission objectives; therefore, we are committed to a robust supplier performance management strategy that is grounded in accountability, performance, and continuous improvement.

In 2025, LMA will implement changes to the Quality and Delivery Performance Ratings which focuses on rewarding performers through formal recognition, bid list inclusion, and strategic collaboration, in addition to addressing poor performing suppliers through program review escalation, improvement plans, and executive management reviews across all Lockheed Martin Business Areas as part of our 1LMX strategy. As we continue to strive for excellence with our suppliers and to provide transparency into all performance metrics, we are excited to incorporate the following changes to our performance ratings:

- Both Quality and Delivery Rating will be based on 6-month window instead of the 3-months window
- Quality Rating Critical Impact factor penalty will be reduced from the original -11 (Escalation Concern) and -21 (Severe Impact) points to -6 (Escalation Concern) and -11 (Severe Impact) points respectively
- Quality Rating late SCAR response penalty will be reduced from the original -20 point to -10 points
- Quality Performance Thresholds will be aligned with other Lockheed Martin business areas, adjusting to 100 = Blue; ≥95 = Green; ≥90 = Yellow; <90 = Red
- Defect yield multiplied-by impact factors of defect occurrences, along with volume normalization, will remain the same on the Quality Rating

In the same way LMA is committed to improving our internal performance, we are asking for the same commitment to internal improvement from our supply base partners to identify performance risk and opportunities, implement timely and effective action plans, and realize improved and sustained performance levels.

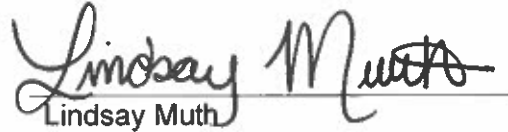
These changes are further detailed in the attached infographic and will take effect on January 10, 2025. Suppliers striving to improve their performance should see earlier results from their efforts.

We appreciate your commitment to ensure we deliver innovative, affordable, and agile supply chain solutions that exceed our customer expectations.

Regards,



Eugene Jaramillo
Vice President
Global Supply Chain Operations



Lindsay Muth
Vice President
Quality & Mission Success

Enclosure: 2025 Aeronautics Supplier Performance Enhancements Infographic

2025 AERONAUTICS SUPPLIER PERFORMANCE ENHANCEMENTS

Implementation Date: January 2025

QUALITY FORMULA



Program
Supplier
Rating =

$$= \left[100 - \text{Critical Impact} - \text{Late SCAR Response} \right] - \frac{\text{Defect QTY} \times \text{Impact Factor}}{12\text{mo} * \text{Receipt QTY} \times \text{Volume Factor}} \times 100$$

Critical Impact

Deduction Based on Leadership Concern of Major Event/Impact of Deliverable Based on Quality

Late or Rejected SCAR Response

Deduction When Supplier is Unresponsive to a Supplier Corrective Action Report or provides an inadequate response (SCAR)

Impact Factor

Multiplier to Account for Impacts Felt Later in LM Production Sequence

Volume Factor

Multiplier on Supplier Receipt Quantity to Reduce Impact on Low Volume Receipts

Escalation Concern = 6pts
Severe Impact = 11pts

Each Late or Rejected SCAR = 10pts



Deduction Present Each Month Until Issue Resolves

- x2 Supplier Impact (SQARs)
- x4 Source Rejections, Destination Acceptance & Swift Labs
- x6 Manufacturing Floor Impact & Material Surveys
- x8 Final Assembly/Shake & Flight Line Impact
- x10 End User/Fleet/Sustainment Impact

QTY Range	Factor	QTY Range	Factor
1 - 9	3.35	10,000-99,999	0.008415
10 - 99	0.749972	100,000 - 999,999	0.001884
100 - 999	0.167898	1,000,000 - 999,999,999	0.000422
1,000 - 9,999	0.037588		

RATING THRESHOLDS

← 90 →

95 →

100

QUALITY

← 90 →

95 →

100

DELIVERY

RATING PERFORMANCE PERIODS

1-month	✓	✓
6-month	✓	✓

Please note the rating threshold and performance period range changes displayed to the left.

Deductions due to Critical Impacts and Late or Rejected SCAR responses have been reduced to reflect these new rating thresholds.