

Number: 239
Issue: 001
Date: 26 February 2008

Originator: Steve George.
Business Unit: Rolls-Royce U.K. Aerospace
Tel: +44 (0) 1332 (2) 49535
Fax: +44 (0) 1332 (2) 471156

Management of Material or Parts Obsolescence.

For the attention of the Managing Director

Dear Sir or Madam,

Scope:

- All Control System part suppliers delivering into Rolls-Royce U.K., Deutschland and Corporation where there are identifiable obsolescence issues.
- Where requested by Rolls-Royce, this NTS may be extended to other Design/Make suppliers.
- In the longer term, it is expected that this process will become more widely applicable and embedded into SABRe.
- This document supersedes Notice to Suppliers (NTS) 193.

Context:

- Obsolescence of materials and components presents a significant risk to delivery and therefore contract failure, especially in electronics. Obsolescence risks come from a variety of sources including loss of tooling, machinery, suppliers going out of business etc.
- More recently additional risks are becoming more significant, in particular as a result of hazardous materials legislation (for example REACH) and electronics technology advances. By contrast, our business expects long product lives - often several decades long with future customer business becoming more dependent on the long-term availability of new and spare parts.
- Obsolescence related design or source changes may result in delivery issues and resource priority issues and delivery risk if not well-managed, resulting in customer dissatisfaction and failure to meet contract delivery requirements.
- Through better management of obsolescence data in our supply chain teams, Rolls-Royce seeks to better manage customer expectations, manage delivery risk, avoid last-minute programmes and associated resource issues, improve support to suppliers and vendors in managing obsolescence threats, and enable suppliers and vendors to maintain new and aftermarket deliveries.

Requirements for suppliers of products with obsolescence threats:

- 1) The supplier shall identify obsolescence threats to its supply chain - reference SABRe Business Requirements, Section 9, Risk Management.
- 2) Obsolescence data shall be provided to the applicable supply chain team point of contact.
- 3) The frequency of update shall be agreed, dependent on the technologies involved and risk of obsolescence.

The basic expectation is for for monthly advice of obsolescence risks for electronic components assemblies, and quarterly advice otherwise.

- 4) Current obsolescence risk data shall be provided in an agreed format.

Management of Material or Parts Obsolescence.

The preferred format for obsolescence risk advice is attached (excel spreadsheet). Alternatives may be agreed by exception. However, it must be recognised that format variation may reduce the ability of Rolls-Royce to understand and manage supply chain risks consistently and effectively.

- 5) Obsolescence data shall be sufficiently comprehensive to understand the impact, severity, time-criticality, and most-likely resolution action required.

Data fields should include:

- Supplier (your company) name
 - Sub-component or material becoming obsolete (e.g. part number)
 - Sub-component or material description
 - Rolls-Royce products (for example engines) affected
 - Name of the delivered unit of which the sub-component is part
 - Any applicable sub-assembly references
 - Run-out date i.e. the estimated last delivery date of units based on a combination of currently understood new product demand, spares / overhaul demand, yield and stock loss rate.
 - The probable route of resolution - DCP, DAR, Source Change, Whole of Life Last Time Buy, Bridge Buy, or Unknown.
 - Change document references - as applicable
 - Last Time Buy required by dates - typically based on end-of-life notifications
 - The status of plan agreement - for a non-catalogue item source change, a DCP or a Bridge Buy this will require Rolls-Royce agreement.
 - Status comments and actions required
 - Date of last update
 - Status - whether On Plan, Recoverable, Slip, Not Started (and not needed to be started), or Complete.
- 6) Where obsolescence is resolved through a Bridge Buy, the risk shall remain in the at-risk list with a revised estimated run-out date, and revised method of resolution.
- 7) A point of contact for the supplier's business shall be identified, for obsolescence management issues.

**Yours faithfully
for Rolls-Royce plc.**



**Steve George
Chief of Commodity Engineering
Control Systems.**

Authorised by:



**Lawrence Jenkins
Executive Vice President
Quality & Supplier Development.**