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## Counterfeit Materials Risk Mitigation Policy

Elma Electronic Inc. is aware of the danger of counterfeit materials permeating the Supply Chain. To prevent counterfeit materials from entering Elma's Supply Chain, Elma maintains robust material control procedures to ensure (a) integrity of supply and (b) verification of the parts / products received. To ensure we delivery only top-quality products to our customers, the following practices have been implemented:

### **Standards / Compliance / Training:**

Elma maintains compliance to the following industry standards:

**SAE AS5553:** Counterfeit Electronic Parts; Detection, Mitigation and Disposition

**DFARS 252.246-7007:** Contractor Counterfeit Electronic Part detection and Avoidance System

**GIDEP:** Elma has been a member of the Government Industry Exchange Program (GIPED) since 2014 and actively monitors all GIDEP alerts. If an alert pertains to materials procured by Elma, Company officials are notified, and the necessary containment actions / corrective actions are immediately implemented.

**Training & Awareness:** Elma ensures that all Purchasing and applicable Operations personnel are adequately trained to the above standards and Elma's counterfeit materials mitigation practices.

### **Purchasing:**

Elma approves suppliers based on their ability to provide trusted compliant parts. An approved suppliers list (ASL) is maintained in Elma's Quality Management System database. The list includes original equipment manufacturers (OEM's), original component manufacturers (OCM's) and/or their authorized distributors that supply Elma directly. Elma only purchases from the OEM's, OCM or their authorized distributors.

**The following requirements are flowed down on all purchase orders.**

- Material purchased from a non-franchised distributor or broker is **NOT ALLOWED** due to the possibility of counterfeit material.

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- During extreme situations such as manufacturer's allocation of product which causes material shortages and material is only available through a non-franchised distributor or broker, the Elma buyer must be notified prior to purchasing any material.
  - Elma must be notified if the source of material supplied to Elma becomes the subject of a legal or counterfeit issue.
  - Any applicable flow down requirements specified on the Purchase Order including Customer requirements shall flow down the supply chain.
  - All pertinent records must be retained for a minimum of seven (7) years unless otherwise specified on the purchase order.

In extreme situations (shortage situations) where it's necessary to consider purchasing from non-franchised distributors, prior to procuring material, Elma shall notify the customer and obtain written permission to purchase from a non-franchised distributor.

The customer may choose to supply the required material themselves or authorize Elma to procure the material from an unauthorized source. Elma and the customer will discuss the necessary authentication required through 'Chain of custody' validation, Certification of Origin, or appropriate testing to SAE AS6171 (Test Methods Standard). At no time will Elma procure any material from any unauthorized source without the customer's approval.

#### **Verification of Purchased Parts / Products:**

Elma's Incoming Inspection Process is managed in accordance with **AS5553 (Counterfeit Electronic Parts; Detection, Mitigation and Disposition)**. Visual inspection and confirmation of the Certificate of Compliance (CofC) against the Purchase order is performed. If an inbound shipment is considered suspect or not accompanied with the necessary CofC, it is quarantined until the supplier provides the necessary documentation showing authenticity of the product supplied.

#### **Material Control / Reporting:**

In the unlikely event a counterfeit part is found in enter Elma's raw material inventory or finished goods inventory, the following actions will be taken:

Containment: All products traced to the suspect / counterfeit batch will be quarantined immediately  
Notifications:

- Customers: All customers potentially impacted will be notified immediately and a recall notice issued.



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- GIDEP: The Government Industry Exchange Program (GIPED) will be notified and included in the investigation.
  - ERAI: If applicable, the Electronic Resellers Association International (ERAI) will be notified to help with broader containment and notification actions throughout the industry.
  - Executives: Company executives will be notified and kept informed throughout all stages of the investigation

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