

SCAR Penalty Events New Scoring Logic

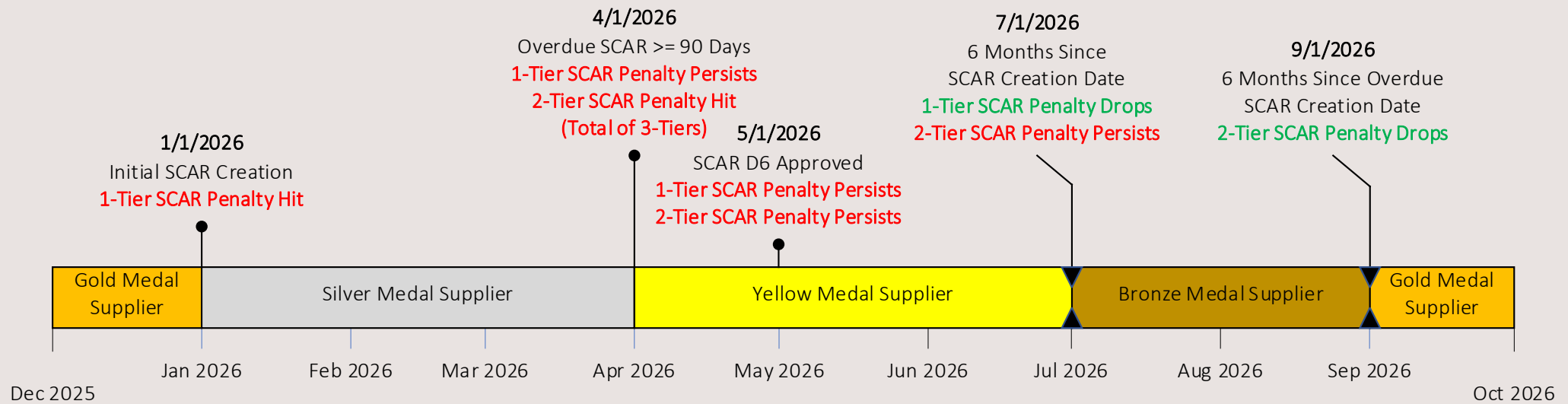
BAE Systems is introducing changes to our SCAR (Supplier Corrective Action Request) quality penalty structure, effective **April 2026**. These updates empower our suppliers to take control of their quality performance by promoting timely and effective responses to SCARs, giving the supplier greater influence over their quality ratings and penalty scores in a fair and transparent process.

	Prior Logic	New Logic
<p>SCAR Quality Penalty System Logic</p>	<ul style="list-style-type: none"> • A supplier who receives a SCAR will incur a 1-tier quality penalty. • If the supplier then does not obtain D6 approval before 90 days from the SCAR creation date, they will incur an additional 2-tier quality penalty (now a total of 3-tiers). • Each penalty incurred will be reflected for 6 months from the penalty creation date regardless of obtaining D6 approval prior to the 6 month reporting Lifecycle. 	<ul style="list-style-type: none"> • A supplier who receives a SCAR will incur a 1-tier quality penalty. • If the supplier then does not obtain D6 approval before 90 days from the SCAR creation date, they will incur an additional 2-tier quality penalty (now a total of 3-tiers). • <u>Suppliers can now drop penalties as quickly as 30 days if they've obtained D6 approval. The new system logic will no longer penalize the supplier for the 6 month reporting period. However, penalties will persist until D6 is approved.</u>

Note: All penalties can still be compounded, no change to current calculations

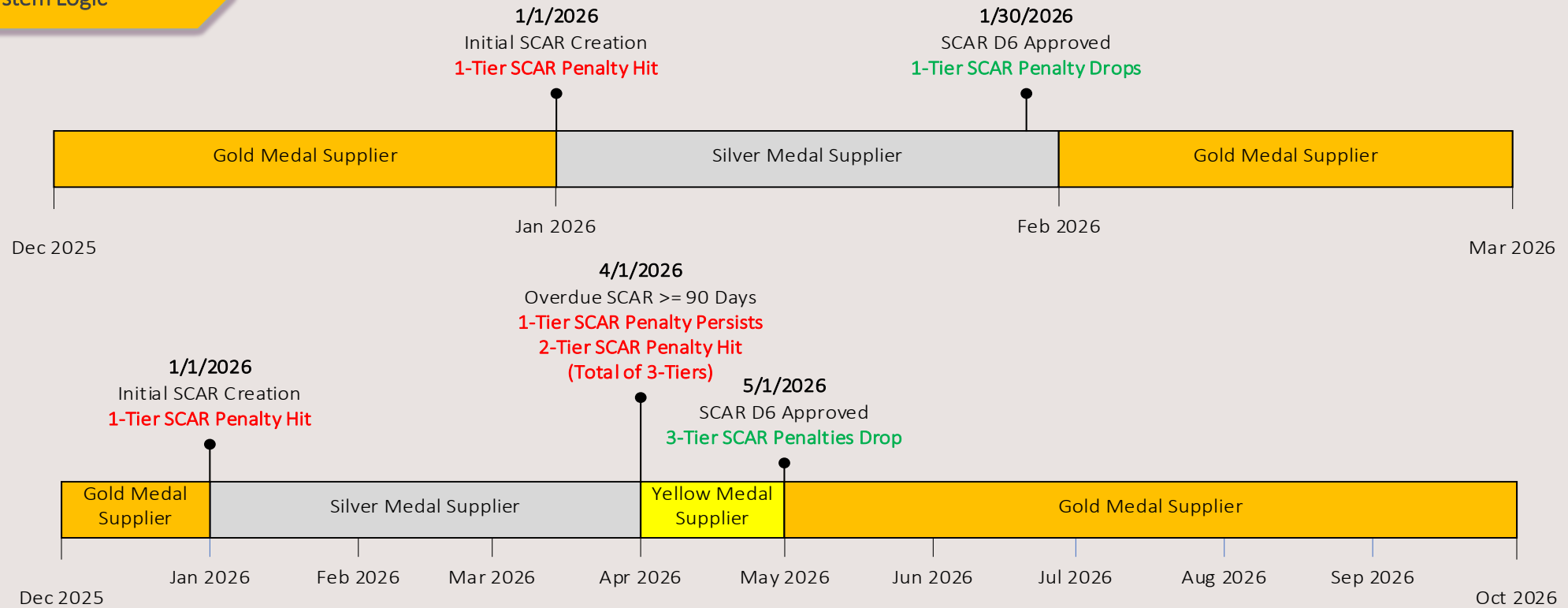
SCAR Penalty Events New Scoring Logic “Timeline Examples”

Prior System Logic



SCAR Penalty Events New Scoring Logic “Timeline Examples”

New System Logic



NOT CLEARED FOR EXPORT