

SCHEDULE 04

PERFORMANCE MANAGEMENT

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1 INTRODUCTION

1.1 This Schedule should be read in conjunction with Schedule 2 (*Statement of Work*), Schedule 5 (Pricing and Payment), Schedule 7 (*Government Furnished Assets*) and Schedule 9 (*Contract Management*).

1.2 This Schedule 4 defines the performance management framework and supporting processes that will be used to assess the Contractor's performance against the Key Performance Indicators (KPIs) detailed in this Schedule. The assessment of performance will be used to determine the Contractor's Actual Performance Score (CAPS) for application to the pricing and payment mechanisms described in Schedule 5 (*Pricing and Payment*) in order to calculate the sums payable by the Authority.

1.3 This Schedule details the following:

1.3.1 The KPIs, Trial KPIs and Performance Indicators (PIs), which shall be used to assess the Contractor's performance of the Service.

1.3.2 The process that will be used to compile, measure and record data relating to performance against the KPIs.

1.3.3 How performance against the KPIs will be calculated in order to generate the Contractor's Proposed Performance Score (CPPS).

1.3.4 The validation process that will be applied to determine the CAPS against each KPI for application of the mechanism described in Schedule 5 (Pricing and Payment) of this Contract.

2 APPROACH

2.1 This Schedule includes three elements.

2.1.1 KPIs that will be used to measure performance under this Contract and determine the value of the Monthly Service Payment (MSP) in accordance with Paragraph 3 of Schedule 5 (*Pricing and Payment*).

2.1.2 Trial KPIs that will be used to determine whether an alternative pay and performance regime described in Schedule 5 (*Pricing and Payment*) would provide a more appropriate and effective model that would better support the achievement of the joint objectives described in Schedule 2 (*Statement of Work*). The Trial KPIs will not be used to determine the value of the MSP, but instead will be used to calculate a notional monthly service payment value based on the principles described in Schedule 5 (*Pricing and Payment*).

2.1.3 The PIs that will be used to measure the Contractor's performance under this Contract. PIs will not be used to determine the value of the MSP.

2.2 The KPIs will be used to incentivise the Contractor's performance, with the Trial KPIs shadowed alongside. It is the intention to replace the KPIs with the Trials KPIs at the end of the trial period through a Contract amendment as detailed in Schedule 5 (*Pricing and Payment*). The PIs as set out in this Schedule will be measured and reported for the Contract Period.

3 BEHAVIOURS

3.1 The KPIs described in this Schedule have been designed to incentivise behaviours that deliver an integrated support solution that achieves the joint objectives identified in Schedule 2

(Statement of Work). The KPIs selected for this Contract seek to encourage the following behaviours:

3.1.1 A focus on delivery of aircraft to Forward to an agreed standard and to planned Fleet requirements. The KPI associated with this behaviour will measure output from Depth, whilst the Trial KPI will measure the number of aircraft in the FAF.

3.1.2 A focus on timely provision of parts and materials in support of Forward demand. The KPIs associated with this behaviour will measure schedule adherence of Critical and Non-Critical Spares, as requested by Forward. The Trial KPI will measure the delivery of spares to satisfy C and D State requests, in support of the FAF.

3.1.3 A focus on agile provision of technical information required by Forward to enable the generation of Mission Capable Aircraft. The KPI associated with this behaviour will measure the timeliness of the Contractor's responses to all Technical Queries raised by the Authority. The Trial KPI will focus on only those Technical Queries in support of the FAF.

4 PERFORMANCE MANAGEMENT GOVERNING PRINCIPLES

4.1 The Contractor's performance against the KPIs will be measured and recorded by the contractor and assessed and sentenced jointly on a monthly basis at the MPRM

4.2 The KPIs and Trial KPIs will be assessed on a three-month rolling average basis. For the first two months from the Effective Date, the performance calculation will assume that the two preceding months that make up the three-month rolling average are Satisfactory (green). Thereafter, the score will be taken from a rolling three-month average based on the actual figures, rolling forward continuously until the Termination Date or Expiry Date, whichever is the earlier as detailed in Paragraph **Error! Reference source not found.** of this Schedule.

4.3 Subject to Paragraphs 4.6 and 4.13 of this Schedule, in the event the Contractor's performance against a KPI is impacted due to a factor outside their control, a Relief Event against the relevant KPI may be applicable. Examples of Relief Events are detailed at Paragraph 22 of this Schedule.

4.4 Where a Claimed Relief Event occurs, it shall be recorded by the Contractor. The impact shall be taken into account by the Contractor as a moderation factor when determining the CPPS for consideration by the Authority at the MPRM.

4.5 Any Claimed Relief Event must be supported by:

4.5.1 Evidence that demonstrates the Claimed Relief Event occurred.

4.5.2 The Claimed Relief Event's date of occurrence.

4.5.3 The actual or perceived impact.

4.5.4 Details of the mitigation action taken by the Contractor, or evidence that mitigation action could not reasonably have been expected.

4.5.5 Any other evidence that the Contractor deems relevant for consideration.

4.6 Where a Claimed Relief Event or multiple, concurrent Claimed Relief Events are not the Sole Cause of the degradation of the Contractor's performance against a KPI, no adjustment will be made in determining the CAPS.

4.7 Formal review of KPI performance will be jointly carried out between the Contractor and the Authority at the MPRM,. To facilitate the MPRM, the Contractor shall provide a Monthly MPR, no later than 10 (ten) Business Days from the start of the month following the month of performance to be reviewed.

4.8 The CPPS provided by the Contractor will be sentenced by the Parties at the MPRM in order to agree the CAPS for each KPI for application to the pricing and payment mechanisms detailed in Schedule 5 (*Pricing and Payment*). The CAPS will be used to determine the Monthly Service Payment payable to the Contractor. The agreed CAPS for each KPI will be recorded in the minutes of the MPRM. If the Parties cannot agree on the CAPS for a KPI at the MPRM, the disagreement shall be resolved in accordance Clause 82 (*Dispute Resolution*).

4.9 The MPRM will occur no later than 15 (fifteen) Business Days from the start of the month following the month of performance to be reviewed. This meeting will be managed by the Contractor as set out in Table 2 of Schedule 2 (*Statement of Work*), with the Contractor presenting their performance data to the Authority for review. The standing agenda for the MPRM is defined in Schedule 9 (*Contract Management*). If this is not convened in the required timescale owing to an Authority failure, then performance for the previous month will be judged as Very Good (green) against all KPIs. If the MPRM is not convened in the required timescale due to a Contractor failure, then the CAPS for the month concerned will be scored as Unsatisfactory (red) against all KPIs.

4.10 At the QPRM and APRM the Parties will review the KPIs and the associated performance management process described in this Schedule. The aim of these reviews shall be to ensure that the KPIs and associated metrics remain valid in the context of this Contract and the associated processes operate smoothly and efficiently. Any agreed changes to the KPIs will be enacted through the contract change process described in Schedule 6 (*Contract Change*) and will include consideration of the following:

- 4.10.1 The need to achieve the Outcomes and Objectives;
- 4.10.2 The need to adjust a KPI in response to a change to the Authority's requirements;
- 4.10.3 The need to motivate the Contractor to achieve continuous improvement in the provision of the Services;
- 4.10.4 Any desire to refocus the weightings applicable to particular KPIs, including to reflect changes in the relative importance of the Services measured by KPIs;
- 4.10.5 The suitability of a KPI as a means of assessing the Contractor's performance;
- 4.10.6 Both parties' desire for measurement efficiency; and
- 4.10.7 Any Efficiency that has been Approved and which will have an impact on a KPI.

4.11 Subject to Paragraph 4.10 above following each meeting, the Authority may, by notice to the Contractor, propose adjustments to one or more of the following:

- 4.11.1 the basis of measurement of KPIs;
- 4.11.2 any Contractor reporting obligations; or
- 4.11.3 The weightings for the KPIs, the Required Performance Level, the Performance Bands and formulae for calculating the Adjusted Performance Score for the KPIs

4.12 Where the Contractor anticipates that their performance against any KPI will be assessed as Marginal or Unsatisfactory, they shall complete the following actions:

4.12.1 notify the Authority of the events or circumstances, which have affected or are likely to affect the Contractor's performance;

4.12.2 notify the Authority of the steps it has taken and will take to minimise the adverse effects of the Contractor's performance;

4.12.3 notify the Authority of the period during which the Contractor expects that its performance for the relevant KPI will or is likely to be in the Marginal or Unsatisfactory band; and

4.12.4 notify the Authority whether the cause of the events or circumstances will be reported as a Claimed Relief Event against the relevant KPI.

4.13 Where the Contractor anticipates that their performance will be impacted as a result of the Authority's failure to meet their obligations as per Schedule 7 (*Government Furnished Assets*) the Contractor shall notify the Authority in accordance with Clause 50 (*Issued Property*). If the Contractor does not act in accordance with Clause 50 (*Issued Property*), relief shall not apply.

4.14 Relief Events that may be taken into account when considering the Contractor's ability to deliver the Service associated with the KPIs, Trial KPIs and PIs are detailed in Paragraph 22 of this Schedule.

4.15 In the event the Contractor fails to meet their obligations for tasks and activities as outlined in Schedule 2 (*Statement of Work*) underpinning the KPIs, Trial KPIs and PIs detailed in this Schedule, the tasks and activities will continue to be monitored against the respective KPI, Trial KPI and PI in every reporting period until the task and/or activity is completed.

4.16 In cases where Task progression is measured on the TDB against a Target Completion Date, should the Task not be accepted by the Authority, the time associated with the Authority's acceptance process shall be added to the Target Completion Date for recording and measurement purposes. This principle shall apply until the Task has been accepted by the Authority.

5 KEY PERFORMANCE INDICATORS

5.1 The KPIs detailed in Paragraphs **Error! Reference source not found.** to **Error! Reference source not found.** (inclusive) of this Schedule shall apply from the Effective Date.

5.1.1 KPI A: Scheduled maintenance completed to time.

5.1.2 KPI B: Critical Spare RDD

5.1.3 KPI C: Non-Critical SpareRDD

5.1.4 KPI D: Technical Queries to Forward

6 *REDACTED*

7 *REDACTED*

8 *REDACTED*

9 *REDACTED*

10 *REDACTED*

11 TRIAL KEY PERFORMANCE INDICATORS

11.1 The Trial KPIs are as follows:

11.1.1 Trial KPI 1: the Provision of FAF

11.1.2 Trial KPI 2: Management, provision and delivery of Spares:

11.1.2.1 Trial KPI 2a: Measurement of D States supplied within 24 hours of demand and state assessment

11.1.2.2 Trial KPI 2b: Measurement of C States supplied within 48 hours of demand and state assessment

11.1.3 Trial KPI 3: Provision of Technical information to support the FAF

12 *REDACTED*

13 *REDACTED*

14 *REDACTED*

15 *REDACTED*

16 *REDACTED*

17 *REDACTED*

18 *REDACTED*

19 *REDACTED*

20 *REDACTED*

21 *REDACTED*

22 RELIEF EVENTS

22.1 Relief Events that may be considered by the Contractor when developing the CPPS apply to the KPIs, Trial KPIs and PIs detailed within this Schedule.

22.2 Possible Relief Events that may be considered include the following:

22.2.1 Failure by the Authority to meet its obligations under Schedule 7 (Government Furnished Assets) that can be shown to be the Sole Cause of the degradation of performance against KPI 1.

22.2.2 A reduction in FAF due to a decision by the Authority to dispose, loan or allot an Aircraft to a third party.

22.2.3 Unilateral direction given by the Authority to change the Fleet Plans where the Contractor has demonstrated that the change cannot be accommodated within the Depth Maintenance Schedule.

22.2.4 Additional Penalty Depth Maintenance

22.2.5 Delay occasioned by failure of the Authority to provide technical information to a Required Delivery Date (RDD), and impacts the critical path of Depth Maintenance activity.

22.2.6 Cannibalisation of an aircraft in Depth, at the instruction of the Authority, to support an aircraft at Forward, where the reason for cannibalisation was not due to a failure on the part of the Contractor to supply the relevant spares.

22.2.7 Aircraft allocated to Depth for the embodiment of modifications outside of the Depth Maintenance Schedule .

22.2.8 Further Additional Tasking requested by the Authority outside the agreed Depth Maintenance SOW, which demonstrably cannot be accommodated within the agreed Depth Maintenance Schedule without adverse effect.

22.2.9 Spares that cannot be supplied due to delays in equipment being returned to the MOB by the Authority which prevents the Contractor satisfying the demand.

22.2.10 The Authority fails to provide technical information to a Required Delivery Date.

22.2.11 C and D-States resulting from multiple replacement parts being used due to Aircraft or maintenance induced failures (not including batch failures).

22.2.12 The Authority has failed to take advice in taking corrective action to resolve an issue relating to a Spare that has been identified as obsolete by the Contractor.

22.2.13 Where the Authority has decided to dispose of a spare other than at the recommendation of the Contractor.

22.2.14 Where the Authority has not followed the procedure in accordance with JSP886 and this has been detrimental to the Contractor's ability to meet the obligations in this Contract.

22.2.15 The failure of the Authority to cancel a C or D-State spare demand that is no longer required.

22.2.16 Parts incorrectly identified by the Authority.

22.2.17 Where a Spare has been demanded by the Authority that the Contractor is not required to hold

22.2.18 The Obsolescence of a demanded part has caused the part to be unavailable, as listed in the Obsolescence Register indexed through the Joint Obsolescence Working Group (JOWG).

22.2.19 Any delay caused by the Authority's failure to complete within a reasonable timeframe any action requested by the Contractor to help deliver the technical query responses.

ANNEX A - KPI WITHHOLD CALCULATOR

REDACTED

ANNEX B - TRIAL KPI WITHHOLD/RETENTION CALCULATOR

REDACTED