

Applied Materials Global Supply Chain Health Organization

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think it. apply it.™

Safe Harbor



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Agenda – Global Supply Chain Health Overview

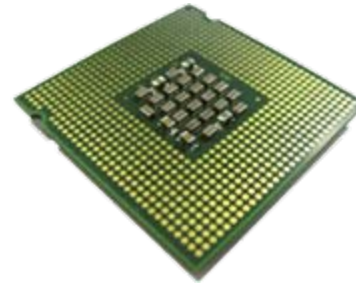


- Applied Materials
- Why has Applied invested in Supplier Health
- Organization Makeup
- What drives our Global Supplier Health Program

It All Starts With Silicon



Nanomanufacturing
Technology



Semiconductor
Chips

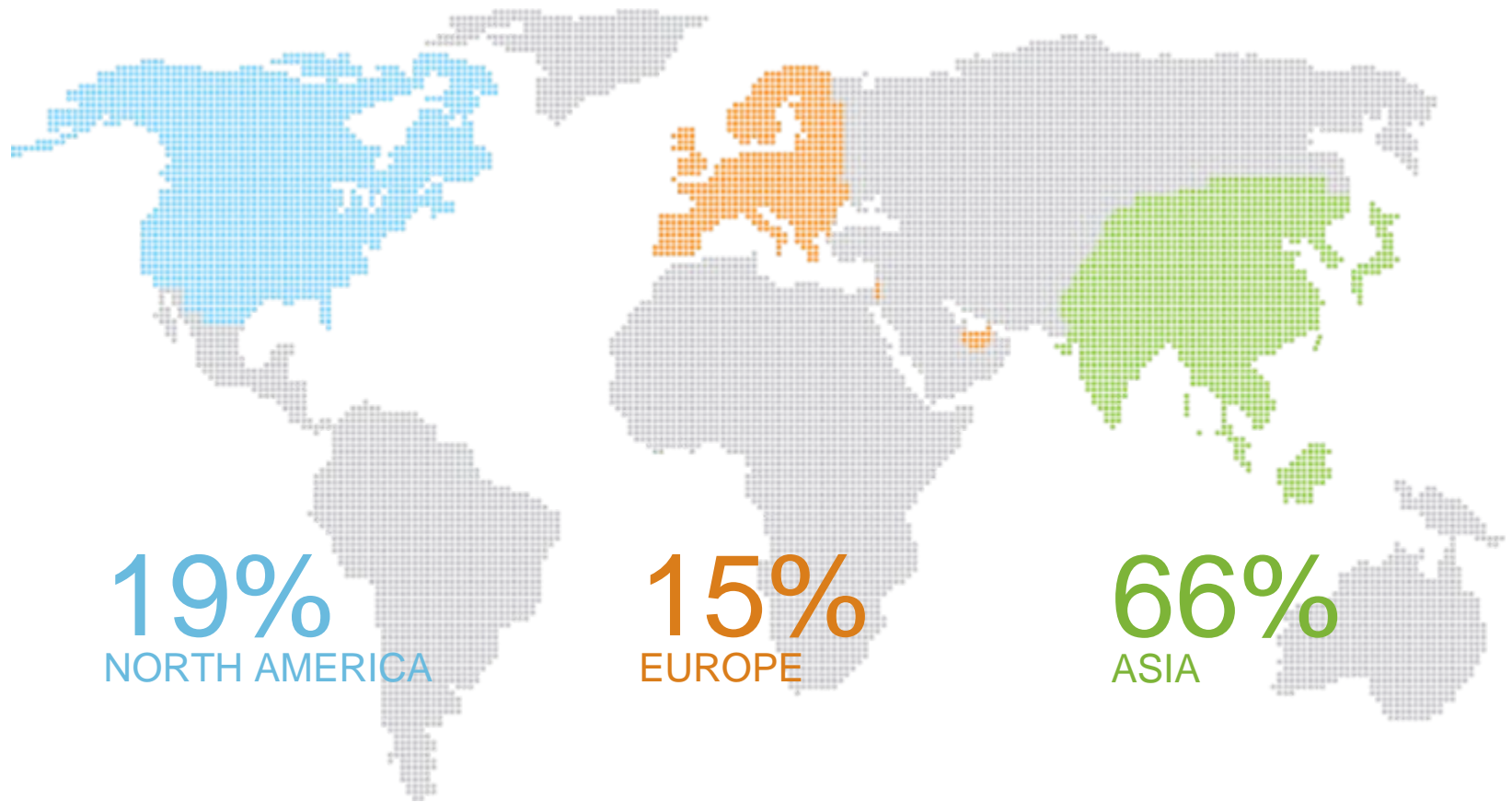


Flat Panel
Displays



Solar
Photovoltaic
Cells

Global Revenue Base



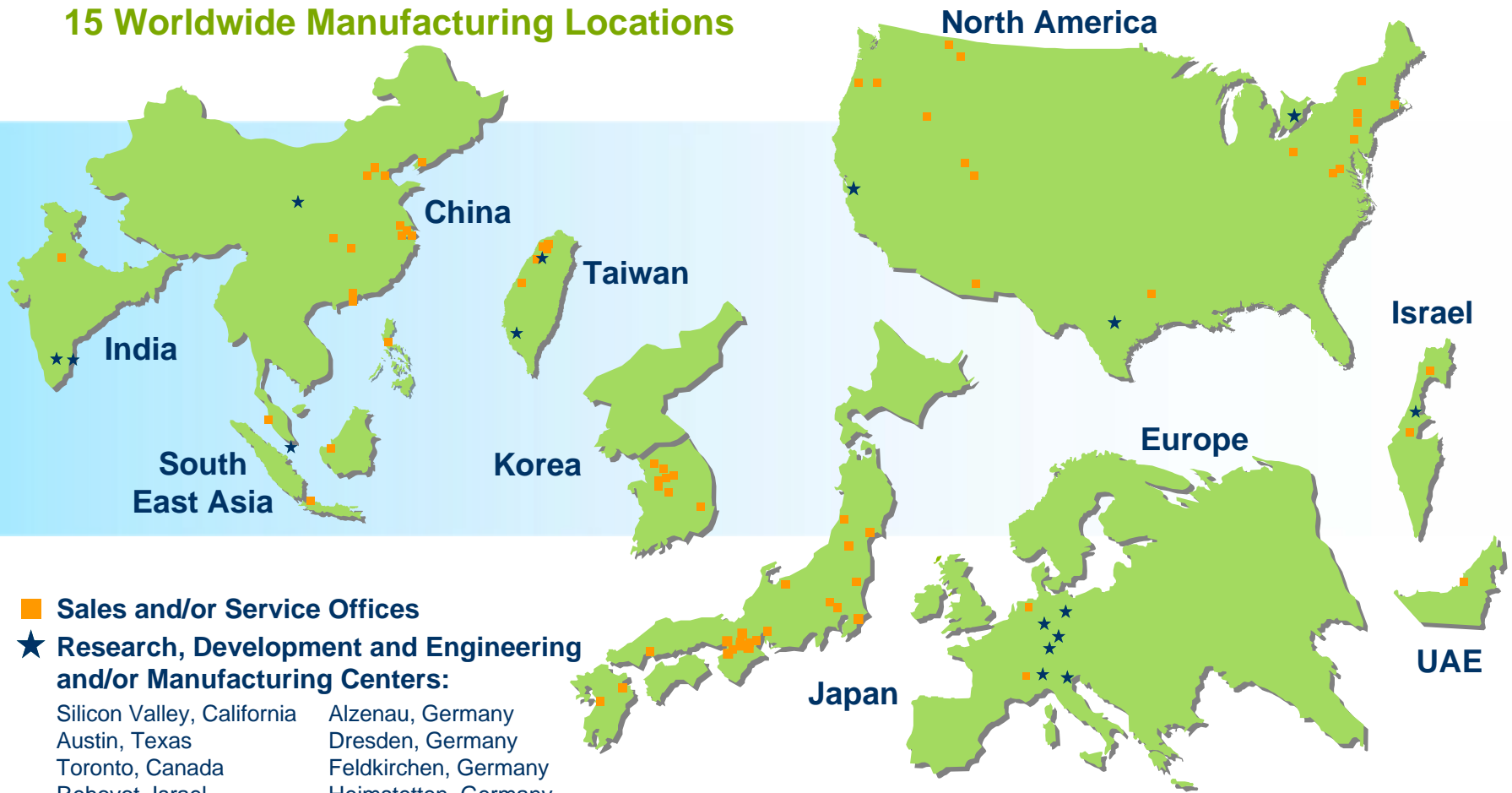
FY09 REVENUE BY GEOGRAPHY

Applied Materials Worldwide



104 Worldwide Locations

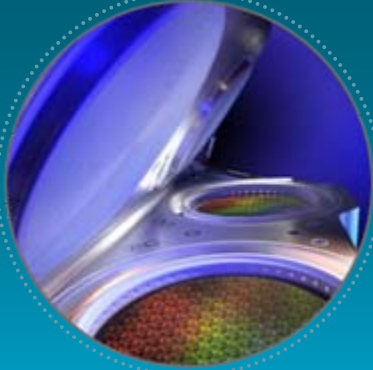
15 Worldwide Manufacturing Locations



- Sales and/or Service Offices
- ★ Research, Development and Engineering and/or Manufacturing Centers:

Silicon Valley, California	Alzenau, Germany
Austin, Texas	Dresden, Germany
Toronto, Canada	Feldkirchen, Germany
Rehovot, Israel	Heimstetten, Germany
Bangalore, India	Cheseaux, Switzerland
Chennai, India	Treviso, Italy
Xi'an, China	Hukou, Taiwan
	Tainan, Taiwan

Reporting Segments



SILICON

Focused on growth in etch and inspection



DISPLAY

Lowering cost of LCD display and TF solar

NOTE: SunFab solar results are reported in the EES segment



ENERGY & ENVIRONMENTAL SOLUTIONS

Developing energy-saving technologies



APPLIED GLOBAL SERVICES

Maximize output and efficiency of semiconductor, display and solar fabs

Broadest services portfolio in industries served

* Ranked VLSI Research



Silicon Segment Group:

Enabling Semiconductor Advances



Global consumer class expansion will drive demand for mobile PCs, smart phones and consumer electronics

- Broadest system and process portfolio
- Systems are mainstay of virtually every advanced semiconductor factory
- #1 position in 6 out of 10 key advanced chip processes
- Semiconductor industry forecast to grow at 11.6%* CAGR from 2009-2013
- Reported under the Silicon Segment

* Source: VLSI Research, Nov. 2009

Semiconductors: Where We Compete Today

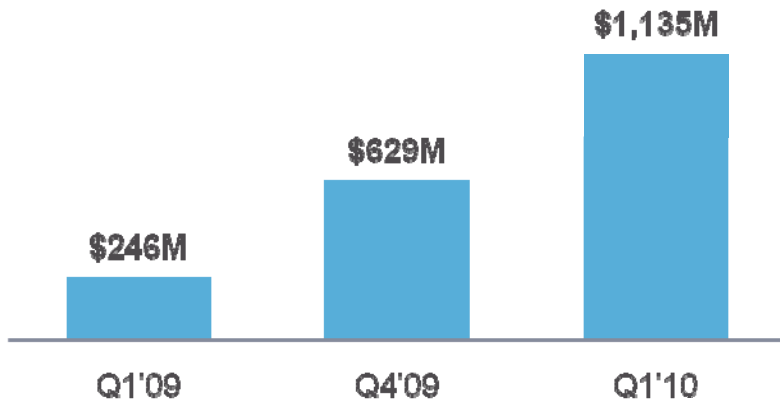


PRODUCTS	SHARE POSITION	2008 SAM (\$M)	TECHNOLOGY	PRIMARY COMPETITORS
Metals	#1	\$1,600	Cu PVD Non-Cu PVD Metal CVD	Novellus Ulvac
CVD	#1	\$1,500	PECVD Low K HDP SACVD/HARP	ASMI Novellus
Front End	#1	\$770	RTP Anneals Gate Epi	ASMI Mattson Tokyo Electron
CMP	#1	\$760	Dielectric Metal Poly	Ebara
Inspection	#2	\$1,900	Wafer BF/DF CD SEM DR SEM Mask	Hitachi HT KLA-Tencor
Etch	#3	\$3,400	Dielectric Silicon Metal	Hitachi HT Lam Tokyo Electron



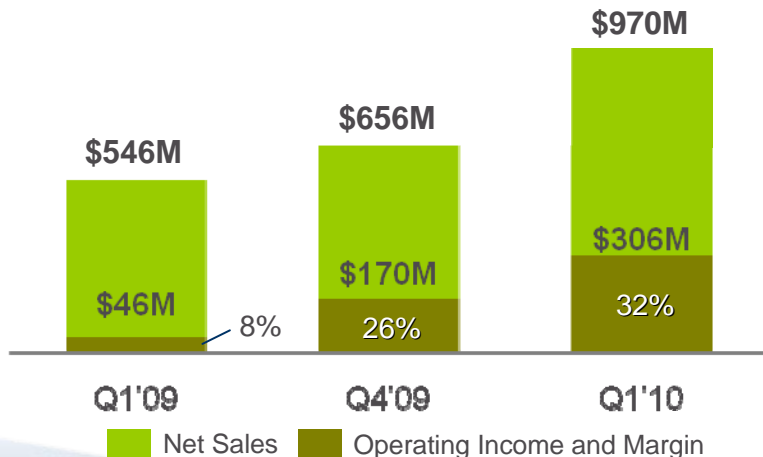
Q1'10 Silicon Segment Summary

New Orders



- Orders up 80% QoQ
 - Four customers accounted for over 65% of the total
- Net sales up 48% QoQ
 - Over 70% of revenue resulted from orders received in the quarter
- Operating income up 80% QoQ

Net Sales & Operating Income



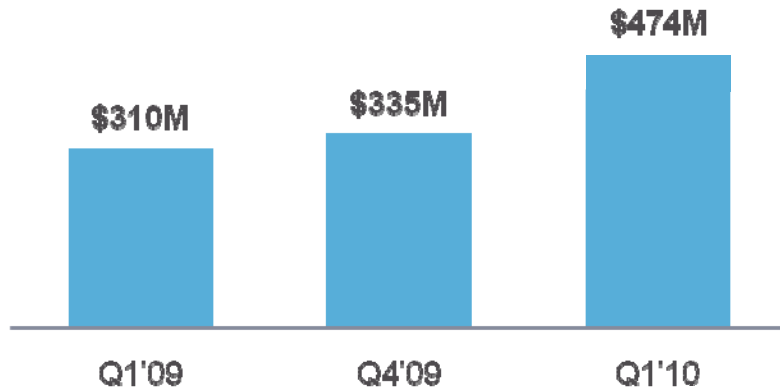
Q1'10 Order by Customer Segment

Foundry	DRAM	Flash	Logic & Others
42%	36%	13%	9%

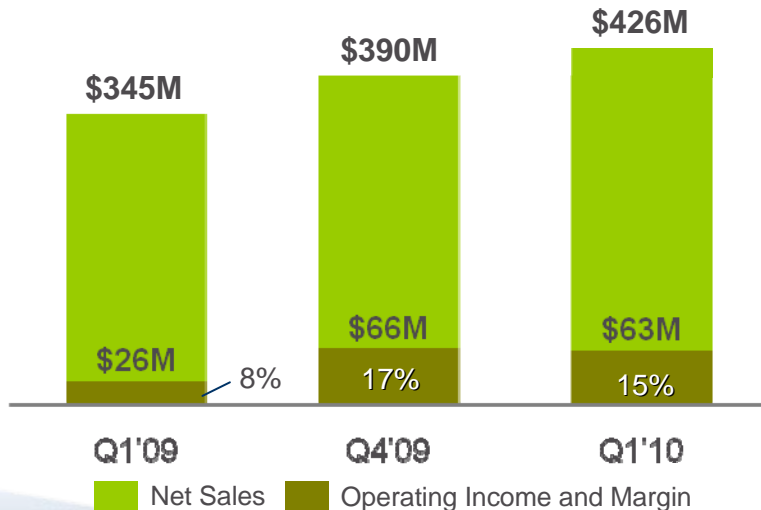


Q1'10 AGS Segment Summary

New Orders



Net Sales & Operating Income



- Orders up 41% QoQ
 - Driven by higher fab utilization and increased wafer starts
- Net sales up 9% QoQ
- Operating income of \$63M or 15% of revenue
 - Reflecting low margin refurbished system sales

Global Trends Favor Applied



Expansion of
Consumer Class



Pervasiveness of
Semiconductors



Drive for Clean Energy

Agenda – Global Supply Chain Health Overview



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Why Did Applied Materials Invest in the Supply Health Management Organization?



Our vulnerability to potential supply disruptions had increased....

- **Delivering to customer expectations.**
- **Outsourcing to extended factory partners.**
- **Off shoring our own manufacturing.**
- **Creating new inventory program removing buffers.**
- **Rationalization of supply chain increases exposure.**

Additionally, risks have increased.....

- **Economic impacts create global recessions.**
- **Number of natural disasters are up significantly.**
- **Man-Made disasters are up.**
- **Global Logistics by land and sea.**



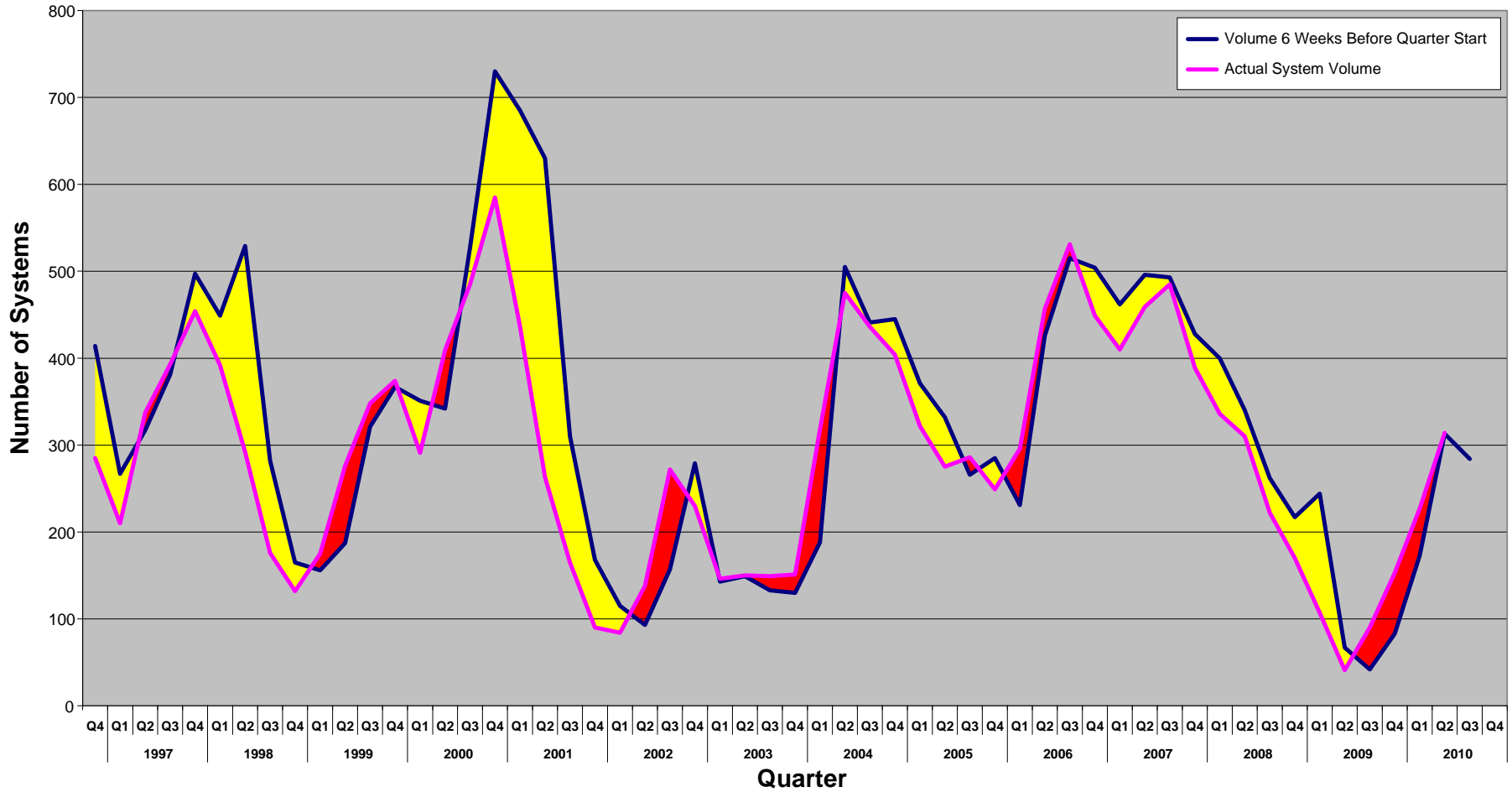
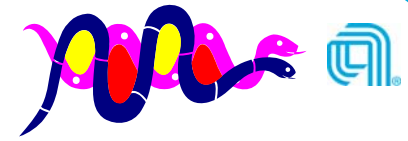
New Supply Chain Challenges for Applied Materials



- Supplier's suffered from revenue reductions ranging from 75% - 95% of their peak FY08 revenue due to the economic environment.
- Additionally suppliers suffered from their secondary alternative business segments outside of semi-conductor industry as well.
- The business environment brought additional financial strains on suppliers due the availability of previous credit lines. This resulted in suppliers taking more drastic measures to preserve cash
- Companies that had lines of credit were hesitant to utilize them due to the unpredictability of market
- Private companies continuously the provided greatest risk of supply continuity disruption
- While supplier revenues improved in Q409 with increase business, significant risk still remained due to dry supply chain, inefficiencies due to immediate requirements and the time horizon which needed
- Customer requirements, provided little relief due to process transparency requirements (Copy Exactly!)

Forecast vs. Actual Chart

(as of end of Q2 - 2010)



One of Our Biggest Supply Chain Challenges.....Copy Exactly!



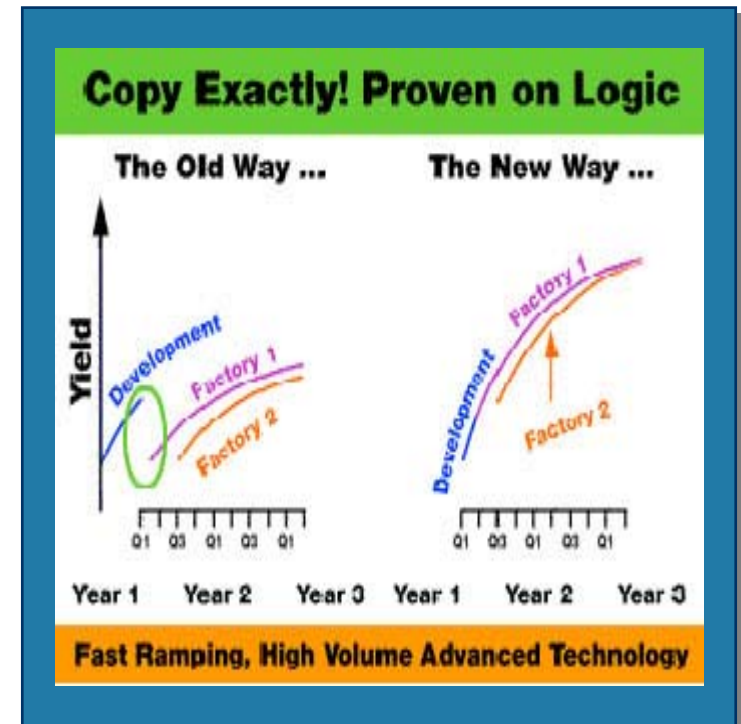
What is Copy Exactly!?

The Customer:

- A method that enables our customers to rapidly expand their factories to high volume production in a cost effective manner.
- It ensures that identical tools perform identically upon installation without the need for any additional adjustment or tuning.
- It applies to all factory equipment, systems/spares and includes associated change control requirements.

Applied Materials:

- A method of change control that provides the capability to unambiguously define and maintain the customer reference configurations and controls changes with prior notice and customer authorization.



Copy Exactly! Customer Expectations



- **Change with control.**
- **Justify every change by considering its return on investment.**
- **Prove out the benefits and risks of every change with test data.**
- **Ensure that all suppliers do the same.**





Supply Chain Challenges Brought Immediate Opportunities

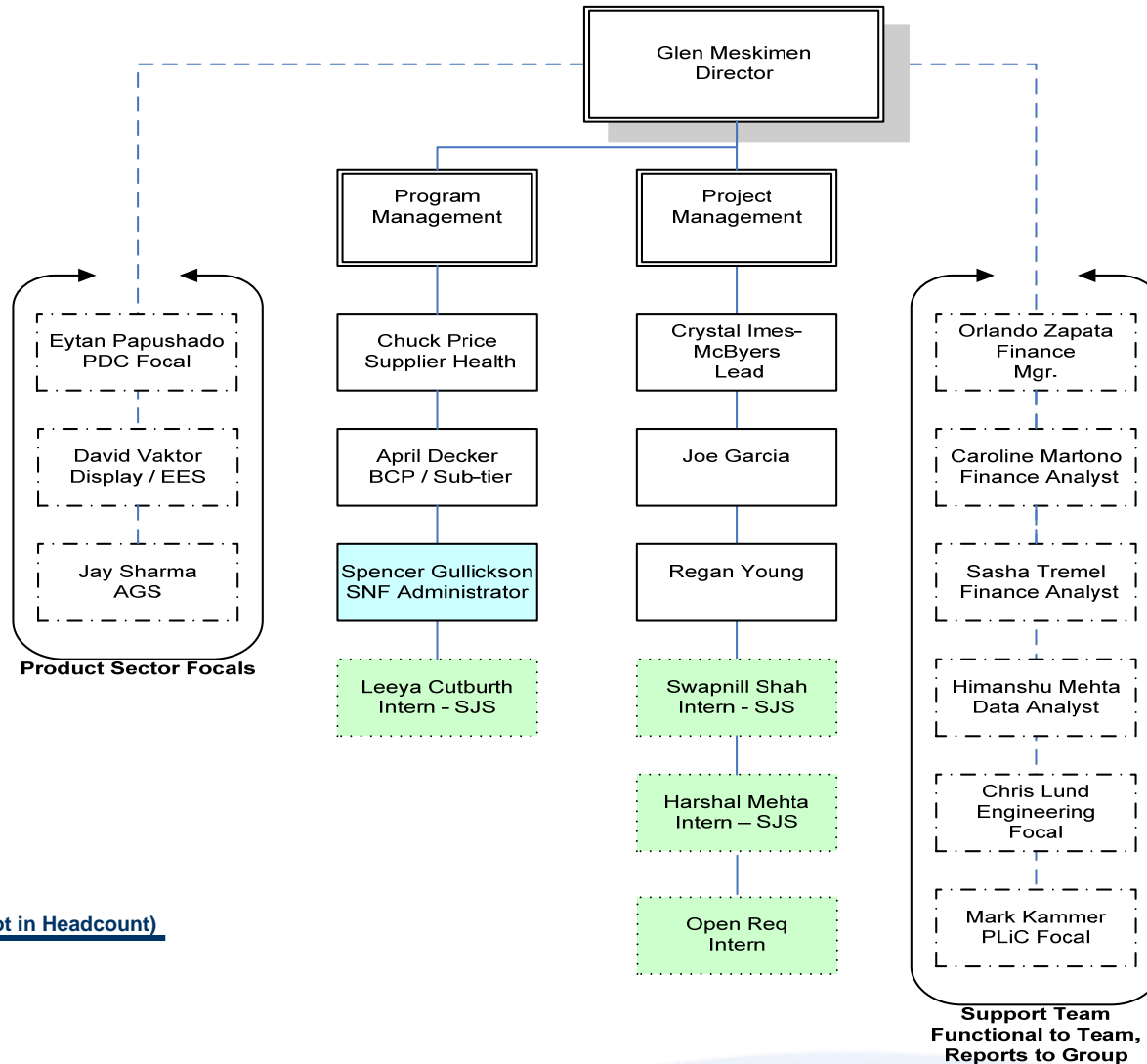
- Significant investment in resources to establish a Global Supplier Health Organization
- Established a supplier financial analysis methodology to enable predictability of potential impacts to continuity of supply.
- Co-developed the risk probability tool, supplier scoping database, supplier transition tool, within our supply chain health program.
- Successfully base lined >250 public and private suppliers financial and operational performance.
- Established governance to review underperforming suppliers.
- Recognized internally and externally for our supply chain risk management process.

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Global Supply Chain Health Organization



Headcount:

- 1 - Manager
- 4 - Direct FTE's
- 1 - Loan Labor (PLiC)
- 4 - Supply Chain Interns
- 1 - Contractor
- 9 - Functional Reports (Not in Headcount)
- 19 - Total Heads



Vision

To Enable and Ensure Continuity of Supply through a Resilient Global Supply Chain

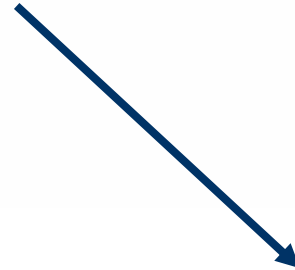
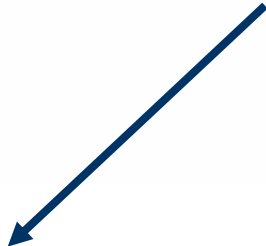
Mission

Reduce the likely hood of business continuity disruptions, through the use of economic, financial, and operational information, in addition to allowing our internal customers and stakeholders to make well informed decisions with the use of this data.

Global Supply Chain Health - 3yr Development Plan



FY2009	FY2010	FY2011
<p>Supplier Financial Health</p> <ul style="list-style-type: none"> - Update Financial Assessment Tools - Baseline Priority Suppliers Financial Assessments <p>Supplier Operational Health Baselineing</p> <ul style="list-style-type: none"> - Update Operational Assessment Tools - Baseline Priority Suppliers Operational Assessment <p>Business Continuity Planning Engagement</p> <ul style="list-style-type: none"> - Engage with Corporate BCP Team - H1N1 Engagement - Develop Supplier Disengagement Process/Oversite - Develop Supplier Risk Probability Governance 	<p>Supply Chain Risk Management</p> <ul style="list-style-type: none"> - Supplier PLC Governance - Sub-tier Supply Chain Risk Program <p>Business Continuity Planning</p> <ul style="list-style-type: none"> - Supplier Mfg. Site Mapping - Country of Origin Mapping - Business Continuity Preparedness - Part Obsolescence - Global Holiday <p>Economic Trends</p> <ul style="list-style-type: none"> - Commodity Market Trending - Global Indices Trending <p>Supplier Financial Health</p> <ul style="list-style-type: none"> - Supplier Financial Risk Predictability - Public Supplier Financial Overview - Public Supplier Market Capitalization - Supplier Debt to Capitol Reporting - Supplier Quarters of Cash Reporting - Supplier M&A Advisory Board 	<p>Social</p> <ul style="list-style-type: none"> - Organized Labor Tracking - Labor Shortages - Supply Chain Social Responsibility <p>Business Continuity Planning</p> <ul style="list-style-type: none"> - Mfg of Origin Mapping - Supplier BCP Reviews - Supplier BCP Crisis Drills <p>Economic Trends</p> <ul style="list-style-type: none"> - Global Indices Trending



1Q FY2010	2Q FY2010	3Q FY2010	4Q FY2010
<p>Business Continuity Planning</p> <ul style="list-style-type: none"> - Supplier Mfg. Site Mapping - Global Holiday <p>Supplier Financial Health</p> <ul style="list-style-type: none"> - Supplier Financial Risk Predictability - F-15 FAQ's / Cheat Sheet <p>Supply Chain Risk Management</p> <ul style="list-style-type: none"> - Sub-tier Supply Chain Risk Program <p>Corporate BKM Sharing / Integration</p> <ul style="list-style-type: none"> - PDC Priority Suppliers 	<p>Business Continuity Planning</p> <ul style="list-style-type: none"> - Part Obsolescence - Country of Origin Mapping - Mfg of Origin Mapping <p>Supplier Financial Health</p> <ul style="list-style-type: none"> - Public Supplier Financial Overview - Public Supplier Market Capitalization <p>Supply Chain Risk Management</p> <ul style="list-style-type: none"> - Supplier PLC Governance <p>Economic Trends</p> <ul style="list-style-type: none"> - Commodity Market Trending - Global Indices Trending <p>Corporate BKM Sharing / Integration</p> <ul style="list-style-type: none"> - AGS Priority Suppliers 	<p>Business Continuity Planning</p> <ul style="list-style-type: none"> - Business Continuity Preparedness <p>Supplier Financial Health</p> <ul style="list-style-type: none"> - Supplier Debt to Capitol Reporting - Supplier Quarters of Cash Reporting <p>Corporate BKM Sharing / Integration</p> <ul style="list-style-type: none"> - EES Priority Suppliers 	<p>Supplier Financial Health</p> <ul style="list-style-type: none"> - Supplier M&A Advisory Board

Supply Chain Health Team - Charter



▪ We will:

- Know the **drivers** and how they affect our supply chains health.
- Create the **tools** and **processes** to **predict** our supply chains health.
- Use information to **characterize** our supply chains health.
- **Preemptive** use of information to **predict** suppliers health, the requirements of a business continuity plan, mitigation plan, or execute other contingency plans.
- Improve, maintain, and test our Business Continuity Plans per policy which contains a Sub-tier Supply Chain Risk Program
- **Measure, Monitor** and **Mitigate** risk to the corporation.
- Govern to assist in the transformation of Applied Materials Supplier Health



Focus to be one of the best in managing Supply Chain Health in our Industry

Supply Chain Health – Team Value Proposition



- Leadership in Business Continuity Management.
- Transformation of our Supply Chain's Health
- Predictability of our supply chain health.
- Preemptive mitigation planning.
- Experts in supplier disengagement.
- Monitoring of economic trends.
- Liability management.



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What drives our Supply Chain Health Program



Basic Elements of Our Supplier Health Management Program

Visualizing and Understanding the Risk:

- Early Supplier Risk Management Methodology
- Embarking on a new reality



Measuring the Impact and Likelihood:

- Financial Assessment
- Operational Assessment
- Risk Heat Map Assignment
- Recently Deployed FMEA Supplier / Part Tool

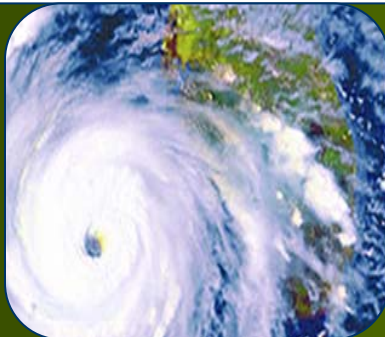


Prioritizing and taking Action:

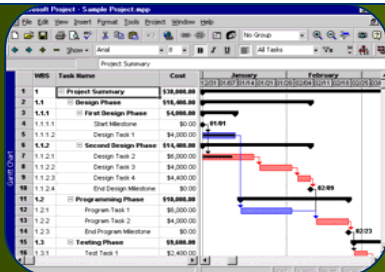
- Critical Part Impact from Supplier Part Classification
- Risk Mitigation Optioning
- Supplier Part Classification



- Financial assessments for Private and Public Suppliers
- Operational Assessment
- Product resiliency analysis



- Direct Supplier Business Continuity Planning
- Direct Supplier Sub-tier Supply Chain Risk Assessment
- Supply Chain Collaboration / Forecasting Process Improvement
- Product Life Cycle Risk Assessment



- Crisis Management Team
- Supplier Transitions site or solvency transitions
- Supplier Notification Management

Financial Analysis Elements



- **Dependency on AMAT & Semiconductor; on particular suppliers, industry, etc.**
- **Liquidity: determine a company's ability to pay off its short-terms debts obligations**
- **Performance: ability to generate earnings as compared to its expenses and other relevant costs incurred during a specific period of time**
- **Debt management: proportion of a company's long & short - term debt compared to its available capital**
- **Altman Z- score combines five different financial ratios to determine the likelihood of bankruptcy for a company within 2 years**
- **Cash Burn rate: availability of cash to pay immediate expenses within next 12 months**
- **Recommendation / Analyst opinion: overall summary of a company's performance. If needed, determine next mitigation steps and questions to supplier/ CBM**

Financial Score Definitions



- **Red (Score >70):** Company has either filed for Ch-11 protection or has serious liquidity issues, debt covenant violations or other severe financial distress that could lead to bankruptcy in the next 12 months (based on financial predictive tools; Z-score, cash burn rate analysis). Also included are company's that are not meeting repayment schedule of AMAT advances and companies that refuse to provide any financial information.
 - **Requires Financial Review every 3 months**
- **Pink (Score 59-69):** Company is experiencing financial distress in one or more areas (cash on hand, net losses, debt coverage, liquidity) but may still have cash on hand or a source of cash to fund operations within the next 12 months or some portion of the next 12 months (ex. may be out of cash in 10 months without a line of credit).
 - **Requires Financial Review every 3 months**
- **Yellow (Score 41-58):** Company has a risky business model (small and/or highly dependent on the semiconductor industry or a few number of customers for their revenue stream). May show some signs of financial distress such as declining revenues which could worsen given further deterioration in market conditions.
 - **Financial Review every 6 months**
- **Green (Score <40):** Company shows no significant signs of financial distress and has a business model (large, global and/or highly diversified) to weather the downturns.
 - **Financial Review every 12 months**

Finance: F-15 Screen Edit/Create



F-15 Assessment * Bold Fields are mandatory

ACTERON

F15 Target Completion	7/22/2009	To Start new F-15, click Here and change the Date	Assessment 1	Acteron has been in business for over 20 years. They have a low dependency on AMAT and are only about 35% dependent on semiconductor. Acteron
F15 Supplier Data Request	7/22/2009		Assessment 2	Based on the first 3 quarters of FY08 Actron has been able to maintain positive net income and positive cash flow from operations. The numbers are
F15 Supplier Due Date (+14)	7/22/2009		Assessment 3	Acteron's cash balance did decline from FY06 to FY08 by about 20%. However they have maintained adequate liquidity ratios. Their average A/R
F15 Complete Data Received	7/22/2009		Assessment 4	CASH BURN RATE: Taking AR, AP, projected sales/COGS, and loan obligations (calculated with a 35% reduction of annualized sales) as the factors.
Last Review Completed	5/18/2009	New Assessment	Assessment 5	
Financials Used for Analysis	YTD 09/30/08		Reccomendation 1	Since the most recent numbers provided were Q308 year to date the income statement was annualized assuming that for the 4th quarter Acteron saw a drop
Company Status	<input type="radio"/> Public <input checked="" type="radio"/> Private		Reccomendation 2	
Industry	9.6		Reccomendation 3	
Liquidity	30		Reccomendation 4	
Trend	10		Reccomendation 5	
Z Score	4.9		Next Review Comments	
Analyst opinion	0			
Last Review Rating	54.5	Caution		
Months: Cash Burn Rate	12			
% Semiconductor Business	0.35 for 59% enter .59			
% AMAT Business	0.03 for 59% enter .59			
Next Review Date	9/15/2009			
Review Cycle	120			

[NewReview](#) [Edit](#) [F-15 History](#) [Cancel](#)

Edit the Current F-15

Create a new Review

CBM: Operational Assessment Edit/Create



Operational Assessment

CELERTY INC

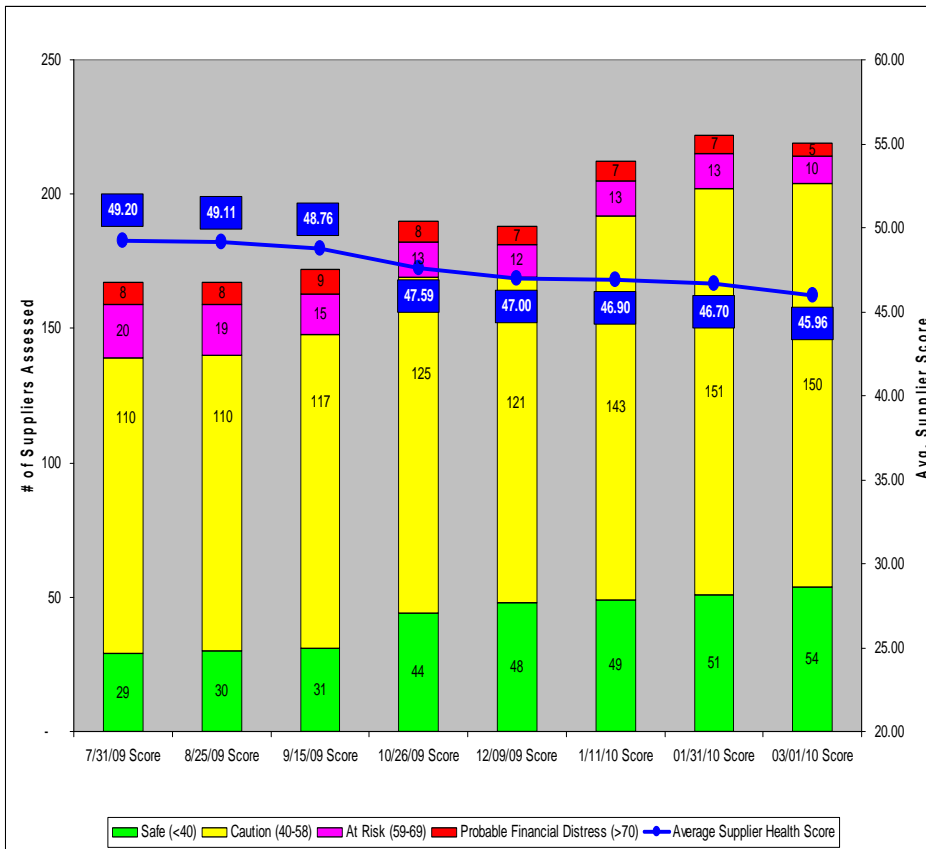
*** Bold Fields are mandatory**

Overall Operational Assessment Score	<input type="text" value="31"/>		Significant layoffs/hiring	<input checked="" type="radio"/> Yes <input type="radio"/> No	<input type="text" value="4"/>
Reliance on Semiconductor (Provided from F-15)	<input type="text" value="9"/>		Top Management Change	<input type="radio"/> Yes <input checked="" type="radio"/> No	<input type="text" value="0"/>
Reliance on AMAT (Provided from F-15)	<input type="text" value="6"/>		Pending Merger / Acquisition	<input type="radio"/> Yes <input checked="" type="radio"/> No	<input type="text" value="0"/>
Loss of Major Customers	<input type="radio"/> Yes <input checked="" type="radio"/> No	<input type="text" value="0"/>	Discontinuing portion(s) of business	<input type="radio"/> Yes <input checked="" type="radio"/> No	<input type="text" value="0"/>
Decreased Responsiveness	SBS Same or Better	<input type="text" value="0"/>	Litigation Pending	<input type="radio"/> Yes <input checked="" type="radio"/> No	<input type="text" value="0"/>
Decreased Operational Performance OTD	OTD Same or Better	<input type="text" value="0"/>	Ownership Structure Majority Ownership by Equity Partners?	<input checked="" type="radio"/> Yes <input type="radio"/> No	<input type="text" value="yes"/>
Decreased Operational Performance QPPM	QPPM Same or Better	<input type="text" value="0"/>	Last Assessment Date	New Assessment	<input type="text" value="4 / 1 / 2009"/>
Asking for Payment Terms Improvement / Accelerated Payments	<input checked="" type="radio"/> Yes <input type="radio"/> No	<input type="text" value="4"/>	Assessor Name	<input type="text" value="Nimerick"/>	
Asking for Inventory Buys (Non Demanded) from AMAT	<input checked="" type="radio"/> Yes <input type="radio"/> No	<input type="text" value="4"/>	Number of Months to Required to Requalify New Supplier?	<input type="text" value="3"/>	
Rumors Supplier not paying Sub Tier Suppliers	<input checked="" type="radio"/> Yes <input type="radio"/> No	<input type="text" value="4"/>	Comments	<div style="border: 1px solid black; padding: 5px;">Edit the Current Ops Assessment</div>	
Rumors Supplier not meeting Payroll	<input type="radio"/> Yes <input checked="" type="radio"/> No	<input type="text" value="0"/>			

Create a new Ops Assessment →

To Start new Ops Assessment, click Here and change the Date →

Supplier Financial Trending



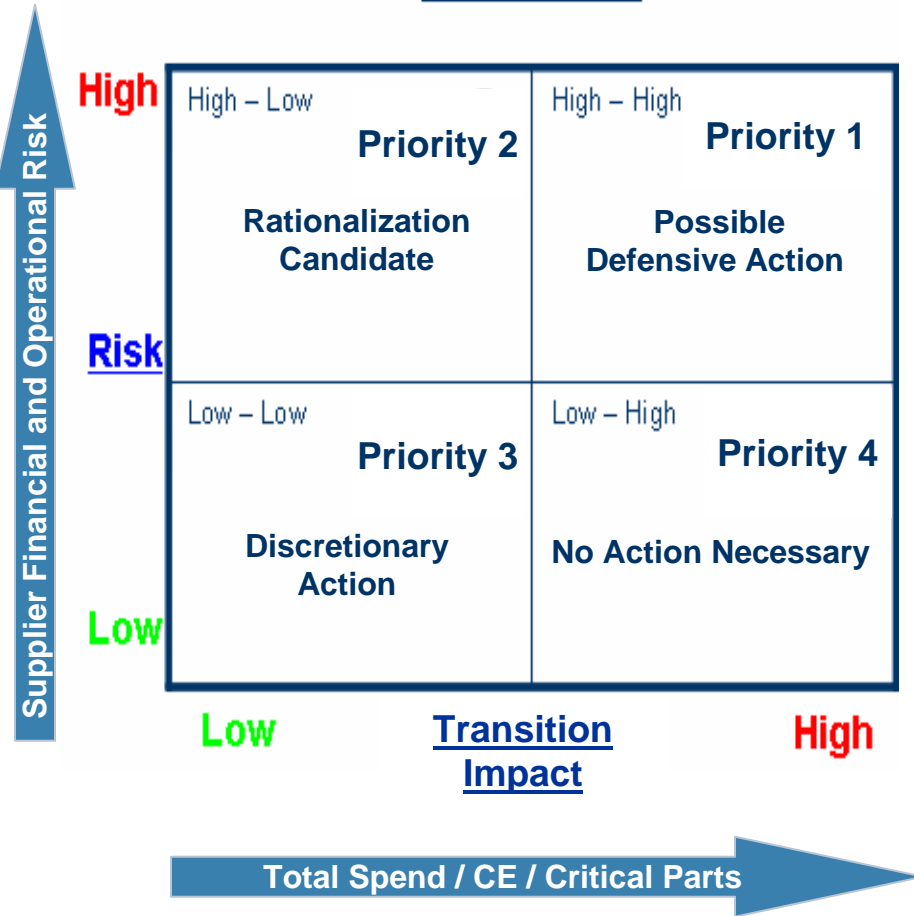
- Actively assessing ~233 suppliers in RPI tool.
- Supplier State of Health
 - No significant improvement or degradation in overall supplier health trending to-date.
 - Avg. scores have ranged from 49 to 46 from Q3’09 through mid Q2’10.
 - Process governance requires a specific risk mitigation strategy.
 - New supplier’s will not be APPROVED unless they score <56 on there financial assessment.
 - Ramp is placing additional cash flow stress on “distressed” and at “risk suppliers”

No significant improvement in supplier financial performance. Taking small steps to recovery.

Supplier Assessment Methodology



Prioritization



Understanding the potential risk and impact to our organization

Risk

- Supplier health (financial & operational)
- Dependency on AMAT and semiconductor sector
- Impact due to globalization
- Technology lock and niche suppliers

Transition Impact

- Total # of parts
- Total spend
- # Customer “CE” Parts
- # Critical Parts

Supplier Risk Assessment / Mitigation Strategy



Supplier		Grow-Retain-Move		Financial Conclusions & Recommendations											
CBM:		Commodity:		<i>Cost Reduction Roadmap ??</i>											
Contract		GSA rev E		Operational Conclusions & Recommendations:											
AP Terms		Net 30													
Procurement Status		No New Business													
AMAT % of Bus./ Semi %															
F15 Score/Date/Period/Andon:		58 /10-29-09/ Qtr end 9/30													
RPI		QUADRANT 4		Liability Claim(s):											
				Inventory Position(\$) -											
SCOPE				Plans To Ensure Continuity of Supply											
				Action		Owner(s)		Commit							
				<u>Risk Mitigation options</u>											
				<ol style="list-style-type: none"> <u>1. Supplier Assist</u> <ul style="list-style-type: none"> Inventory Purchases Pull in orders Inventory Liability Closure Payment Terms Early Receipt Direct business "To" Pay Carrying costs Infusion/Loan (last resort) <u>2. Resource/Disengagement</u> <ul style="list-style-type: none"> Partial Resourcing Full Disengagement <u>3. Merger/Acquisition</u> <u>4. AMAT IP Purchase</u> <u>5. No Action</u> 											
Supplier	Total #	# Parts Per Classification						BU Impact							
		1	2	3	4	5	6	AGS	SYN	MTS	IMDP	FEP	DSM	Etch	CMP
Ten-X	137	2	2	0	34	62	37	X	X	X	X	X	X	X	X
CE! Impact:															
Re-source Timeframe (1s&2s):															
BU Awareness		<i>DEFINE</i>													
Commodity Roadmap Suppliers		F15	RPI		Andon										
xxxxxx		72	Quad 1												
		21	Quad 3												
			Quad 3												
			Quad 3												
Supplier Risk Mitigation Strategy:															

Sample - Sample Project Scope



Supplier	Total #	# Parts Per Classification						Other	BU Impact							
		1	2	3	4	5	6		AGS	SES	MTS	MDP	FEP	DSM	Etch	CMP
Supplier	633	6	11	26	105	62	327	96	X	X		X	X	X	X	X

- **Primary Concern: Ex. Supplier at risk due to over-reliance on Semi-Industry and cash burn analysis indicates 6 month viability.**

- **Targeted Suppliers**

- Targeted Supplier #1
- Targeted Supplier #2

- **633 Total Sourced Items (subconfigurable OEM not included)**

- 406 BTP subconfigurable to subsystems
- 227 directly procured
 - 40 Critical parts (including subconfigurable)
 - 2 (configurable) Subsystems

- **High Priority Part/Subsystems**

- High Profile Part #1
- High Profile Part #2

Part Classification Legend			
Part Class	Critically Locked	Single Source/ Multi-Source	Net Demand/ Zero Demand
1	CR	Single	Net
2	CR	Single	Zero
3	CR	Multi	
4	NON-CR	Single	Net
5	NON-CR	Single	Zero
6	NON-CR	Multi	
7	OTHER - Obsolete		
8	OTHER - InActive		
9	OTHER - Non Standard		
10	OTHER - Out Of Scope		

Using FMEA to assess Supplier or Part Risk



- Evaluate supply chain risk for a new supplier or a current supplier for a specific part.
 - For a part, it can be a part that is being designed.
 - For a supplier, to assess knowledge of what the risks are and what needs to be done for all the part ‘family’ that is being awarded to that specific supplier.
- Use within Phase 3b of the PLC development.
- Use by the MPMs and their teams.
 - The group gets together and reach consensus all of their risk scores to come up with one score for each risk criteria.

Benefits of FMEA to assess Supplier or Part Risk



- Pinpoint a specific risk that may come up when choosing a new supplier or an existing supplier for a new part.
- Focus on taking specific actions where risk is determined or already exists.
- Systematic way to fill out the form every time.
 - Everyone will use the same process and it will deliver more consistent results.
- No need to go to external sites for additional information.
 - i.e – Weather, IP, F-15 scores, and QPPM criteria.
- Easily accessible web form library via GSCHO site.

Early Product Life Cycle FMEA Risk Assessment



Back

RPN Risk Management

Sole Source Risk Assessment Form

Part Number:

PLC Project:

Completed By:

Date:

Category	Potential Risk	Likelihood	Detection	Severity	RPN
Raw Materials	Material lead time change	8	9	8	576.00
	Low commonality across product offerings	7	8	6	336.00
	High market price volatility	8	7	6	336.00
	Limited alternate sources available	10	9	9	810.00
Special Processes	Limited number of suppliers	2	1	3	6.00
	High complexity of special processes	4	7	9	252.00
Logistics	Multiple handoffs	6	7	5	210.00
	Few types of transportation available	8	7	8	448.00
Quality	Low QPPM	8	7	9	504.00

[Click here to see scoring criteria](#)

[See Recommended Actions](#)

Applied Materials Confidential



Supplier Form:

- Type in the Supplier Name, PLC Project Name, MPM Owner, and Date.
- Check the box if supplier is an existing supplier or not.
 - This form is divided in 10 categories.

RPN Risk Management

Sole Source Risk Assessment Form

Supplier: MPM Owner:

PLC Project: Date:

Is Supplier an existing supplier? Yes

Category	Potential Risk	Likelihood	Detection	Severity	RPN
Raw Materials	Limited alternate sources contracted	*	*	*	0.00
Labor	Technical or engineering presence inadequate	*	*	*	0.00
	Limited labor regulations	*	*	*	0.00
	Employee reliability is low	*	*	*	0.00
	Employee skill level is inadequate	*	*	*	0.00
	Cost of labor	*	*	*	0.00
	Limited resources / headcount	*	*	*	0.00
	Organized labor unions	*	*	*	0.00
Click here for Scoring Criteria					
Equipment	Limited legacy equipment?	*	*	*	0.00
	Limited number of machines available for manufacturing	*	*	*	0.00
	Inadequate capacity and tooling	*	*	*	0.00
	Lack of flexibility in capacity	*	*	*	0.00

Business Continuity Planning Program



- **SCOPE:**
 - To include our top spend strategic and critical suppliers and key partners
- **DEFINITION:**
 - Ensure supplier has a business continuity plan in place for themselves, and the Applied Product they manufacture.
- **EVIDENCE:**
 - Present program used to communicate and manage business continuity planning event mitigation.
- **PROVIDE THE FOLLOWING:**
 - Communication process--> List of Corporate and Regional BCP Managers/owners/coordinators and BCP Team members at each site; Provide flow of how information is transmitted, the timing and to whom; contact info for AMAT for us to notify them of an issue we have identified.
 - Identify basic flow of their procedures--> Each site should have a clear document about decision points and matrix to follow; present SIPOC (Supplier, Input, Process, Output, Customer).
 - Provide AMAT Product Support Matrix-->Identify by product the primary mfg location, alternate location(s), resources available (have OMS's stored at a separate site, dual test fixture available, alternate testing plans, etc.).
- **GOAL:**
 - Have documented plans in-place that we can present to and gain endorsement from our customers of what we will do in a crisis to ensure continuity of supply, as well as enable AMAT and our suppliers to respond timely to business continuity interruptions.

Sub-Tier Supply Chain Health (Risk) Management



- **SCOPE:**

- Top 90% spend of our Tier 1's suppliers

- **DEFINITION:**

- Program in-place to measure, monitor and improve supply continuity/flow of materials of AMAT products.

- **EVIDENCE:**

- Present program used to manage supply chain risk. Provide examples of latest review cycle (names of suppliers not required) and results. What actions were taken as a result of the latest reviews?

- **GOAL:**

- Established program in place to monitor and mitigate supply continuity risks down to the sub-tier level.

Forecasting Program



- **SCOPE:**
 - Our top spend Contract Manufacturers' and Suppliers' Sub-Tiers/OEM Providers.
- **DEFINITION:**
 - Ensure supplier has a forecasting program in place for the Applied Product they manufacture with closed-loop feedback from their sub-tiers.
- **EVIDENCE:**
 - Present program used to communicate and manage material forecast from AMAT-->supplier-->sub-tiers.
- **PROVIDE THE FOLLOWING:**
 - Communication process--> Provide flow of how forecast information is received, the timing and from what sources, who it is sent to (SIPOC).
 - Identify Internal Forecasting Methodologies--> What manipulations are done to translate forecast received into demand signals in their internal system; which type of suppliers are provided this information, how often; is there a closed-loop feedback system to verify suppliers have acted upon these signals?
 - Identify Areas to Improve--> Actionable areas where supplier could improve utilization of information (ie, thru consolidating inputs from AMAT, pulling data more often, etc.).
- **GOAL:**
 - Have documented closed-loop forecasting program in-place to ensure continuity of supply.



Supplier Notification Form (SNF) EXECUTIVE SUMMARY

Data Population: SNFs submitted from 02/25/08 to 05/11/10

AMAT Supplier Notification Form	Unassigned	SNF-A	SNF-C	Total	AVG DAYS AGED (MAX) SNF-A / SNF-C
Total Volume Received	520	3,913	7,369	11,802	
Total Rejected	425	374	603	1,402	82 (646) / 62 (595)
Total Closed	40	2,753	6,253	9,046	126 (774) / 44 (679)
Total Open (Backlog)	55	786	513	1,354	203 (783) / 76 (714)

Click for detail



Total Open

Click for detail



Total Volume Open (Backlog) By Stage	Unassigned	SNF-A	SNF-C	Total	AVG DAYS AGED (MAX) SNF-A / SNF-C
Pending With Supplier		381		381	244 (783) / -(-)
DEA Review		288	307	595	159 (783) / 68 (579)
CE Rep Review		116	204	320	177 (680) / 88 (714)
SNF ADMIN Review	55			55	-(-) / -(-)
Corp Trade Review			2	2	-(-) / 7 (7)
IP Review		1		1	11 (11) / -(-)

Click for detail

Total Open by Stage



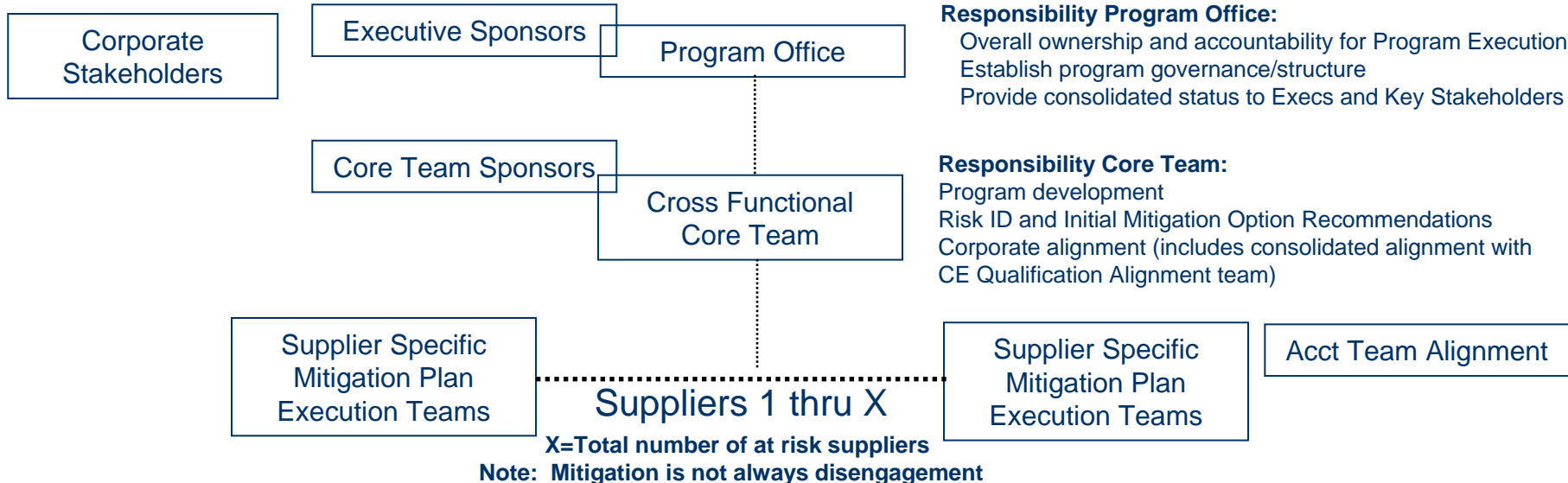
Supplier Transition Project Management



Scope:

- Implemented Standardized processes for project management of supplier site transitions:
 - Supplier moves/closures due to Insolvencies or Financial challenges
 - Supplier mitigation strategies (disengagements and dual sourcing)
- Minimize impact to continuity of supply (customers first, AMAT next) while maintaining quality levels.
- Minimize time and resources required to mitigate transitions (identification and full execution)
 - Minimize qualification CT (internal, customer)
 - Re-sourcing CT
- Minimize AMAT cash outlay (for transition) to supply base.
- Standardize tools, data sets, processes, communications/status
 - Revised existing GSCO Supplier risk GMRM documentation (2-44, 2-38)
 - Create and release new GMRM documentation (2-25, F-25)
- Governance in place to communicate supplier projects to key stakeholders and establish cross functional execution teams
- Collaboration with global supply continuity project managers

Structure/Governance Overview



Responsibility Program Office:
 Overall ownership and accountability for Program Execution
 Establish program governance/structure
 Provide consolidated status to Execs and Key Stakeholders

Responsibility Core Team:
 Program development
 Risk ID and Initial Mitigation Option Recommendations
 Corporate alignment (includes consolidated alignment with CE Qualification Alignment team)

BU Mats/GOME Interface with DEA for Core Team

Core Team Rep	Functional Group	Supplier 1	Supplier 2	Supplier ...	Supplier	Supplier X
Yes	CBM	X	X	X	X	X
Yes	Proj Lead	X	X	X	X	X
Yes	GSCO Ops	X	X	X	X	X
Yes	PL&IC	X	X	X	X	
Yes	CE Reps	X		X		X
Yes	MEA	X	X	X	X	X
No	DEA	X	X	X		X
Yes	BU/MPM	X	X	X		X
Yes	AGS Ops	X	X	X		X
No	GOMO Mfg					
Yes	Quality	X	X	X		X
Yes	Supplier Eng	X		X		
Yes	Finance					



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