

# LOC Industries, Inc. Supplier Counterfeit Part Prevention and Awareness

# Introduction

- ▶ It is important to LOC Industries, Inc. (LOC) that LOC Suppliers and Sub-tier Suppliers are aware of the risks and impacts of counterfeit parts infiltrating the supply chain.
- ▶ Counterfeit parts entering the supply chain can result in personal injury, aircraft damage or failure, potential loss of contracts, negative cost impacts, schedule impacts, and company and/or individual penalties & fines.
- ▶ The continued efforts from LOC's Suppliers and Sub-tier Suppliers will ensure the supply chain is protected from counterfeit parts.



# Definition



## Counterfeit Part:

*An unauthorized copy, imitation, substitute, or modified material, part, component, which is knowingly misrepresented as a specified genuine part of an original or authorized manufacturer.*

Examples include, but are not limited to the following:

- Parts or material which have been previously used, refurbished or reworked but are portrayed in the supply chain as a new product.
- Parts or material that have different surface finishes / or material construction than the original parts.
- Parts or material in which the label has been modified or tampered with that include misrepresented information.

# LOC Requirements for Supplier & Sub-tier Suppliers



- ▶ It is imperative to LOC that its Suppliers and Sub-tier Suppliers have a counterfeit part prevention and awareness program.
- ▶ Per LOC's Purchase Order, Suppliers are to provide LOC upon request, all relative documented necessary to identify and provide key characteristics of the product related to the relationship of all flow down sub-tier suppliers involved in the supply and/or manufacture of the product.
- ▶ LOC Suppliers and Sub-tier Suppliers shall ensure that counterfeit parts are not delivered to LOC.
- ▶ LOC Terms and Conditions state; Seller acknowledges that it is the sellers responsibility to ensure the authenticity of product or process provided. The use of counterfeit product, raw material, components, etc. is prohibited

# Counterfeit Part Prevention and Awareness Strategies

- ▶ LOC Industries, Inc. would like to inform its suppliers regarding our plan to achieve counterfeit part prevention and awareness through..

**-Avoidance**

**-Detection**

**-Mitigation**

**-Disposition**

**-Communication**



# Avoidance

- ▶ It is important that LOC Suppliers flow down the requirements to sub-tier suppliers regarding counterfeit prevention and awareness.
- ▶ Procuring parts from authorized distributors or original manufactures is the best way to avoid counterfeit parts
- ▶ Documented traceability from the original source of manufacture will ensure the parts were not refurbished or reworked by an unauthorized source
- ▶ LOC Purchase Order states; Suppliers are to provide LOC upon request, all relative documented necessary to identify and provide key characteristics of the product related to the relationship of all flow down sub-tier suppliers involved in the supply and/or manufacture of the product.



# Detection



- ▶ Suppliers can ensure detection of counterfeit parts prior to the shipment of parts to LOC by implementing and utilizing a counterfeit part prevention and awareness program within their organization
- ▶ Characteristics of Counterfeit Parts can include but are not limited to;
  - ▶ Incomplete traceability or no material certification from the original manufacture
  - ▶ Unknown suppliers
  - ▶ Unusually lower price than price noted in part history
  - ▶ Poor packaging quality
  - ▶ Evidence of tampering or repair/rework

# Mitigation

- ▶ Mitigation strategies can minimize risk of counterfeit parts from entering the supply chain
- ▶ Counterfeit prevention can minimize the risk if there are processes or procedures in place to quarantine suspect parts until verification can determine the parts are not counterfeit.
- ▶ If any supplier or sub-tier supplier suspects that a counterfeit part may have entered the supply chain and has been delivered to LOC, the supplier shall immediately notify LOC.





# Disposition

- ▶ Counterfeiting usually involves a previous supplier, it is important to communicate with appropriate supplier personnel before making any decision regarding disposition of counterfeit parts.
- ▶ Appropriate dispositioning of parts protects the supply chain, our customers, and the aerospace industry.
- ▶ Counterfeit parts should not be returned to the supplier to avoid being reentered into the supply chain and sold to another buyer.
- ▶ Suppliers shall segregate counterfeit parts in an area in which will ensure they will not enter production.



# Communication

- ▶ Suppliers and Sub-tier Suppliers shall notify LOC immediately if counterfeit parts were delivered to LOC.
- ▶ Suppliers and Sub-tier Suppliers shall ensure timely and effective communication of detected counterfeit parts.
- ▶ Report counterfeit parts to the GIDEP.



# Conclusion

- ▶ The continued efforts from LOC's suppliers and Sub-tier Suppliers will ensure a supply chain free of counterfeit parts
- ▶ It is imperative that counterfeit risk is mitigated and controlled to ensure counterfeit parts do not enter the supply chain
- ▶ Avoid, Detection, Mitigate, Disposition, Communication