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COUNTERFEIT PARTS PREVENTION POLICY

This Counterfeit Parts Prevention (CPP) Policy is incorporated where referenced in a document, as if it were included in the text of the document. By accepting such document, Seller accepts the terms of this Policy. This Policy overrides and takes precedence over any conflicting terms of any such document or any other document referenced therein.

As used herein, the term “**Seller**” refers to the person or entity selling goods or services to Pan Pacific Electronics, and the term “**Pan Pacific**” refers to Pan Pacific Electronics, Inc.

Contract Requirements

1.0 Guarantee of Product Source(s)

- 1.1 The Seller shall ensure that only new and authentic materials are used in products delivered to Pan Pacific. The Seller may only purchase parts directly from Original Component Manufacturers (OCMs), OCM authorized (franchised) distributors, or authorized aftermarket manufacturers. Use of product that was not provided by these sources is not authorized unless first approved in writing by Pan Pacific. The Seller must present compelling support for its request (i.e. OCM documentation that authenticates supply chain traceability of parts to the OCM), and include in its request all actions to ensure that parts thus procured are authentic/conforming parts.
- 1.2 The Seller shall disclose in writing at the time of each individual quotation, the source of supply (by company name and location), whether or not the Seller is authorized (franchised) for the part(s) being quoted and whether or not providing full manufacturer's warranty on the quoted material. If the Seller considers that the name of the source of supply is proprietary to the Seller, the Seller and Pan Pacific shall negotiate an appropriate disclosure agreement.

2.0 Supply Chain Traceability

- 2.1 The Seller shall maintain a method of item supply chain traceability that ensures tracking of the supply chain back to the manufacturer of all Electrical, Electronic, and Electromechanical (EEE) parts included in assemblies and subassemblies being delivered per this contract. This supply chain traceability method shall clearly identify the name and location of all of the supply chain intermediaries from the manufacturer to the direct source of the product for the Seller and shall include the manufacturer's batch identification for the item(s) such as date codes, lot codes, serializations, or other batch identifications.

3.0 Test and Inspection Requirements

- 3.1 The Seller shall establish and implement test and inspection activities necessary to assure the authenticity of purchased product, in accordance to the requirements established by Pan Pacific, including:
 - 3.1.1 Supply chain traceability and documentation verification
 - 3.1.2 Visual examination
 Tests and inspections shall be performed in accordance with defined accept/reject criteria provided or approved by Pan Pacific. The Seller shall prepare and provide to Pan Pacific records evidencing tests and inspections performed and conformance of the product to specified acceptance criteria. Tests and inspections shall be performed by persons that have been trained and qualified concerning types and means of EEE parts fraud and suspect counterfeiting and how to conduct effective product authentication.

4.0 Certificate of Conformance

- 4.1 The Seller shall supply full supply chain traceability including copies of Electrical, Electronic, and Electromechanical (EEE) part Manufacturer Certificates of Conformance (CoC).
- 4.2 The Manufacturer and the Seller of its products shall complete a Certificate of Conformance (CoC) and full supply chain traceability for all parts.
 - 4.2.1 The CoC supplied by the Manufacturer shall be copied and passed through to the end customer. The Seller's certificate shall also accompany each shipment of product to the end customer. In no case shall the manufacturer's certificate be altered or show signs of alteration.
 - 4.2.2 The Seller shall retain copies of certificates with the lot records until the lot is completely shipped.
 - 4.2.3 The Seller shall retain the product and shipment traceability for a period consistent with the contract requirements.
- 4.3 The Manufacturer's CoC should include the following:
 - 4.3.1 Manufacturer name and address
 - 4.3.2 Manufacturer and/or Pan Pacific's full part number and part description.
 - 4.3.3 Batch identification for the item(s) such as date codes, lot codes, serializations, or other batch identifications.
 - 4.3.4 Signature or stamp with title of Seller's authorized personnel signing the certificate.

5.0 Quality Management System

- 5.1 The Seller shall have a quality management system that complies with *ISO 9001 Quality Management Systems – Requirements, and when required, SAE International, AS9120 Quality Management Systems – Aerospace – Requirements for Aviation, Space and Defense Distributors or AS9100 Quality Management Systems – Requirements for Aviation, Space and Defense Organizations*. Independent certification/registration is not required unless specified by Pan Pacific. Sellers that obtain certification/registration to ISO 9001 and when required AS9120 or AS9100 and subsequently change certification/registration bodies (CRB), lose

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registration status, or are put on notice of losing registration status, shall notify Pan Pacific's procurement agent(s) within three (3) days of receiving such notice from its CRB.

6.0 Product Impoundment and Financial Responsibility

- 6.1 If suspect or confirmed fraudulent/counterfeit EEE parts are furnished under this purchase agreement, such items shall be impounded. The Seller shall promptly replace such items with items acceptable to Pan Pacific and the Seller may be liable for all costs relating to impoundment, removal, and replacement. Pan Pacific may turn such items over to the authority having jurisdiction (i.e. Office of Inspector General, Federal Bureau of Investigation, Ministry of Defence Police, HMRC, etc.) for investigation and reserves the right to withhold payment for the items pending the results of the investigation.

7.0 Requirements for Boeing Suppliers

- 7.1 Seller agrees to adhere to all Counterfeit Parts Prevention requirements flowed down by The Boeing Company General Provisions (GP1 – Fixed Price Goods Contract – Commercial):

(a) Seller shall not furnish Counterfeit Parts, which are defined as unauthorized copies, imitation, substitute, or modified parts (e.g., materials, parts, components, subassemblies) which are misrepresented as specified genuine parts of an original or authorized manufacturer. Counterfeit Parts can include the false identification of grade, serial number, lot number, date code, documentation, performance characteristics, or the representation of used parts as new. Counterfeit and Suspect Counterfeit Parts shall be deemed nonconforming to this Contract. A Suspect Counterfeit Part is a part for which there is objective and credible evidence indicating that it is likely counterfeit.

(b) Seller shall plan, implement, and control processes appropriate to the organization and the products for the prevention of Counterfeit or Suspect Counterfeit Part use and their inclusion in Goods. Seller's Counterfeit Parts prevention processes shall address the following:

- i. Training of appropriate persons in the awareness and prevention of Counterfeit Parts;
- ii. Application of a parts obsolescence monitoring program;
- iii. Controls for acquiring externally provided product from original or authorized manufacturers, authorized distributors, or other approved sources;
- iv. Requirements for assuring traceability of parts and components to their original or authorized manufacturers;
- v. Verification and test methodologies to detect counterfeit parts;
- vi. Monitoring of counterfeit parts reporting from external sources; and
- vii. Quarantining and reporting of suspect or detected counterfeit parts, including preventing reentry into the supply chain.

(c) If Seller provides Electronic, Electrical, or Electromechanical (EEE) parts or assemblies containing EEE parts, Seller shall implement a counterfeit electronic parts detection and avoidance system compliant with the requirements of SAE standard AS5553 (revision as of the effective date of this Contract).

(d) If Seller becomes aware or suspects that it has furnished Counterfeit or Suspect Counterfeit Parts to Buyer, Seller promptly, but in no case later than thirty (30) days from discovery, shall notify Buyer and replace, at Seller's expense, such Counterfeit Parts or Suspect Counterfeit Parts with Goods that conform to the requirements of this Contract. Seller shall be liable for all costs related to the delivery or replacement of Counterfeit Parts or Suspect Counterfeit Parts including any testing or validation costs necessitated by the installation of Goods in replacement of Counterfeit Parts or Suspect Counterfeit Parts.

(e) Seller bears responsibility for procuring authentic parts or items from its subcontractors and shall ensure that all such subcontractors comply with the requirements of this Article. Seller shall include the substance of this Article, including this flowdown requirement, in all subcontracts awarded by Seller for work under this Contract.

- 7.2 Seller agrees to adhere to the latest revision of Boeing Defense, Space & Security (BDS) General Provision Clause Q132 (Counterfeit Parts Detection and Avoidance System Requirements):

7.2.1 Seller shall not furnish Counterfeit Parts, which are defined as unauthorized copies, imitation, substitute or modified parts (e.g. materials, parts, components, subassemblies) which are misrepresented as a specified genuine part(s) of an original or authorized manufacturer. Counterfeit Parts can include, but are not limited to, the false identification of marking or labeling, grade, serial number, lot number, date code, documentation or performance characteristics, including used parts represented as new. Counterfeit and Suspect Counterfeit Parts shall be deemed nonconforming to this Contract. A Suspect Counterfeit Part is a part for which there is objective and credible evidence indicating that it is likely counterfeit.

7.2.2 Seller shall plan, implement and control processes appropriate to the organization and the products for the prevention of Counterfeit or Suspect Counterfeit Part use and their inclusion in Goods. Seller's Counterfeit Parts prevention processes shall address the following:

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- (i) Training of appropriate persons in the awareness and prevention of Counterfeit Parts;
- (ii) Application of a parts obsolescence monitoring program;
- (iii) Controls for acquiring externally provided product from original or authorized manufacturers, authorized distributors, or other approved sources;
- (iv) Requirements for assuring traceability of parts and components to their original or authorized.
- (v) Verification and test methodologies to detect counterfeit parts;
- (vi) Monitoring of counterfeit parts reporting from external sources;
- (vii) Quarantine and reporting of suspect or detected counterfeit parts, including preventing reentry into the supply chain.

If Seller provides Electronic, Electrical or Electromechanical (EEE) parts or assemblies containing EEE parts, Seller shall implement a counterfeit electronic parts detection and avoidance system compliant with the requirements of SAE standard AS5553 (revision as of the effective date of this Contract).

7.2.3 If Seller becomes aware or suspects that it has furnished Counterfeit or Suspect Counterfeit Parts to Buyer, Seller promptly, but in no case later than thirty (30) days from discovery, shall notify Buyer and replace, at Seller's expense, such Counterfeit Parts or Suspect Counterfeit Parts with Goods that conform to the requirements of this Contract. For confirmed Counterfeit Parts or Suspect Counterfeit Parts, GIDEP notification shall also be made no later than sixty (60) days after discovery. Seller shall be liable for all costs related to the delivery or replacement of Counterfeit Parts or Suspect Counterfeit Parts including any testing or validation costs necessitated by the installation of Goods in replacement of Counterfeit Parts or Suspect Counterfeit Parts.

7.2.4 Seller bears responsibility for procuring authentic parts or items from its subcontractors and shall ensure that all such subcontractors comply with the requirements of this Article. Seller shall include the substance of this Article, including this flowdown requirement, in all subcontracts awarded by Seller for work under this Contract.

8.0 Requirements for Lockheed Martin Suppliers

- 8.1 Seller agrees to adhere to all Counterfeit Parts/Materials Prevention requirements flowed down by Lockheed Martin (Latest Revision of Document Number: QX, Section 1.4).