

Supply Chain Solutions - Aero Excellence™ launch. Farnborough International Airshow July 2024


Material presented during Thursday 25 July session “SCS, SC21 Aero Excellence unpacked” including all questions and answers raised during Tuesday and Thursday events.

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Kevin Craven ADS CEO – Aero Excellence Introductory Speaking Remarks

- Thank you all for coming today to the UK launch of this amazing new international venture for our sectors and our trade bodies.
- What better place to do it than the biggest and best event in our industry, Farnborough International Airshow
- Without the great work of trade bodies like ADS, GIFAS and BDLI, it would be easy to forget that no matter how big your business is, you are part of a wider sector with shared interests and shared challenges
- The challenges we face in our supply chain cannot be solved by any single business
- They can only be solved through cooperation and commitment to finding a long-term solution
- The reality of the situation is: without a resilient, efficient supply chain, no business in our sector can succeed
- Without the innovation, passion, and risk-taking of our SMEs, our industries could not develop as successfully as they do now
- That is why it is so important we support smaller businesses to continuously improve their efficiency and ability to weather shocks, for all our sakes
- We must also look at what an improved supply chain does for our broader economic impact
- Last month, ADS published data that showed in the last 10 years our sectors have increased our economic value for the UK by 50%, far exceeding the rate of growth of the rest of the economy, and that our productivity per worker is a staggering 46% higher than the UK average.
- That is down to the hard work in our supply chain.
- Turnover also has reached £88.4 billion
- Our sectors are a shining example of the strength, resilience and competitiveness of UK manufacturing in a global market.
- But to keep growing we must keep improving
- For our supply chain to continue thriving it cannot remain stationary
- That is why we are bringing Aero Excellence™ to the UK
- Aero Excellence™ will foster operational excellence across our sectors, and across national borders, by enhancing operational, environmental, and cybersecurity standards
- It will allow businesses in all areas of our supply chain to show to a broader range of customers on the market that they are robust and trustworthy in all their operational activities, not only at present, but also that they are committed to ensuring this for the long term.
- It will also reduce the need to undertake multiple customer assessments – get assessed once to a common standard and share the results with many customers
- This programme, forged in collaboration with GIFAS and BDLI, will ensure our sectors will continue to prosper in a fast-developing world

- Together, we will continue to drive innovation, enhance our resilience, and deliver immense value to our economies and society
 - There will be an opportunity for UK companies to hear more and ask questions on Thursday – in the meantime please speak to any of my ADS colleagues who will be more than willing to help answer your questions and provide guidance
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John Copley, ADS Chief Operating Officer Introduction

Good morning, ladies and gentlemen,

On behalf of ADS and the Supply Chain Solutions Governance Board, I'd like to welcome you to our UK **Supply Chain Excellence Unpacked Event**.

I would like to give a special welcome to those of you who have travelled long distances to be with us today and for giving up precious time in what I'm sure are packed agendas at the show

We welcome the diverse SCS community: Government, Original Equipment Manufacturers, Regional Aerospace Alliance partners, SC21 Practitioners and Providers

Most importantly we welcome you as supply chain companies of all sizes who do the real work in our industry, producing products and services day in day out. You are what makes our industry the success that it is.

We have a lot to cover in a short time today.

Two years on from its launch we shall be recapping the SCS framework – why it was put in place, where we have come and where we are going.

We will also take the opportunity to have a good look at “Aero Excellence™” what it is, what it means to the UK and how it relates to the Supply Chain Solutions Framework and the SC21 programme

We will also, very importantly, be celebrating the success of all our award winners

We will try to make this session as interactive as possible. Our clear aim in the Supply Chain Solutions framework is to put in place the measures that will provide best support to industry, and to do that we need to know what's on your mind, as well as answering your questions.

To support this session, we have a panel of specialists from industry at the heart of shaping the Supply Chain Solutions Framework to constantly improve it and provide expert guidance

I hope we can between us answer a lot of your questions but I doubt we will answer all of them. Where we cannot it will be because we don't have a crystal ball and don't yet know the answers, improvement is a constant work in progress, not because we won't answer your questions.

Achieving supply chain excellence is difficult and complex involving many stakeholders and doesn't happen overnight - requires constant dialogue and iteration. Today is just one opportunity for that – but an important one because the airshow is a rare chance for many people to get together physically (all too rare these days) and to interact – so please take the chance to ask questions. We'll talk about ongoing dialogue at the end - it is important because SCS is here for you, shaped collectively by you, to provide tools that help you.

ADS's role is to convene that dialogue with multiple stakeholders and help shape the optimum way forwards collectively.

Market Context

Our industry is buoyant – aerospace and defence for different reasons and over the last ten years, ADS data highlights a 50% increase in economic value of our sectors to the UK, far outpacing the rate of growth in the rest of our economy. That is down to the hard work in our supply chain.

The demand for our products, capabilities and services far outpaces the amount we are able to fulfil. Without thriving supply chains, we are unable to secure our collective advantage in the face of an increasingly unstable geopolitical environment.

The reality of the situation is: without a resilient, efficient supply chain, no business in our sector can succeed. Supply chain pressures are intense, as many of you will know better than me. You are all working flat out and finding time to step back and improve your business at the same time is challenging to say the least, but UK competitiveness is crucial to maintaining and growing our market share, there is no guaranteed place in a global market, and it is imperative that we all improve constantly.

The challenges we face cannot be solved by any single business. They can only be solved through cooperation and commitment to finding long-term solutions on a global basis, greedy for the UK's share of that global market

Supply Chain Solutions

In the UK we have a long history of a collaborative approach to helping suppliers improve. The SC21 programme was first implemented in 2006 and has been continually enhanced and improved, evolving into a programme within the Supply Chain Solutions Framework (SCS), with SC21 at its heart. The SCS framework was launched at the Farnborough Airshow two years ago and was put in place to help to address the market challenges we face, those challenges are high and the framework's rationale and importance is stronger than ever, it is here to stay.

The SCS Framework now has support from 14 major companies who along with supplier representative form the SCS Board and working groups which bring together many people from many organisations to govern the programme:

Airbus, Babcock, BAE Systems, Boeing Defence, Collins, GE Aviation, GKN, MBDA, Leonardo, Ministry of Defence, Rolls-Royce, Safran, Spirit, Thales

SCS is an open framework designed to make accessible a range of tools that support suppliers arranged in seven pillars. These tools come from a range of providers – ADS is agnostic here – whatever helps support you – it is up to you what you use, not ADS.



RAISING THE WORKFORCE CAPABILITY OF UK SMEs; BOOSTING ECONOMIC GROWTH AND EXPORTS



Figure 1 Supply Chain Solutions Framework

We will continue to expand and enhance tools within the same Supply Chain Solutions framework and we'll look in particular at two examples today, our new Environment Social and Governance toolkit within the ESG pillar; and developments within the Competitiveness pillar, in particular the emerging Aero Excellence™ initiative and how that relates to SC21.

John Copley, ADS Chief Operating Officer The Supply Chain Solutions Competitiveness Pillar

SC21 is hopefully familiar to most as the bedrock of SCS Competitiveness. It is an assessment and recognition process based on standards at bronze silver and gold levels, along with an improvement ecosystem, proven and developed over many years to support companies know where they are against the standard, where they should focus their improvement efforts, and support them in improving over 1000 companies have been supported by the programme over the years

SC21 aims to provide recognition widely accepted by multiple customers to reduce the burden in doing multiple assessment for multiple customers.

We've made progress and supported many companies in improving, and whilst a huge amount of value has been developed over many years, it remains a UK programme, and universal recognition by all customers has eluded us.

It is fitting that on its eighteenth birthday, the SC21 programme received the prodigious Chartered Quality Institutes (CQI) award for Outstanding Contribution To Quality Management Practice. This a true reflection of the value the programme has delivered, and a testament to all our collective hard work and achievement. So congratulations to all!

In addition to the SC21 programme, we are here to talk to you about the Aero Excellence™ programme and what it means for organisations in the UK.

So, what is Aero Excellence™?

I will start by giving an overview of Aero Excellence™ – our panel of industry experts will then unpack that further, answering as many of your questions as we can in the time available, and we'll answer all we can in writing after the event too.

The scheme was initiated by Guillaume Faury CEO of Airbus in 2022, based on a vision to:

“Improve supplier performance by delivering a universal assessment referential targeting industrial excellence for the whole aerospace and defence industry.”

The programme was initially developed by Airbus and Safran, along with GIFAS (the French equivalent of ADS) to be Airbus's unique global supplier assessment process for all their civil and defence suppliers and as such it is replacing Airbus's current contractually mandated supplier assessment process IPCA (Industrial Process Control Assessment)

Aero Excellence™ was initially piloted in France during 2023 with now Airbus, Safran, Thales, MBDA and Dassault agreeing to use the same process on a global basis, and because Airbus is driving the programme, it provides the route to a very significant part of the global civil aerospace supply chain, and some big defence players too.

The programme was launched publicly at the Paris Airshow in 2023, since which time, we and industry colleagues have engaged with GIFAS to understand it, how it compares and relates to SC21 as well as its relevance to the UK.

At a high level, which the panel will explore in more detail:

- It is real and it is being implemented by Airbus and other major players for their global supply chain – that probably includes most companies in the room.
- It shares the same fundamental structure as SC21, with a universal standard recognised by all customers to reduce the burden on suppliers of multiple assessments.
- Its structure is very similar to SC21 – assessment, improvement and recognition against bronze silver and gold levels.
- Its industrial coverage is very similar to SC21.

As you will be able to understand, from a UK competitiveness point of view, we are taking it very seriously.

We have been working hard, with several months of close engagement and discussion within the existing SCS and AGP governance structures, as well as with GIFAS and Airbus. Our collective conclusion is that it is essential for UK companies to have the opportunity to participate, should they wish to do so. Not engaging with the programme and the opportunity would potentially risk reducing access to Airbus supply chain for the UK.

We believe that it is crucial for the UK to be an equal partner in the programme, and have a seat at the top table with France, to shape this programme, ensuring that it is suitable for the UK and companies of all sizes, drawing on our long experience of SC21.

Delivery in the UK must be controlled by the UK and appropriate for the UK. And these principles have been agreed with Airbus, who I believe genuinely wish this to be a global approach and We have therefore come to an agreement to establish Aero Excellence™ International with UK, France and also Germany as equal launch partners, with other countries to follow.

This agreement was signed yesterday by representatives of the three countries trade associations, including Guillaume Faury as CEO of Airbus as President of GIFAS.

I'll now play a short video that was used yesterday at the launch event that provides an overview of what Aero Excellence™ is:

VIDEO – [Aero Excellence Introductory Video](#)

So, a brief summary there – many questions and further explanation needed of course which we'll start to do through the next panel session.

To address some key questions directly:

- Aero Excellence™ is another tool under the SCS framework, that will sit alongside SC21 for those who wish to use it. It does not replace SCS or SC21 – but we'll drill into that shortly.
- We anticipate opening Aero Excellence™ to UK suppliers in early 2025. SC21 will remain for as long as suppliers value it – in particular, its improvement ecosystem which is unique to UK, for the UK, and a key driver of our competitiveness is here to stay to support your improvement journey whether the SC21 or Aero Excellence™ assessment standard (or no assessment) is your end goal.
- During the launch event yesterday, we captured questions from the audience through Slido, which we will use to start the Panel discussion now, and to capture your further questions. But first to bring on our panel of UK experts who have participated in the detailed discussion with GIFAS over the last year or so and hand back to Harriet who will moderate this session.

SUMMARY

- Our industry is buoyant but globally competitive.
- Collective global capacity to meet demand is in doubt – needs collective action to support suppliers to improve global output.
- Supply chain pressures are high and understood.
- UK competitiveness is crucial to maintaining and growing our market share – imperative that we improve – no guaranteed place in a global market.
- Supply Chain Solutions (SCS) was put in place to address this – its rationale and importance is stronger than ever.
- SCS is an open framework to make accessible a range of tools that support suppliers – we will continue to expand – up to you and your customers what you use, not ADS.
- SC21 is the bedrock of SCS Competitiveness – it is an assessment standard and an improvement ecosystem, proven over many years.
- Aero Excellence™ is an important new tool to address supply chain challenges at a global level – very similar to SC21 and very relevant to UK suppliers to be able to participate. Standardisation of assessment and wider customer recognition are entirely in line with SC21 principles.
- Aero Excellence™ is happening - we are at the top table to shape its development to be fit for purpose for UK suppliers (work in progress) – implementation in the UK is in the control of the UK.
- Anticipate opening Aero Excellence™ to UK suppliers in early 2025. SC21 continues for as long as suppliers value it – its improvement ecosystem is unique to UK, for the UK, and a key driver of our competitiveness – here to stay to support your improvement

journey whether SC21 or Aero Excellence™ assessment standard (or no assessment) is your end goal.

- Please sign up to the SCS community if you are interested in pursuing Aero Excellence™ and we will be able to keep you informed of progress.
- We will endeavour to keep communication flowing – please contact us at any time if you have any questions.
- We are clear that our commitment to SC21 continues at the same speed as before so the most important message from us is to keep doing all that you are doing to improve your competitiveness – that is essential whether an SC21 or Aero Excellence assessment is ultimately your goal. SC21 or Aero Excellence™

Questions and Answers raised by participants on Tuesday and Thursday

Answering your questions: Aero Excellence, SC21 and SCS – delivering for supply chain competitiveness across borders

Throughout the next year to eighteen months, we're answering your questions on the key elements of all of ADS' competitiveness programmes. Collected both online and at several in-person engagements (including our launch at Farnborough International Airshow), these outline the key areas of the programme.

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Are there still some that remain? Let us know – email SCS@adsgroup.org.uk and one of our team will get back to you.

1. Does this mean SC21 /SCS will be retired

Supply Chain Solutions (SCS) is a framework that provides a comprehensive set of services and programmes to support all companies in their development needs (see figure below). SC21 is one programme within the Competitiveness pillar of the SCS Framework and Aero Excellence™ will be an additional programme within the pillar.

SCS continues unchanged as the hosting framework. SC21 and Aero Excellence™ as programmes will run alongside each other. There are no plans to replace SC21 with Aero Excellence™: both will be retained for as long as companies value them.

2. Why wasn't SC21 adopted internationally?

SC21 has been valued by industry over the last eighteen years, with more than 1000 businesses going through the process. It is very much a leading practice model that has formed the basis of many other supply chain improvement programmes worldwide, including Aero Excellence.

Aero Excellence™ is an evolution of Airbus' existing global supply assessment process - IPCA (Industrial Process Control Assessment). SC21 & Aero Excellence assessment models are very similar and much of the philosophy, features and structure are similar. ADS and UK industry are working closely with GIFAS, our French counterparts, to develop Aero Excellence™ to best meet the needs of the UK Supply Chain.

3. Does this programme directly compete with SC21 in the UK?

The purpose of the SCS Framework is to signpost UK Supply Chain companies to the programmes available to them.

ADS will continue to offer SC21 and plans to additionally offer Aero Excellence™ in the UK from the first half of 2025 for UK companies that wish to engage in it. Aero Excellence™ and SC21 have similar assessment scope, however there are currently differences. By offering both programmes, ADS will be able to give the information and guidance to UK Supply Chain companies to make the decision on which programme is right for their business.

4. What would be the governance structure of Aero Excellence™ International?

Governance structures for Aero Excellence™ International are being developed by the trade associations for UK, France and Germany as equal partners. It is anticipated that a not-for-profit company will be established in the second half of 2024 with UK, France and Germany as equal partners, and other countries joining progressively. That company will hold the assets for the programmes and provide its governance.

Three levels of governance are anticipated:

- International Executive Committee
- International Operational Committee
- National Operational Committee for each participating country

We will provide further updates as and when these structures are finalised.

5. How does Aero Excellence™ complement Quality (AS9100) and security (ISO27001) certifications and what is the real differentiator for suppliers?

Just like SC21, Aero Excellence™ is not a formally audited certification but an assessment of a supplier's operational maturity and performance. Both programmes assess the strengths and weaknesses of a company across a broad range of issues, taking into account existing formal certifications such as AS9100 and ISO27001, and support companies on their journey to improvement and formal assessment of their industrial maturity and performance against a recognised international standard.

6. Given specific OEM owned standard processes parallel to Aero Excellence™, are other OEMs going to change / adopt Aero Excellence?

This is a decision for each of the OEMs to take. To date Airbus, Safran, Thales, Dassault and MBDA have committed to adopt Aero Excellence™. Other OEMs are assessing their participation with others expected to commit over time. The aspiration of Aero Excellence™ is for all OEMs in the aerospace, space and space sectors globally to recognise the benefits of a globally standardised approach to supplier assessment. This vision is likely to take some time to be realised.

7. Will large OEMs be conducting Aero Excellence™ on their internal operations?

Each OEM will decide whether to adopt the Aero Excellence™ approach and decide if it delivers the best route to improvement for their suppliers and their own internal operations.

8. Who pays for the Assessment?

The commercial structure for delivery in each nation will be decided and administered by each nation independently, so the UK will own the delivery model for the UK which is

currently under consideration. Our aim will be to minimise the financial and bureaucratic burden on companies.

Currently SC21 operates under a mixed model through which OEMs pay for some assessments and some companies self-fund, with the programme management office funded by OEMs collectively. It is hoped that this mode of some OEM funding can be continued to reduce the financial burden on suppliers.

For visibility, in France, they have implemented a charging system whereby companies pay an annual fee for participation in the programme which cover an assessment every three years. These fees range from 1-5k Euros per location and depending on company size.

9. What Digital Collaborative Platform will Aero Excellence™ use?

The Aero Excellence™ platform has been developed by GIFAS and is already operational. This enables participating companies to view the assessment grid, undertake self-assessments, request formal assessments, and share results of assessment with customers and the market generally, to the extent that they wish to. This platform will be transferred to the international company as an asset for the global programme.

10. Airbus seem to be demanding Aero Excellence™ as a priority for entry onto their supply chain, does that mean that SMEs may need to be on both SCS and Aero Excellence?

SC21 is a programme within the SCS framework and will exist alongside the Aero Excellence™ programme. Both programmes will be an option and opportunity for UK SMEs. Whilst Aero Excellence™ is being introduced by Airbus into its global supply chain as a single means of assessing supplier performance, ultimately, it will be the business decision of each company to choose which improvement path that is most appropriate for them, informed by their customer's requirements.

11. Will SC21 award status be recognised within Aero Excellence™?

We will continue to work hard to further improve the alignment and scope of the two assessments, which are currently close with further alignment recommendations made to align further. It will be the individual's business choice on what improvement path is most appropriate for them based on their needs and what their customer value. A close alignment between the two programmes will reduce the burden on companies that decide to do both assessments and could pave the way in the future for full alignment.

We have an agreement that an SC21 award will be made visible in the Aero Excellence™ system along with any Aero Excellence™ award. It will be for each customer to decide how they value each award.

12. As a long time SC21 Silver award winner, do we have to go to the start of the Aero Excellence™ assessment (Self-Assessment), or would we be accelerated through?

We are confident that if suggested improvements and change requests to both the SC21 Assessment and Aero Excellence™ grid are implemented before UK AE launch in 2025, it will mean their scopes will be highly aligned.

We have an agreement that as an SC21 award winner, that award will be visible on the AE platform. This will be valid for 3 years from the date of your last assessment. It will be for

customers to decide whether you will be asked/mandated to complete a further /Aero Excellence™ assessment within that 3-year period.

13. Will Aero Excellence have quality and delivery metrics?

Yes, the introduction of Quality and Delivery metrics in alignment to SC21 was one of the first change requests made in Q4 2023.

We now working with GIFAS on refining a number of KPIs and measures throughout the Aero Excellence™ Grid and will also be introducing some of these Aero Excellence™ measures into the SC21 Assessment as good practice.

14. We don't work with Airbus, will Aero Excellence™ help us get a foot in the door?

Enrolment in the Aero Excellence™ programme will allow you to make your business more visible to Airbus and other customers within the digital platform.

Aero Excellence™ is being introduced by Airbus into its global supply chain as its single means of assessing supplier performance. It is very likely that UK suppliers in the Airbus supply chain will be encouraged to undertake an Aero Excellence™ assessment but any recognised continuous improvement framework such as Sharing in Growth (SiG) or SC21, is a great way to opening business opportunity doors, and most importantly, improving your business.

15. The SC21 programme uses the EFQM (European Foundation for Quality Management) RADAR (Results, Approach, Deployment, Assessment and Refinement) MODEL for scoring a business in an assessment, how does the Aero Excellence™ approach the scoring methodology?

Whilst SC21 uses an overall score per business aspect based on Direction (approach), Execution (deployment) and Results, the Aero Excellence™ assessment is scored at a question level. Businesses either receive a yes, no or N/A for each question at the three award levels. The award is based on the percentage of “yes.” To achieve a bronze Aero Excellence™ award you must have minimum of 90% questions verified as “yes”.

As part of the current and ongoing alignment process, we are looking at how the two approaches can be more aligned and cross referenced.