PROCEDURE LEVEL

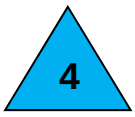

TABLE OF CONTENTS

1. INTRO / PURPOSE

This Standard Operating Procedure (SOP) describes the process for evaluating and approving suppliers who furnish products and/or services that become deliverable products for BAE Systems.

2. SCOPE

This SOP applies to all programs where suppliers furnish products, processes, or services incorporated into contractually deliverable end items.

This SOP applies to:

- Customer-designated-source, sole-source, and sub-tier suppliers
- Suppliers who perform calibration, manufacturing, inspection, and/or testing services
- Suppliers who perform special processes (ANSI, ASTM, MIL, NADCAP, SAE, etc.)
- Distributors of standard catalog hardware (AN, MS, NAS)
- Suppliers of Qualified Parts List (QPL) items
- Qualified Dock-to-Stock Suppliers (DTS).

This SOP does not apply to:

- Distributors of office equipment and office supplies
- Facilities, janitorial, landscape, or maintenance services and/or supplies
- Freight or transportation carriers and packaging suppliers
- Sales or representative type suppliers
- Training or consulting services.

3. REFERENCE RELATED SUPPORT DATA

BAE Systems Forms

SQA 814, Supplier Self-Assessment (SSA)
FM 1565, Supplier Non-conforming Material Report (SNMR)
FM 1827 Supplier Corrective Action Request (SCAR)

BAE Systems Standard Operating Procedures

SOP 202, Internal Quality Audits
SOP 206 Non-Conforming Material
SOP 236, Corrective and Preventive Action (CAPA)
SOP 1029, Product Assurance Incoming, In-Process & Final

3.1 ACRONYMS AND TERMINOLOGY

AS	Aerospace Standard
ASL	Approved Source List
CAPA	Corrective and Preventive Action
CARC	Chemical-Agent-Resistant Coating
CDS	Customer-Designated Source

COTS	Commercial-off-the-Shelf
DQR	Designated Quality Representative
DTS	Dock-to-Stock
ERP	Enterprise Resource Planning
ISO	Internal Standards Organization
NADCAP	National Aerospace and Defense Contractors Accreditation Programs
OEM	Original Equipment Manufacturer
PO	Purchase Order
QE	Quality Engineer
QPL	Qualified Parts List
RTV	Return-To-Vendor
SCAR	Supplier Corrective Action Request
SDA	Supplier Database Administrator
SNMR	Supplier Nonconforming Material Report
SOP	Standard Operating Procedure
SQE	Supplier Quality Engineer
SS	Sole Source
TS	Technical Specification
WIP	Work In Progress

4. ROLES AND RESPONSIBILITIES

The Purchasing and Quality Departments share responsibility in developing, implementing, and maintaining effective supplier controls.

The Purchasing Department's responsibilities include:

- Requesting, evaluating, and/or auditing of potential suppliers.
- Distributing surveys to, and requesting information from, suppliers.
- Obtaining and communicating feedback from existing and potential suppliers.
- Verifying approved supplier status and capability prior to placing orders.
- Requesting qualification of new, unapproved, or sole-source suppliers.
- Documenting and communicating Purchase Order (PO) terms and conditions, quality requirements, and deliverables to suppliers upon placement of orders.
- Documenting special conditions or requirements on the PO including Customer / Government Property, Material Test Report, Material / Process Certifications, Certificates of Conformance, First Article Inspection, Source Inspection, Identification, Serialization, Packaging, Labeling, Handling, etc.
- Providing sufficient details on the PO including part description, part number, revision level, serial number, lot number, quantity, and referencing applicable process specifications.
- Providing current controlled documents and/or data to suppliers when required.
- Obtaining necessary product documentation and/or data including test coupons or samples, test reports, applicable process or material certifications, etc.
- Coordinating Return-To-Vendor (RTV) product or material with suppliers.

The Quality Department's responsibilities include:

- Generating, evaluating, and maintaining supplier surveys.
- Performing supplier assessments, audits, and/or surveillance.
- Evaluating a supplier's ability to meet company and customer requirements.
- Maintaining the Approved Source List (ASL) and supplier files.
- Periodically evaluating and rating the supplier's quality and performance.
- Notifying suppliers of non-conformities and/or deficiencies detected and conveying their significance or impact on the product or process.
- Coordinating corrective and preventive actions with concerned stakeholders.
- Implementing and maintaining the Dock-to-Stock, (DTS) / Designated Quality Representative (DQR) program.
- Obtaining necessary product documentation and/or data including test coupons or samples, test reports, applicable process or material certifications, etc., for all in-bound product received.

5. INITIAL SUPPLIER QUALIFICATION

The Supplier Quality Engineer (SQE) evaluates the supplier's ability to meet Company and customer quality, performance, and delivery requirements. SQE roles and responsibilities may be performed by SQEs, qualified third-party resources, or Program Quality Engineers (QEs).

Note: All requests for evaluation of new suppliers shall be submitted to the SQE Group.

The SQE may approve a supplier through the evaluation of one or more of the following methods:

- Receiving a copy of a current International Standards Organization (ISO) certificate such as Aerospace Standard (AS) 9100, ISO 9001, or equivalent.
- Reviewing a copy of a recent audit performed by a customer or registrar.
- Performing an on-site qualification or surveillance audit.
- Approving a Supplier Self-Assessment (SQA 814, or system equivalent).
- Approving Production Part Approval Process, (PPAP) documentation.
- Obtaining written authorization from Quality Management.

The SQE reviews the completed Supplier Self-Assessment (SQA 814, or system equivalent) and supporting documentation to assess the adequacy of the supplier's quality system and their compliance to contractual requirements. If satisfied with the supplier's responses, the SQE changes the supplier's rating in the database to "Approved" for the supplier based on the scope listed on their certifications or survey results and files the survey in the supplier's file.

If the SQE has questions or concerns about the supplier's quality system after this review, the SQE calls or e-mails the supplier to obtain further clarification or to schedule an on-site qualification or surveillance audit. The SQE coordinates activities with the supplier's point-of-contact. The SQE considers the size and type of business, the products or services to be provided, identification and traceability of materials, inspection activities, non-conformances, and corrective actions as well as the experience and training of personnel required when performing the audit. The SQE completes the survey and rates the supplier accordingly.

If satisfied with the supplier's quality system, the SQE updates the database to reflect the supplier's approved status and the completion date of the audit.

The SQE notifies the supplier of any deficiencies or findings observed during the audit that need to be corrected. The SQE explains any findings marked "Disapproved" to the supplier's point-of-contact during the audit. The SQE sends a formal letter to the supplier describing the finding(s) noted during the audit and requests corrective action during a specified time frame. The letter may include recommendations for corrective and/or preventive actions.

The SQE may grant "Approved" (Y) status if corrective actions are being implemented to correct minor findings or deficiencies. The supplier receives a "Not Approved" (N) status if numerous and/or systemic deficiencies, findings, or non-conformances are detected during the audit.

In the event the supplier fails the audit, the SQE and Quality Management will determine the best course of action. The SQE documents all decisions in writing and maintains objective evidence of supplier qualification, approval status, periodic evaluation, audit findings, and any corrective actions implemented.

6. APPROVED SOURCE LIST AND DATABASE

BAE Systems' Enterprise Resource Planning (ERP) system provides the "official" listing of approved suppliers and/or vendors referred to as the ASL. The ASL authorizes BAE Systems Buyers to issue POs to approved suppliers to furnish goods and/or services and also tracks each supplier's quality and performance levels. The system is access-controlled and password-protected to ensure the integrity of the information.

The Purchasing Department initiates the qualification of new suppliers prior to awarding the PO. The Supplier Database Administrator (SDA) assigns a supplier number and enters the supplier's information into the system with a supplier status default of "Not Approved" (N). The Buyer sends the supplier candidate a Supplier Self-Assessment (SQA 814, or system equivalent) to complete and return to the SQE.

The Quality Department determines the supplier's status and maintains supporting supplier files. After evaluating the supplier's quality system, the SQE changes the default to reflect the supplier status in the ASL. Only Quality personnel have the authority to approve suppliers, change their approval status, or override their status. The Quality Department periodically evaluates supplier files to ensure accuracy. Supplier files should contain sufficient objective evidence to support approval status and quality rating.

Supplier information includes vendor name, vendor address, point-of-contact information, products or services, applicable certifications, approval status, scope of approval, and supplier rating.

7. SPECIAL SUPPLIER CLASSIFICATIONS

7.1 SOLE-SOURCE

Sole-Source (SS) suppliers are the only suppliers able to provide the specified goods or services based upon some key criterion such as:

- Original Equipment Manufacturer (OEM)
- Proprietary data, process, or technology
- Environmental, quality, safety, or security requirements
- Cost-prohibitive if produced by any other supplier*.

*Purchasing maintains cost and pricing data to support this and periodically evaluates alternate sources.

7.2 CUSTOMER DESIGNATED SOURCE

Customer-Designated Sources (CDS) are suppliers dictated by customer and/or contractual requirements. The Company uses the supplier indicated by the customer in order to meet contractual requirements and/or obligations. However, the SQE is required to evaluate and approve the CDS prior to any PO releases. The SQE references customer-designated suppliers in the Notes field.

8. SUPPLIER STATUS

8.1 APPROVED (Y)

The Quality Department reviews and approves a supplier's ability to provide goods and services that meet BAE Systems and Customer requirements. "Approved" status is indicated by a 'Y' in the Approval Status field of the ASL.

8.2 NOT APPROVED (N)

Suppliers that do not satisfy company and/or customer quality, performance, and delivery requirements as described above are indicated as "Not Approved" by an (N) in the Approval Status field of the ASL.

No Purchase Orders shall be issued to suppliers with this status.

8.3 HOLD CODE - DISAPPROVED (D)

Suppliers which no longer meet BAE Systems and/or customer requirements are designated as "Disapproved" by the Quality Department. Disapproved suppliers may not be used without written authorization from the Manager of Supplier Quality. Disapproved suppliers may be re-evaluated upon implementing corrective and preventive actions to correct the non-conformities identified by the Quality Department that resulted in their disapproval. Disapproved suppliers are indicated by a "D" in the Hold Code field of the ASL.

9. SUPPLIER RATING

The supplier rating is a rolling 12-month average obtained by dividing the total number of parts accepted by the total number of parts received. The ASL database calculates the supplier rating based upon the quality of the parts received and the service performance in meeting delivery dates. The composite rating sums the weighted quality and service scores calculated from the supplier's total receipts.

The ASL automatically defaults to a "Disapproved" status if a supplier's composite rating falls below 79.9 % and the system prevents POs from being placed with the supplier. The Buyer / Planner then notifies the SQE of any Work In Progress (WIP) or orders affected.

The SQE reviews the situation and notifies the supplier of any necessary corrective and/or preventive actions. The SQE may override the "Disapproved" status and re-instate the supplier for a specified period of time. The SQE includes justification in the Notes field.

Suppliers who perform special services such as analysis, calibration, inspection, and/or testing do not receive a product quality performance rating.

9.1 CONTINUED USE OF A DISAPPROVED SUPPLIER

For specific reasons, Supplier Quality Engineering Management may authorize the continued use of a supplier that does not have an acceptable quality rating while taking additional measures to ensure product quality. Continued use of these suppliers may be necessary due to the cost of qualifying an alternative source, satisfying long lead times, using proprietary technology or processes, or the lack of availability of an alternate source, Customer mandates, and other reasons. Use of these suppliers does not exempt them from meeting contractual / customer requirements nor from performing the necessary corrective and preventive actions to ensure compliance. These suppliers are evaluated periodically to re-qualify or discontinue their use when an alternate supplier becomes feasible.

The requestor submits a written justification explaining the reason for the continued use of the disapproved supplier to the Purchasing Manager. If he/she agrees, the Purchasing Manager forwards the written request to the SQE for review. When reviewing, the SQE will consider items such as the supplier's past performance history, Quality rating, service rating, and responsiveness. If this assessment indicates that an override is warranted, the SQE shall enter the justification for the override with their initials and the date and delete the "D" (Disapproved) code. The SQE determines and identifies any special requirements such as additional inspection, source inspection, etc., which are included as Purchase Order Notes.

10. SUPPLIER AUDITS

SQEs determine when to perform supplier qualification or surveillance audits. SQEs may waive the initial qualification audit if the supplier provides a copy of a current third-party ISO registration certificate such as AS9100, ISO 9000, or equivalent along with completed SQA 814 (Supplier Self-Assessment, or system equivalent). SQEs may waive qualification or surveillance audits upon reviewing recent customer audit(s) performed by Bell, Boeing, Sikorsky, or others. SQEs may also extend certifications if supplier ratings demonstrate a consistently high level of quality and service.

SQEs focus on auditing suppliers that produce critical or complex parts, high-dollar / high-volume purchase orders, or that exhibit recurring problems. This includes evaluating suppliers that process raw material into finished goods or provide services such as chemical processes, paint, welding, machining, sewing, or other special processes defined as special processes by industry standards (ANSI, ASTM, MIL, NADCAP, SAE, DCMA, etc.). SQEs periodically evaluate suppliers that perform calibration, specialized inspection, and/or testing services. SQEs may audit a supplier's sub-tiers when necessary to verify conformance to requirements. SQEs maintain records of audits performed and the necessary corrective actions resulting from the audit.

If a supplier has a substantial process change or change to the place of performance, then an on-site audit must be performed prior to first shipment to BAE Systems.

Audits are not performed for consulting or training services, representative or sales suppliers, freight or transportation carriers, packaging suppliers, distributors of Commercial-off-the-Shelf (COTS) items, or facilities, janitorial, landscape, and maintenance services.

11. SUPPLIER EVALUATIONS

SQEs periodically evaluate a supplier's performance, quality, and service based upon indicators of their past and present performance such as supplier surveys, audits, score cards, non-conformances, and corrective actions.

This evaluation is conducted on an individual, case-by-case basis and may take the form of an on-site facility audit or a desk audit reviewing the supplier's product quality and performance. On-site audits evaluate process capability and changes occurring since the last audit. SQEs re-evaluate critical and special process suppliers whenever problematic issues, non-conformances, or significant changes occur.

After an acceptable review, the SQE enters the review date and the approval extension date into the appropriate fields in the system. The SQE may continue to extend the supplier's approval date based upon acceptable quality ratings and responses to quality-related inquiries. SQEs shall consider the complexity of the products supplied and their end use before granting an extension to the supplier's approval rating.

Personnel utilizing suppliers that perform specialized services such as analysis, calibration, inspection, and/or testing are responsible for evaluating the supplier's performance for future use. The continued use of these suppliers is based upon the suitability of the facilities, environment, or equipment; the quality of the deliverables or services provided; the timeliness in completing the activity; and the responsiveness to addressing concerns, issues, or problems.

11.1 ADJUSTMENTS TO SUPPLIER STATUS

Suppliers may be disapproved due to inactivity for an extended period of time, chronic late deliveries, poor product quality, ineffective corrective actions and/or non-responsive behavior to re-occurring problems, poor document control and/or recordkeeping, system deficiencies, or non-conformances detected during audits. Suppliers that fail to meet specified quality, performance, and delivery criteria or who voluntarily "opt out" of being a BAE Systems supplier are changed to "Not Approved" (N). These suppliers shall not be used to establish pricing information or to obtain competitive bids.

Purchasing shall not issue PO's to the supplier until necessary controls are in place and/or corrective actions have been implemented. The SQE may re-instate the supplier's status upon reviewing and approving the supplier's planned corrective actions. The SQE verifies progress and/or satisfactory completion of actions through regular contact with the supplier. This may include e-mail, phone conversations, on-site visits and/or objective evidence submitted for review. Suppliers who experience a change in status due to inactivity must be re-qualified as described in Section 6.

12. SUPPLIER CORRECTIVE ACTION

12.1 SUPPLIER QUALITY PERFORMANCE

If a supplier's quality performance rating falls to an unacceptable level, the Quality and Purchasing departments will determine what steps are to be taken. The SQE shall consider factors such as the supplier's overall performance, the type of product involved, the type and extent of difficulties the supplier is experiencing, the cost of qualifying a new supplier, and the availability of other sources when determining necessary actions. The SQE notifies the supplier in writing of any non-conformances or deficiencies detected and requests suitable corrective actions.

When appropriate, the SQE will create a Supplier Development Plan and will work with the supplier to bring the supplier's performance to an acceptable level. The SQE provides technical assistance and quality system guidance in developing suitable corrective actions and monitors them until completion. Corrective actions may include tightened receiving inspection, written notification of the required improvements, on-site visits, or supplier termination.

12.2 SUPPLIER NON-CONFORMING MATERIALS

When Supplier material has been found to be non-conforming, the SQE may determine that a Supplier Corrective Action (SCAR) FM 1827 should be completed.

The Non-Conforming Materials process is documented in SOP 206.

13. SUPPLIER REQUEST FOR MRB ACTION (DEVIATION OR WAIVER)

Suppliers who have not been delegated MRB authority shall document product non-conformances requiring MRB action on a SNMR, FM 1565. The SNMR shall be submitted to the cognizant BAE Buyer.

The SNMR shall be processed through the NCM system per SOP 206 – Non-Conforming Material.

If BAE Systems' MRB requires a sample to evaluate the supplier's SNMR request, that request will be made through Purchasing and the supplier's shipping documents for the requested samples shall clearly state "Sample Parts" or "For MRB Evaluation." Sample parts, unless destroyed by test, shall be returned to the supplier with the dispositioned SNMR.

Suppliers shall be notified of the disposition of the SNMR by the cognizant BAE Systems Buyer. Upon receipt of an approved SNMR, the supplier shall respond according to the disposition instructions. For all complete or partial shipments of accepted material, the SNMR number shall be recorded on the packing slip, and a legible copy of the SNMR shall be attached to the packing slip. The actual quantity of shipped parts affected by the SNMR shall be indicated on all partial shipments.

14. SUPPLIER DOCUMENTATION AND RECORDS REQUIREMENTS

Purchase Orders specify documentation provided by, or records maintained by, the supplier including First Article Inspection Reports, Material Test Reports, material, process, or operator certifications, or other quality records.

Suppliers that consistently deliver the proper test reports and certifications may be exempted from delivering documentation unless specifically required by the BAE Systems PO. Suppliers must first demonstrate adequate documentation and records control during an on-site audit. The SQE initiates an audit at the supplier's facility to verify adequate control and maintenance of quality documents and records. The SQE selects several orders and traces them through the production process from initial receipt until delivery. If the supplier successfully demonstrates product traceability through documents and records, the SQE notes the audit in the ERP system and generates a PO note requiring the supplier to only submit Certificates of Conformance. Unless otherwise noted on the PO, suppliers are responsible for maintaining quality records for a period of 7 yr and making them available upon BAE Systems by request. The SQE periodically audits the supplier to verify maintenance of historical documents and records.

Electronic copies of certificates from suppliers are to be e-mailed to the following "ship to" facilities:

AZ - receivinginspectionaz@baesystems.com

Documents are to be e-mailed prior to shipping material / components, etc.

15. DESIGNATED QUALITY REPRESENTATIVE / DOCK-TO-STOCK PROGRAM

Suppliers that demonstrate a high level of quality, dependability, and process stability are evaluated for inclusion in the DTS Program. These suppliers will make DQR-Certified shipments to BAE Systems.

15.1 QUALIFYING DTS SUPPLIERS

Certified DTS suppliers must meet the following criteria (as applicable):

- Demonstrate certification and/or compliance to AS9100, ISO 9000, or equivalent.
- Demonstrate process certification by a national or international accreditation body such as ANSI, NADCAP, etc.
- Demonstrate compliance to BAE Systems and customer requirements.
- Complete a Supplier Self-Assessment (SQA 814 or system equivalent) and pass an on-site audit, if required by SQE.
- Support regular projected business levels on an on-going basis.
- No Critical Non-Conformances and Corrective Actions have been generated for a 12-month period.

The SQE reviews approved suppliers against the above criteria and makes a recommendation to Quality Management for inclusion into the DQR/DTS program. Upon receiving concurrence, Supplier Quality will send the prospective DTS supplier a DQR/DTS information packet. This packet provides instructions for participation in the program. The SQE maintains a copy of all DQR / DTS information in the Supplier's file. Upon acceptance, and upon the successful completion of DQR training, the SQE issues the DQR with a DQR-specific DTS inspection stamp to mark their certification documentation. The DQR maintains records of DTS stamps assigned to Certified DQRs.

15.2 RECEIVING DOCK-TO STOCK-SHIPMENTS

Receiving auditors receive DTS shipments per SOP 1029.

15.3 DE-CERTIFYING A DOCK-TO-STOCK SUPPLIER

The Quality Department may de-certify a DTS supplier for the following reasons:

- If the supplier's quality rating falls to an unacceptable level for three (3) consecutive months
- If numerous non-conforming products are detected in the same inspection lot and / or subsequent rejections
- If the supplier's actions are ineffective, unresponsive, and / or they fail to implement corrective actions in a timely manner
- If major findings are detected during customer and/or surveillance audits.
- If they ship below $10k for 2 years.

Upon detecting trends that indicate an on-going reduction in supplier quality, Supplier Quality Assurance will review the situation to determine an appropriate course of action. The SQE will assess the acceptability of continuing business with the supplier. For major issues and chronic reoccurrences, Quality Management will evaluate the supplier's continued participation in the program. Quality Management will de-certify suppliers that no longer meet DTS requirements.

The SQE will notify the supplier in writing of their de-certification and will recall the supplier's DTS stamps. The SQE files the de-certification letter in the supplier's file, updates the ERP system, and notifies Purchasing of any necessary actions. The SQE provides the DTS stamp to the stamp coordinator, who updates the record upon receipt of the stamp or if a stamp cannot be recovered. The stamp coordinator secures the stamp and removes it from service for a designated period of time.

15.4 RE-CERTIFICATION OF A DOCK-TO-STOCK SUPPLIER

To re-certify a DTS supplier, the following criteria shall be used:

- A Certified DTS Supplier who has demonstrated, over a 24-month period from their initial Certification, to have zero impacts to BAE Systems or BAE Systems Customers shall be re-certified for a further period of 24 months.
- A Certified DTS Supplier who, over a 36-month period from their initial Certification, has impacted BAE Systems or BAE Systems Customers but has not been DE-CERTIFIED as per Section 15.3 of this document, shall be required to complete a Supplier Self-Assessment (FM 814) and pass an on-site audit.
- A Supplier, who has been DE-CERTIFIED, per Section 15.3 of this document and upon BAE Systems business needs, determined by Quality Management, will be required to be re-certified as per Section 15.1 of this document.

16. REVISION HISTORY

Rev.	Author	Revision History Description	Released Date
V	K. Sturm	Updated supplier audit schedule requirements and modified supplier development content	11/02/16
U	G. Gomez	Add reference and supplier instruction for Supplier Non-conforming Material Report (SNMR)	07/21/15
T.	L. Furgeson	Update to current processes	04/06/15
R	A. Alhamdani	Remove references to 205 & 206, replace with 1029	08/20/13
P	R. JACKSON	Update Section 13 Supplier Corrective Action. New Section 14, Supplier Score Cards. New Section 15, Supplier Development. Upate Section 16, Supplier Documentation and Records Requirement. New sub section 17.4 Re-Certification of a Dock To Stock Supplier	03/14/13
N	M. Cornelius	Revise Section 10.1 re: use of disapproved supplier	04/20/12
M	S. Cioffi	Add “scope of approval”, removed “conditional approval’ pg. 5; removed reference to ISO 14001,TS16949 and NADAP pg 4,7,10	10/08/10
L	S. Cioffi	Updated to reflect current business practices. Changed Director of Quality to Manager of Supplier Quality Engineering	10/05/09
K	K. Riley	Changed Supplier Database Administrator to Buyer/Planner	03/27/09
J	M. Luz	Update to current format and procedures.	01/08/09
H	J. Chauza	Reinstated / revised to address deficiencies noted in CAPAs 66, 67, 88, 99, 191, and 209. Updated Company name and logo.	10/24/07
G	S. Foley	Changes resulting from periodic review of SOP	11/27/02
F	S. Foley	Complete rewrite	05/08/00
E	J. Martinez	Updated supplier info. in Sec. 2.	01/21/99
D	M. Cornelius	Complete rewrite	11/13/97
C	B. Johnson	Complete rewrite	08/15/94
B	B. Johnson	Updated to reflect current business practices.	06/01/93
A	R. Stellings	Added reference to National Bureau of Standards. Removed reference to ASL Monthly Log, SQA 816, and added reference to computer AVL file. Removed reference to ASL Monthly Log. Changed 30 days to 15 working days. Corrected language and format	10/23/89
-	R. Stellings	Initial Release	12/19/88