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1.0 Purpose:


- 1.1 This procedure has been developed to identify and control material deemed to be Scrap, the means to preclude the use or delivery of scrap material, the destruction of scrap material, and define the controls and related responsibilities and authorities for dealing with parts that are deemed to be Scrap.

2.0 Scope:

- 2.1 This operating procedure applies to both the Commercial and Defense business units of AAR Supply, Chain, Inc at the Wood Dale, IL facility.

3.0 Responsibility and Authority:

- 3.1 The responsibility, accountability, and authority for the implementation and administration of this procedure is assigned to the Vice President of Corporate Quality and Business Systems Compliance and the respective Quality and Operations Managers, Supervisors, Leads, warehouse employees, and the departments identified below that are part of the business unit "AAR Supply Chain, Inc".
- 3.2 Corporate Quality Assurance is responsible for adding Scrap vendors and vendor management within the applicable ERP System.
- 3.3 The Accounting department is responsible for administering any records related to the AAR scrap vendor process in accordance with OP-07.5 - Control of Documents and Records.
- 3.4 Accounting, Finance, Product Line, Inventory Control Designees or Order Management Designees are responsible for reviewing and approving material to put on a scrap order.
- 3.5 Warehouse Ops is responsible for picking the approved scrap list / order.
- 3.6 The Quality Control and Operations Managers are responsible for ensuring the quarantine, tagging, and coordinating with other departments to ensure the scraping and destruction of material is carried out in accordance with this Procedure and in accordance with ASC-WDL-PFC-4.13-1 - Handling of Scrap Material from Supplier or Customer and ASC-WDL-PFC-4.13-2 - Defense IFS Handling of Scrap Material.


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4.0 Forms and References:

- 4.1 This Operating Procedure is intended to work in conjunction with the following Accounting, Product Line, Order Management, Warehouse and Quality Control Operating Procedures, Process Flow Charts, BMS Forms, Manuals and Corporate Inventory Management Procedures / Policies:
- 4.1.1 ASC-WDL-WI-024 - AAR Commercial WDL Basic Requirements – Final Inspection
 - 4.1.2 ASC-WDL-0017 - AAMD Non-Aviation Material On-Site Scrap Form
 - 4.1.3 ASC-WDL-0069 - On Site Scrap Form
 - 4.1.4 ASC-WDL-0074 - DSL Scrap Form
 - 4.1.5 ASC-WDL-PFC-4.6-26 - Vendor to Vendor (RO to RO Process)
 - 4.1.6 ASC-WDL-PFC-4.8-2 - Commercial Receiving Quality Inspection
 - 4.1.7 ASC-WDL-PFC-4.13-1 - Handling of Scrap Material from Supplier or Customer
 - 4.1.8 ASC-WDL-PFC-4.13-2 - Defense IFS Handling of Scrap Material
 - 4.1.9 OP-07.5 - Control of Documents and Records
 - 4.1.10 OP-08.4 - Supplier Management
 - 4.1.11 OP-08.4.2 - Product Configuration Management and Verification of Purchased Product
 - 4.1.12 OP-08.7 - Control of Nonconforming Product Suspect Unapproved Parts and Counterfeit Parts

5.0 Procedure:

- 5.1 Approved Scrap Vendors
- 5.1.1 Scrap Vendors are evaluated and approved in accordance with tOP-08.4 - Supplier Management.
 - 5.1.2 Records related to the AAR scrap vendor process shall be administered by the Accounting group in accordance with OP-07.5 - Control of Documents and Records.
- 5.2 In-House Scrap
- 5.2.1 Material that is Beyond Economic Repair (BER) or Scrap material shall be identified with an Inventory Label and positively controlled until the Product Line Manager determines its disposition with the following exception: Parts from teardowns, lot buys, or consignment, will be physically segregated into an area for review by Product Line. If Product Line determines the parts are undesirable, the parts are not required to be tagged into the ERP System, however they are required to be positively controlled and physically segregated (exceptions are serialized and life limited parts per section 5.7.1) until placed in an area designated as scrap in accordance with ASC-WDL-PFC-4.8-2 - Commercial Receiving Quality Inspection.
- 5.3 Scrap at Supplier / Repair Vendor / Customer (On-Site)
- 5.3.1 Non-repairable or BER products may be scrapped on-site at the supplier, repair vendor or customer upon the authorization of the appropriate Product Line Manager or higher-ranking employee.
 - 5.3.2 The AAR representative shall have the supplier or customer complete ASC-WDL-0069 - On Site Scrap Form, ASC-WDL-0074 - DSL Scrap Form or Equivalent Supplier form with similar information including method of destruction and the signature from the authorized representative at the supplier, repair vendor or customer.

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5.3.3 Upon the authorization of the appropriate Product Line Manager or higher-ranking employee, non-repairable or BER material may be drop-shipped directly from the repair vendor or to another repair vendor for re-evaluation in accordance with ASC-WDL-PFC-4.6-26 - Vendor to Vendor (RO to RO Process).

5.4 Control of Scrap

5.4.1 Product dispositioned as scrap shall be positively controlled via AAR's ERP System and / or physical segregated and placed in a designated Scrap area until the parts are shipped off to a Scrap Vendor in accordance with ASC-WDL-PFC-4.8-2 Commercial Receiving Inspection, ASC-WDL-PFC-4.13-1 - Handling of Scrap Material from Supplier or Customer and ASC-WDL-PFC-4.13-2 - Defense IFS Handling of Scrap Material.

5.4.2 Scrap material that can be tagged into AAR's ERP System shall be identified as Scrap condition (X) or beyond economic repair (B) to preclude its inadvertent use in accordance with OP-08.7 - Control of Nonconforming Product Suspect Unapproved Parts and Counterfeit Parts, ASC-WDL-PFC-4.13-1

5.5 Scrap Report

5.5.1 Accounting, Finance, Product Line, Inventory Control Designees or Order Management Designees as applicable are responsible for running a scrap report and getting those reports and list of materials approved to put on a Scrap Order in accordance with ASC-WDL-PFC-4.13-1 - Handling of Scrap Material from Supplier or Customer and ASC-WDL-PFC-4.13-2 - Defense IFS Handling of Scrap Material.

5.6 Scrap Order

5.6.1 Once the material is approved to go on a Scrap Order, Accounting (Commercial) or Order Management (Defense) will create the Scrap Order and / or provide scrap list as applicable to the Warehouse to pull the parts and prepare for shipment in accordance with ASC-WDL-PFC-4.13-1 - Handling of Scrap Material from Supplier or Customer and ASC-WDL-PFC-4.13-2 - Defense IFS Handling of Scrap Material.


5.7 Serialized and / or Life-Limited Parts

5.7.1 Accounting will maintain a record of serialized and / or life-limited parts that have been scrapped. The historical record shall contain part identification such as inventory tag number, description of the part, part number, serial number (if applicable) and the date the part was scrapped. Records shall be retained on file for a minimum of 7 years in accordance with AAR's OP-07.5 - Control of Documents and Records. Retaining any other records for the scrap parts shall be at the discretion of AAR.

5.8 Scrap Disposal


5.8.1 All scrap products shall be disposed of in a manner that shall prevent such products from being returned to service per FAA Advisory Circular 21-43 latest revision guidance. If AAR were to sell scrap material, the Sales team shall secure a signed certification statement from the purchaser indicating that the purchaser will not use or convey these products and articles for use in aviation products or for flight use.

5.8.2 This non-flight use may include training, education, research and development, tool set up, or non-aviation applications in accordance with ASC-WDL-WI-024 - AAR Commercial WDL Basic Requirements - Final Inspection.

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5.9 Customer Owned / Consignment Scrap

- 5.9.1 For Customer Owned / Consigned BER / Scrap material for which a contract provision or agreement exists under which the Customer / Consignor is entitled to the proceeds from the scrapping of their Owned / Consigned material, separate scrap orders will be issued to differentiate this material from regular or AAR owned BER / Scrap material. The Owner / Consignors name will appear in the Purchase Order number field of any scrap order created for this type of BER / Scrap material to differentiate it from other scrap orders.
- 5.9.2 For Customer Owned / Consigned material for which no contract provision or agreement exists to provide scrap proceeds back to the Owner / Consignor, this material will be processed on a regular scrap order with or without BER / Scrap material owned by AAR.

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6.0 Revision History:

Revision Date:	Revision:	Sections / Page Revised:	Description / Reason for Revision:	Approved by:
11/AUG/2021	Original	All	Initial issuance.	C. Anderson