Supplier Quality
The Foundation of Our Success
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Counterfeit Electronic Parts http://www.sae.org/technical/standards/AS5553
Industry Concerns/Trends

Counterfeit Parts Prevention

Summary of MFC’s expectations for suppliers

• Develop and implement a counterfeit parts protection plan
  o Only buy from authorized sources and verify sources in writing from OEMs, OCMs or their approved distributors
  o Conduct sampling inspections of parts for suspicious markings, packaging, labels, etc.
  o Separately store parts with same p/ns purchased from different sources (in case of later stock screening)

• Issue GIDEPs for suspect/confirmed counterfeits
• Notify MFC immediately of suspect /confirmed counterfeits
• Conduct awareness training with your supply base
• Hold your suppliers responsible for all costs to investigate/replace counterfeits including MFC’s costs
• Comply with Corporate Document Clause - Entitled ‘Counterfeit Work’

For more information

• IDEA-1004-C “Electronic Components Inspection Manual”
• Independent Distributors of Electronics Association (http://www.idofea.org)
• Suspect / Counterfeit Items Awareness Training (http://www.ideal.con.com/pages/coalition-against-counterfeiting-and-piracy)
• AS5553 - Counterfeit Electronic Parts (http://www.sae.org/technical/standards/AS5553)

FOD Control and Prevention

What is FOD?
Just about anything can be classified as FOD if it's not in its proper place.

Why be FOD Free?
Estimates put the cost to the U.S. Department of Defense (DoD) at $34.6 million/year and in the aerospace industry at $4 billion/year. Ultimately, in our industry, the cost of FOD can be a human life.

Preventing FOD
Prevention starts with people. Everyone must make the mission their own to help prevent FOD.

Additional steps include:
- Manufacturing process plans
- Other work control documents
- Inspection of work areas
- Work Area Qualification plans
- Visual aids in the work place
- Tool organization
- Good housekeeping

Supply Chain Expectations

Dear Supplier:

At Lockheed Martin Missiles and Fire Control (LMMFC) we are committed to building a culture of excellence into everything we do. As a supplier, you are a valued member of the LMMFC team. Our success is the direct result of the efforts and contributions of all members of our team, including you.

We expect 100 percent quality and delivery from all of our team members and we insist upon it across the enterprise because the Warfighter deserves nothing less. Ninety-nine percent quality is not good enough for LMMFC products. One percent poor quality would equal a half a million defective parts coming into the factory, which is absolutely unacceptable.

We will continue to distinguish ourselves in competitive markets as we consistently deliver on the responsibilities that we undertake, including our quest for perfection and flawless execution. Stop measuring against competitors and start measuring against PERFECTION. This is what it takes to protect the Warfighter and improve the defense of our nation.

Do not forget, a team effort requires everyone’s commitment and we need your help to build the products that deliver in the defining moments.

Sincerely,

John Varley                  Patrick S. Sunderlin
Vice President, Quality                 Vice President, Global Supply Chain
Lockheed Martin Missiles and Fire Control                           Lockheed Martin Missiles and Fire Control

We Can’t Deliver Flawless Performance to Our Customer
Without Flawless Performance From YOU

Perfect Performance Starts with YOU

• 100% Quality and 100% On Time Delivery
• Products that work the 1st Time, Every Time
• Flawless Management of All Tiers of Supply Chain
• Upfront Identification/Notification of Problems
• Innovative and Affordable Solutions
• Proactive Problem Solving
• Continuous Improvement
• Flawless Execution
Quality Management Systems (QMS)

QMS including AS/ISO certifications are key to achieving Supplier Excellence.

Advantages of Achieving AS/ISO

- Increased visibility as a quality supplier
- Pride of ownership for all staff
- Rework cost reductions as a % of sales
- Improved quality and delivery
- Increased manufacturing productivity
- Aids in becoming an LM approved supplier

Technical/Financial assistance for suppliers trying to achieve AS/ISO certifications

There are Federally and State sponsored organizations that might provide technical and/or financial assistance to suppliers seeking AS or ISO certifications including the following:

- Office of Small Disadvantaged Businesses (Federal)
- Dept. of Labor – Micro Enterprise Grants (Federal)
- Universities (State)
- US Department of Commerce (Federal)
- NASA (Federal)
- Workforce Training (State)

Access the following link for additional instructions on becoming a Lockheed Martin Supplier


Resources

Preferred Supplier Program (PSP)

The Preferred Supplier Program (PSP) supports Lockheed Martin Missiles and Fire Control’s philosophy of building a world-class global supply chain that demonstrates excellence as our standard and continuous improvement as our culture. Preferred Suppliers receive greater exposure to additional lines of business and possible reduction in oversight.

Objectives

- Provide Access to a World Class Supply Chain
- Subcontract with Suppliers that Provide Best Value
- Leverage Highly Qualified Sources “The Best Suppliers”
- Build Long Term Supplier Relationships
- Provide Customers with Quality Products and Services

Benefits

- Increased Visibility
  - Senior Management
  - Report Card
  - Internal & External Publicity
- Access to Procurement, Engineering, & Quality
  - Power Meetings/ Business Matchmaking
  - Technical Exchange Meetings
  - Trade Shows

To learn more please visit our web site at https://embastion.external.lmco.com/pssp/
Or, e-mail the MFC Preferred Supplier team at pref-sup-prog.dp.mfc@lmco.com

Strategic Performance Management Team (SPMT)

What is SPMT?

A strategic cooperative teaming effort between Lockheed Martin and our supply base to drive product/process ownership across the business enterprise and to 2nd and 3rd tier suppliers

Together we work to achieve common goals

- 100% quality products, 100% on-time delivery
- Early indicator metrics
- Shared cost savings

Results in win-win partnership for all stakeholders, including

Warfighter, Customer, Lockheed Martin, Supplier

LM SPMT Resource Support

SPMT Team Development Training, Team Leader Training, Metric Development, Establishing Common Goals/Objectives, Yield Improvement/Problem Resolution, Incorporating Lean Tools into Teaming Process, Savings Calculation Training, Customer Visibility/Support, Increased Supplier Recognition
Resources
There are many resources available to the LMMFC Supplier Base. The following are just a few examples. Contact your procurement representative if you need further support.

Supplier Technical Support Staff
What are the responsibilities?
The purpose of the STSS is to improve Missiles and Fire Control, supplier and sub-tier supplier systemic trends. This includes developing risk prevention and mitigation plans that address these trends, and to manage the implementation of enterprise wide corrective and preventative actions. The STSS has responsibilities within the electronic assemblies, cable and connector, casting and machining, and optic commodity segments of our Supply Chain.

What is the structure and what are the key objectives of the STSS?
Each STSS is comprised of subject matter experts (SME) from Engineering, Production, Procurement and Quality. The key objectives of the staff include:
- Identifying all suppliers and critical sub-tier supply chain for the respective commodity
- Characterize risks and best practices for supplier and sub-tiers
- Develop strategic and tactical plans
1. **Standardize** engineering design, supplier selection, requirements and flow downs
2. **Standardize** quality strategies, acceptance methods, requirements and flow downs
3. **Develop** methods to effectively communicate on a large scale with all the suppliers aligned with each respective commodity.
4. **Identify** recurring defects and process risks, as well as best practices for defect prevention, to promote process improvements among suppliers
5. **Address** risks associated with GIDEPS, obsolescence, COTS, distributors, counterfeits, etc.

How do you fit in?
Help us to help each other by finding solutions to long unresolved problems. We both have vested interests in producing the best products in the most affordable fashion. Working together, we can develop shared improvements that create more producible designs and productive processes. For more information, contact the following personnel:

- **Electronic Assemblies**: Vince Cosmai 972-603-9829 or Vijay Kumar 407-356-2082
- **Cable and Connector**: Jim Pasquinelli 407-356-7581 or Caleb Santiago 407-356-0909
- **Casting and Machining**: Paul Coble 972-603-9513 or Bruce Steffens 407-356-7525 or Ted McAfee 407-356-0501
- **Optics STSS**: Gary Weise 407-356-2004 or Dan Palmar 407-356-5568

LMMFC Supplier Diversity Program
Lockheed Martin Missiles and Fire Control Supplier Diversity program embraces the development and enhancement of all types of small businesses to afford them maximum subcontracting opportunities and to ensure they are positioned to compete effectively. Our program ensures that our procurement practices remain consistent with both the letter and spirit of the law. Our objective is to aggressively pursue and cultivate relationships with qualified small and minority businesses in commodity areas where participation by such firms is low. Our success is, without question, due to our relentless effort to find new and innovative ways to ensure that these businesses are afforded an equitable opportunity to participate in our procurement process.

The Mission of Supplier Diversity is to integrate diversity and inclusion in all aspects of the business rhythm where we can meet competitive challenges in the marketplace, maximize shareholder value and provide opportunities for diverse suppliers as we design and deliver solutions to our customers.

LMMFC Commitment to Suppliers
Timely communication of all issues
- Defect Notification
- Report Card Accuracy/Time to Fix
- Industry Concerns
- SCAR Approval/Disapproval

Fair treatment in determining defect responsibility
- Manufacturing Floor Rejects
- Receiving Inspection Defects
- SCARs
- Customer Escapes

Assistance in understanding
- Quality Notes
- Purchase Order Notes
- Corp Docs
- Other General Flowdowns
- Available Resources

Clear direction and assistance on how to use LMCO systems
- P2P
- Exostar
- Discus
- Other Webportals

Equal opportunity/fair competition to all suppliers
- RFQ (request for quote)
- Internal Disadvantaged Business Programs

You can count on us to do everything in our power to meet our standards of business conduct. We are counting on you to do the same.
Customer Focus On Supply Chain

New DCMA Guidance in their Corrective Action System

Level II and above Government Corrective Action Requests (GCARs) will not be issued to subcontractors – instead will be issued to the prime contractor.

Level III GCARs were coordinated with ACO and CMO Commander before issuance. Now, ACO responsible for issuance of Level III & IV GCARs to the prime contractor.

MFC takes this change seriously

Contract letters will be issued to the Supplier’s Senior Leadership for every Level II & III GCAR.

Focus On Supply Chain Performance

MFC Supply Chain University Webinars

In 2012, we produced and conducted the following Webinars with our Suppliers:

- Utilizing Procure to Pay (P2P)
- P2P Schedule Management *
- P2P RFx Processing *
- Metrics that Drive Performance
- Sub-Tier Supplier Management
- Causal Analysis Tool (5 part series) *
- Root Cause and Corrective Action *
- Recorded Webinar Available on-line

Webinar external link: https://embassion.external.lmco.com/qis/Supplier/StandardPOInfo.htm

In 2013, we are planning to produce Webinars covering the following performance areas:

- AS9102 First Article Inspection
- Lead Free Solder Use
- P2P Ship-To Module leading to Effective Bar-Coding
- Using SHAPE to manage Sub-Tier Supplier Risk
- Counterfeit Part Prevention
- Supplier Assessment and Surveillance (SAS)
- Effective Supplier Corrective Action Responses (SCAR)
- Common LM Supply Chain Quality Performance Rating
- Using MFC Supplier Report Cards to drive Performance Excellence
- Conducting an Effective Purchase Order Review
- Improving Corrective Action Board Effectiveness

Supplier Sourcing Strategy

Program Oversight

SQFE / SQE On-Site Source Surveillance

Supplier Management Team (SMT)
- Proactive approach to prevent/mitigate future nonconformances (Proactive)

Strategic Performance Management Team (SPMT)
- Improve/sustain relationships and business results (Proactive)

Proactive Efforts Before Defects Are Built Into Products
- Switching from Oversight to Insight
Purchase Order Notes

Source Inspection

Purpose: To have a Lockheed Martin representative ensure that all purchase order and drawing requirements are met prior to shipment of the product.

Applies to all procured parts and assemblies that have PO Note 861 (Dallas) or PO Note TCR815 (Orlando) assigned to the Purchase Order.

Source Inspection Request Form
Dallas: http://www.lockheedmartin.com/suppliers/bu_info/elecsys/mfc/m-0094.doc
Orlando: Request made by accessing your EXOSTAR account http://www.myexostar.com
Any questions that the suppliers may have should be directed to the EXOSTAR Help Desk @ 703-793-7800.

First Article Inspection

Purpose: First Article Inspection (FAI) is a complete and documented physical and functional inspection process to verify that production methods have produced a fully conforming item as specified.

Applies to all procured parts and assemblies that have PO Note 1818 (Dallas) or PO Note TCR823 (Orlando) assigned to the Purchase Order.

Overview of expectations for an acceptable AS9102 First Article can be found at: http://www.sae.org - SAE AS9102 First Article Standard.

Refer to the LMMFC AS9102 FAI Guidebook at: https://embastion.external.lmco.com/qis/Supplier/StandardPOInfo.htm

Deviation/Waiver

Purpose: A request for deviation/waiver is submitted to LM for authorization to accept an item which, during or after manufacture is found to deviate from the drawing or purchase order requirements; but, nevertheless potentially could be suitable for a “use as is” or repair disposition.

Applies to all procured parts and assemblies that have PO Note TCRB58 (Orlando).

A deviation/waiver request form can be provided by your LM buyer (Orlando and Dallas).

Change Control

Purpose: To notify suppliers that all products supplied under the contract cannot have any change without prior LMMFC approval.

Applies to all procured parts and assemblies that have PO Note 1880 (Dallas) or PO Note TCR842 (Orlando) assigned to the Purchase Order.

Sharing Best Practices

As a recipient of the Malcolm Baldrige National Quality Award, LMMFC is required to share best practices with others in the industry.

- Quality Key Metrics
- Escape Process / System
- Corrective Action System
- Supplier Quality Strategy
- Supplier IT Tools
- Counterfeit Parts Strategy
- Training Webinars
- Lean Six Sigma Process

Continuous Improvement Strategies To Drive Performance
True Supply Chain Management with SHAPE

Supplier Quality Management is integral to a successful supply chain

LMMFC has piloted a new initiative called SHAPE (Supplier Health Assessment to Performance Excellence) as a way to truly understand and manage the entire supply chain for our programs. This system is for Lockheed Martin Internal Use ONLY; but, we need your help to generate the models!

SHAPE is a web based tool that allows a user to view the first tier and sub tier suppliers for a specific commodity (i.e., mechanical parts) that are delivered to the program. Risk assessments are done at each level of supplier, based on a self-survey sent to the supplier and other input such as historical trend data and audit outcomes.

In order to be fully successful and understand the entire supply chain, we need help from our suppliers in identifying the sub-tier suppliers they use on the products they provide to us. Even without the web tool, suppliers can identify their critical suppliers and assign risk ratings to their supply chain to begin working risk mitigation strategies. When we gain insight into our supply base at all levels and understand the true points for risk mitigation within our supply chain, we can work together on strategies to reduce the risk throughout all levels; and, ultimately, the Warfighter.

SCAR Response Expectations

A Supplier Corrective Action Request (SCAR) will be issued to the supplier upon discovery of any supplier escapes, audit/assessment/survey deficiencies or other material, system or process non-conformances as the Supplier Quality Engineer sees fit.

- Upon receipt of a SCAR, which should include a clear, concise description of the non-conformance, the Supplier should:
  - Determine Defect Containment - a review of Work in Progress (WIP), material in stock, sub-tier items for potential defects and an estimated completion time
  - Identify Root Cause - an identifiable reason that a particular non-conformance or undesirable situation is occurring
  - Provide Corrective/Preventative Action - action taken to eliminate the cause of the existing non-conformance to prevent the problem from reoccurring or to prevent a problem before it has occurred
  - Provide Objective Evidence - evidence that reflects the action(s) taken to implement corrective/preventative action
  - These actions should be completed within the allotted time per the original SCAR notification (generally less than 30 days). If the supplier is unable to complete these actions in that time period, the SQE may be contacted with a request for extension.
  - If the supplier is unable to complete these actions in that time period, the SQE may be contacted with a request for extension.

- Upon receipt of the SCAR response, the SQE should:
  - Evaluate Supplier Response - for effectiveness and completeness including the objective evidence
  - Notify the Supplier - of acceptance or rejection of SCAR response and determine follow-up criteria if necessary

- LM P2P SCAR Module - SCAR modules allow suppliers to answer and update SCAR responses as well as upload documentation for failure analysis and objective evidence. These modules show Lockheed Martin acceptance of SCAR response or approval of extension request.
New LM Supply Chain Quality Performance Rating

Why Needed…
Need for a Quality Rating that represents Performance
Need for a revised weighted rating that highlights:
- Disruptions to our Factories
- Lack of Supplier responsiveness in addressing Root Cause and Corrective Action
- Impacts to our Reputation/Brand associated with Customer Escapes

Enhances our Ability to drive Supply Chain improvement more effectively with the available resources
Need for a common message and approach across LMCO…One Voice to our Supply Chain

P2P Go-Live Scheduled for Mid-September

5 Categories (12 Month Rolling)
- P1 – Supplier Responsible Defect Rate (30%)
- P2 – Floor Disruptions (40%)
- P3 – Quantity SCARs Issued (10%)
- P4 – SCARs Responsiveness (20%)
- P5 – Customer Escapes (Extra 25%)

Quality Rating (QR):
QR= 100-[P1+P2+P3+P4+P5]

Point penalties deducted for P2 – P5: Floor Disruptions, SCARS, Overdue SCARS, and Supplier Caused Customer Escapes (Corp Reportable)

Incorporated an 12 Month Age factor / sliding scale for P1, P2, P3

Color ratings based on scholastic scale

Supplier Special Process Approvals

The PO specifies requirements for special processes
The seller must either utilize a Nadcap® accredited special processor or LMMFC approved special processor; or be authorized by LMMFC to manage their own special processes or processors.

Nadcap® accredited special processors
LMMFC now uses Nadcap® accredited suppliers for anodize, chemical conversion coating, and passivation. Those processes include:
- MIL-DTL-5541 & MIL-C-5541
- MIL-A-8625
- Anodic Coatings for Aluminum and Aluminum Alloys
- ASTM A967
- Chemical Passivation Treatments for Stainless Steel Parts
- ASTM A380
- Cleaning, Descaling, and Passivation of Stainless Steel
- AMS-QQ-P-35 & QQ-P-35
- Passivation Treatments for Corrosion-Resistant Steel
- AMS 270
- Passivation of Corrosion Resistant Steels

In the future, we anticipate expanding our use of Nadcap® to include other accredited processes.

LMMFC approved special process suppliers for those chemical processes/specifications are available in Exostar. Expired processes must receive Nadcap® accreditation to remain an LMMFC approved special processor.

It is YOUR responsibility to work with your suppliers to attain required Nadcap® accreditations

Lockheed Martin approved special processors
For special processes that LMMFC is not accepting Nadcap® approvals for at this time, select an LMMFC approved special processor to perform the work. If there are no current special processors approved, contact your procurement representative to have a survey conducted.

Supplier authorized to manage special processors
To become authorized you are required to be certified to TOQ9 (Orlando), 1836 (Dallas), 1837 (Dallas) and 1838 (Dallas). Contact your procurement representative for more details.

LMMFC and Nadcap® approved special process listing can be found in Exostar
Lockheed Martin Procure 2 Pay

Lockheed Martin Procure 2 Pay (P2P)

Accessing LM P2P
Access the LM P2P portal via your EXOSTAR account: http://www.myexostar.com
Any questions should be directed to the EXOSTAR Help Desk @ 703-793-7800.

For existing or new employees within your company who require access to the site, they should contact your onsite administrator. LM employees DO NOT have this function, therefore, cannot grant access.

Common Roles Required:
- All Roles: Visibility to the Supplier Report Card and Current Approvals
- Supplier Administrator: Visibility to all tabs
  - The Source Acceptance tab is for LMC Source Representatives, but is still displayed for the Supplier Administrator. If they access this tab, it will show an empty queue.
- Bidder: Bid Invitations
- Order Processor: PO Delivery, Request Source, Ship to LMC, Print Barcodes
- Supplier Quality: SCAR

Navigating the LM P2P Portal

P2P Supplier Report for LMP2P specific data*
*MFC will continue to supply the same Report Card as prior to P2P. The P2P version is for informational use only (see next page for additional details)

Used to request source inspection, provide shipping documentation and approved special processors
Provides direct SCAR viewing and response capabilities
Shows approved Special Processors

Additional Training
Additional training and contact information is available via the LM P2P portal, Exostar and the LMP2P Help Desk @ 863-647-0558

Supplier Report Card

The Supplier Report Card will continue to be what you are measured on after the transition to P2P. The P2P report card is for informational use only.

Every Report Card follows the same format
- Supplier Program Overall Ratings
- Monthly Ratings
- Rolling Program Ratings
- Deliveries
- Preferred Supplier Information

Supplier Program Overall Ratings

Program Rating Distribution Based On Most Recent Month of Activity

Current Month Supplier Rating Derivation

Quality Rating
(Qp - R1 - (0.25 x R2))/Qp = Quality Rating
Qp = Total Pieces Inspected
R1 = Hardware Rejections
R2 = Document Rejections

Delivery Rating
(Dp - L)/Dp = Delivery Rating
Dp = Total Pieces Delivered
L = Pieces Late (Includes 7 Day Grace Period)

Combined Rating
(Quality Rating x 60%) + (Delivery Rating x 40%) = Combined Rating
* If there is no Delivery Rating for the current month, then only Quality Rating contributes to the Combined Rating and vice versa.

*Please contact your LMC Procurement representative with any questions or concerns.