



Navistar, Inc.
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May 3, 2021

To: All Navistar Suppliers and Sub-Tiers

Subject: Counterfeit Materials and Parts Prevention

Counterfeiting is growing in alarming proportions with respect to the types of products being counterfeited, industries affected, and potential ramifications caused by counterfeits. Navistar understands the ever-growing concern to the increasing volume of fraudulent/counterfeit electronic parts entering the supply chain, posing significant performance, reliability and safety risks. Navistar requires our supply base to review their quality management systems to ensure it adequately addresses counterfeit items that have the potential to seriously compromise the safety and operational capability of our products. To do this, we are requesting you establish/amend existing and maintain a Counterfeit Prevention program that is aligned to an established industry standard such as AS-5553 and/or AS6167 to ensure that *Counterfeit Work is not delivered to Navistar.

Strategies utilized to eliminate counterfeit shall include:

Avoidance – Suppliers shall only purchase parts/materials from authorized/approved sources of supply. This requires exclusive utilization of OCMs/OEMs or their authorized distributors. Suppliers shall institute a plan for a Chain of Custody – PO's should be tied to an unbroken chain of custody from the original source of manufacture for all components provided to Navistar.

Detection and Disposition – Suppliers shall notify Navistar Procurement or Quality of the pertinent facts of a nonconformance. Suspect counterfeit work shall be treated as Nonconforming Items.

Mitigation – Suppliers shall insure there is traceability to the OCM/OEM. If circumstances exist that the use of a supplier's material/parts in not part of the authorized supply chain, approval from Navistar is required. Suppliers need to ensure processes are in place to quarantine parts that require testing and verification until they are verified as authentic.

Communication –

- a. Suppliers shall provide prompt notification if it is suspected that Counterfeit items are within products/delivered to us.
- b. Suppliers shall report any counterfeit issues in a timely and effective manner.
- c. Suppliers shall flow-down equivalent counterfeit strategies/provisions to sub-tier supplier/contractors.

Navistar considers counterfeit materials as a serious threat and can compromise the integrity of the products we provide to our customers. The use of Original Component or Equipment manufacturers and their authorized sources results in the least risk for counterfeit items into our products. Thank you for your continued efforts to ensure counterfeit materials and components do not infiltrate the Navistar supply chain.

Sincerely,

Amy Lester
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Sajid Kunnummal
Vice President Chief Procurement Officer
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*Counterfeit Work – Work that is or contains items misrepresented as having been designed and /or produced under an approved system.