

Notice to Suppliers



Improving Delivery Performance

Originator: Will Foord
Job Title: Interim VP - Commercial
Business Unit: Civil Aerospace Procurement

NTS Number: 479
Issue: 1
Date: 30 November 2019

For the attention of the Managing Director.

Dear Sir or Madam,

Scope/Applicability:

All Civil Aerospace suppliers.

Introduction:

During my WebEx on 27 November 2019, I highlighted the opportunities and challenges faced by Rolls-Royce and my expectations from our global supply chain. On time delivery is of critical importance for us to satisfy our valued customers and optimise the level of Inventory that we hold. We value the collaborative approach that we have with our supply chain and will maintain a transparent and open dialogue, which includes our messaging on necessary performance improvements.

Late deliveries from our supply chain have a significant impact on our ability to deliver engines and this has been a consistent theme in recent months and years. Rolls-Royce's customers flow down significant financial penalties for poor performance and our resultant inventory holdings further compound the impact.

We have recently conducted a reconciliation exercise which reviews supplier performance against our contractual positions for late delivery. From the week commencing 2nd December 2019, we will be communicating our position to any suppliers where delivery charges are due and look to resolve any true up expeditiously.

To avoid the need for similar reconciliations being necessary in the future we will require late delivery charges to be applied in a timely fashion from January 2020 onwards. Of course, we recognise that there may be valid reasons for delay and these will be considered. As we implement the change in 2020, we need your support to notify incidents of delay, notify the impact of delay and provide us with a recovery plan. Our standard terms call out the buffer stock requirements which will help avoid delays.

Clearly our aligned objective is to take steps that avoid late delivery by addressing the root causes and allow us to deliver on time to our customers.

I look forward to your cooperation to simplify this approach and where necessary take the steps to improve business performance.

NTS Category:
General Information

Authorised by:
Warrick Matthews
EVP - Procurement and Installations Supply Chain