Counterfeit Material Awareness

What is Counterfeit Material?
- A copy or substitute without legal right or authority to do so
- Item whose material, performance, or characteristics are knowingly misrepresented by the vendor, supplier, distributor, or manufacturer
- Non-conforming supplies tendered with intent to deceive
- Used or reclaimed parts misrepresented as new

Counterfeiting is a growing problem that is impacting our materiel supply chain.
Counterfeit Parts Background

- Counterfeit electronic parts continue to be prevalent in the broker supply chain and impact product quality and cost

- Obsolescence and schedule / lead time requirements impact ability to purchase from OEM / OCM / Authorized Distributor

- Customer escapes have occurred related to counterfeit parts

- Honeywell is committed to continuously improving our counterfeit parts prevention processes and procurement practices to combat this problem
  - Member of various Industry forums with Primes driving policy alignment regarding standardized SAE AS5553 and AS6174 contract language flow down
  - Honeywell Aerospace procedures (AP-1064 series) along with our Supplemental Purchase Order Condition (SPOC 419) are aligned:
    - with the requirements of SAE AS-5553A – Counterfeit Electronic Parts; Avoidance, Detection, Mitigation, and Disposition.
    - and with AS-6174 - Counterfeit Materiel; Assuring Acquisition of Authentic and Conforming Materiel (commodities phased in during Q1-Q4)
  - Honeywell Aerospace will adapt our processes to comport with the regulations promulgated pursuant to the National Defense Authorization Act, Sec. 818 (FY 2012) & Sec 833 (FY 2013) once they are released

\[\text{A significant challenge across the Aerospace industry}\]

China Counterfeit Parts in U.S. Military Aircraft  \[\text{http://bloom.bg/vfVxE}\]
Increased Regulatory Requirements

A Partial Listing of Major Counterfeit Related Milestones with Expectations of Additional Activity in 2014
Proposed DoD Counterfeit Prevention Framework

Implementation of Section 818 FY 2012 NDAA & Section 833 FY 2013 NDAA

- Key area of influence rests in industry standard involvement, which is where ambiguity can be addressed
- Support from SMEs are need in areas such as AS6174 slash sheet development (e.g. raw material), G-19CI ad-hoc committee on traceability & reporting, etc.

Collaborative Industry Effort Tracking Monthly Updates
# Counterfeit Material Prevention Strategy

<table>
<thead>
<tr>
<th>Processes</th>
<th>Traceability</th>
<th>Reporting</th>
<th>Training</th>
<th>Surveillance and Compliance</th>
<th>Obsolescence</th>
</tr>
</thead>
<tbody>
<tr>
<td>HON Aerospace Counterfeit Parts Prevention contains three components: 1. AP-1064 Procedures for CP Prevention 2. APOL – 85 Broker Policy to reduce broker purchases 3. SPOC-419 – external flow down to our suppliers.</td>
<td>HON Aerospace incorporates “authorizing documentation” for our electronic material to ensure traceability back to the part origin or authorized source.</td>
<td>HON Aerospace requires GIDEP– Reporting Evaluation and Tracking for owned material IAW contract requirements. HON Aerospace uses an internal Quality Alert System to inform sites of pending issues.</td>
<td>HON Aerospace provides “Awareness” training regarding counterfeit parts prevention. Specific functional training is available for  • Procurement  • Quality Assurance  • Component Engineering  • Field Quality Engineering  • Site Counterfeit Part Resolution Team</td>
<td>HON Aerospace incorporates compliance into the counterfeit prevention processes through audits and utilization of checklists created and implemented by the CPP team. • Supplier Contract Manufacturer Field Quality Audit Teams • Site Counterfeit audits based on AS5553, AS6174 (phased in 2014) and AP-1064 verification.</td>
<td>HON Aerospace uses Obsolescence Processes that focus on specific actions prior to using un-authorized sources. HON Aerospace uses comprehensive component roadmaps, design practices and reactive measures to minimize the impact of obsolescence (or DMSMS).</td>
</tr>
</tbody>
</table>

## Six Elements to the CPP Strategy
Continuous Improvement Activities

- Inventory Internal
- Inventory at Contract Manufacturers
- Internal Audit
- Contract Manufacturer Audits
- Authorized Sources Database
- Communication
- Broker Policy
- Test Lab Assessment & Training
- Procedure Coordination
- Receiving & Inspection Data Mgmt
- Tools / Traceability
- AP-1064-4 for Materiel
- Industry Involvement
- Test Lab Report Review
- Problem Resolution (Technical Review Board)
Honeywell Industry Involvement

• Active committee participation in the following:
  - SAE Counterfeit Avoidance Steering Group (CASG)
  - SAE G-19 Counterfeit Electronic Parts Committee
  - SAE G-19A Test Laboratory Standards Development Committee
  - SAE G-19DR Distributor Risk Characterization Committee
  - SAE G-19T Definitions Task Committee
  - AIA Counterfeit Parts Process Committee
  - DMSMS & Standardization Counterfeit Parts Committee Planning
  - TechAmerica Supply Chain Assurance Committee
  - TechAmerica G12 Solid State Devices
  - IEC TEC-107 Process Management for Avionics
  - Acquisition Reform Working Group (ARWG)

• DoD DMSMS & Standardization Conference
  - Implementing a counterfeit parts control plan
  - Implementing a test plan

• Participate and present at numerous trade-shows including CALCE/SMTA Counterfeit Parts Symposium, NASA Quality Leadership Forum, and many more…
In Summary

• Through our gap analysis we have aligned ourselves to the industry standards SAE AS-5553A & AS-6174

• Our proactive processes:
  - Maximize availability of authentic parts by procuring from reliable sources
  - When it is not possible to buy from OCMs and franchised distributors, develop risk assessment plans for material procured from non-franchised distributors
  - Ensure adequate testing from approved test houses on material procured from non-franchised distributors to determine suspect part status based on criticality of device, application, and supplier
  - Improve receiving and inspection requirements of non-franchised procured parts to prevent counterfeit parts from entering the supply chain

• We are continuing to partner and communicate with our customers and suppliers to assure compliance

Risk-based, continuous improvement approach