

Control Plan for Avoiding, Detecting, Mitigating, Reporting and Disposition of Suspect, Fraudulent or Counterfeit Electronic Parts

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1. Purpose

The purpose of this plan is to document the necessary avoidance, detection, mitigation, and disposition processes to prevent counterfeit parts or parts suspected of so being, including raw materials used with our manufacturing unit from entering into the supply stream. It is constructed to bring into realisation Charcroft's Counterfeit Mitigation policy; a document defined and issued by the Board of Directors.

It establishes and documents our risk mitigation methods enabling:

- The maximisation of authentic parts available for supply to customers
- The safe procurement of parts from reliable sources
- The avoidance and mitigation of the risks associated with procuring parts from independent distributors or brokers
- The assurance of authenticity and conformance of procured parts
- The control of parts identified as counterfeit or parts suspected of being counterfeit
- The reporting of such parts to other potential users and Government investigative authorities

Delivery of the above and the controls necessary to ensure continuous repeatability are managed through the company's ERP system, Omnis, backed by many of the procedures documented within the company's Quality Management System. The basic mechanics and the ethos behind it are derived from AS6496 and AS5553.

2. Scope

This control plan applies to all components and raw materials passing through Charcroft Electronics, whether that be components for onward re-sale to our customers, components being returned from our customers for onward shipment to our supply partners or raw materials being used within the company's manufacturing unit. This procedure shall be flowed down to all applicable Charcroft suppliers.

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3. Responsibility

Charcroft Electronics takes the issue of counterfeit products and the measures to prevent them from entering the supply chain extremely seriously. To that end the Director responsible for the QMS within Charcroft has the ultimate responsibility for this control plan and the company's adherence to it. Employees with responsibilities for purchasing, goods receiving, and the verifying of parts shall be responsible for compliance to this plan.

4. Definitions

OCM – Original Component Manufacturers

OEM – Original Equipment Manufacturers

C of C – Certification of Conformance

Franchised distributor – A company with whom an OCM/OEM has written agreements identifying them as being authorised to buy, stock, re-package, sell and re-distribute the OCM/OEM's product lines. For the sake of clarity, this term has the same meaning and definition as 'Authorised distributor'; a phrase more frequently used by American organisations.

Non-authorised supplier – any company offering component stocking, kitting and/or distribution services; often being referred to as brokers, non-franchised distributors, or Independent distributors. For absolute clarity, any organization other than an OCM, OEM or Franchised distributor.

Suspect Part - A part in which there is an indication that it may have been misrepresented by the supplier or manufacturer and may meet the definition of fraudulent or counterfeit part provided below.

Fraudulent Part – any suspect part misrepresented to the customer as meeting the customer's requirements.

Counterfeit Part - A fraudulent part that has been confirmed to be a copy, imitation or substitute that has been represented, identified or marked as genuine and/or altered by a source without legal right with intent to mislead, deceive or defraud. Examples of counterfeit parts include, but are not limited to:

- Parts which do not contain the proper internal construction consistent with the ordered part
- Parts which have been used, refurbished or reclaimed, but represented as new product
- Parts which have different package style or surface plating/finish than the ordered parts
- Parts which have not successfully completed the OCM's full production and test procedures, but are represented as completed product
- Parts sold as up-screened parts, which have not successfully completed the up-screening process and/or are not accompanied by bona-fide paperwork from the OCM to the same effect. Parts which have been refinished, up-screened, or uprated and have been identified as such, are not considered counterfeit
- Parts sold with modified labelling or markings intended to misrepresent the part's form, fit, function or grade

5. Customer Related Processes

5.1 Disclosure of Non-Authorization

Charcroft Electronics principle business is as a Franchised Distributor. All quotations issued by Charcroft indicate the nature of the relationship between itself and the OCM/OEM. Charcroft does not of its own volition undertake business as a non-authorised distributor unless it is specifically asked to do so by a customer. In these circumstances Charcroft seeks written authorisation from its customer to act as a non-authorised distributor. Such authorisation will be sought for each transaction or batch of transactions should that be more commercially pertinent. Should the nature of the relationship change between the acceptance of a contract and its delivery, Charcroft will notify the customer accordingly.

5.2 Provision of Manufacturer's Warranty

In accordance with the OCM/OEM's distribution agreements, Charcroft shall pass on all applicable warranties and support the customers need to rely upon such warranties as appropriate. Charcroft will not issue its own warranties except where Charcroft is the OCM in its own right.

5.3 Distribution Agreements

Charcroft maintains a register of distribution agreements. Such agreements are considered proprietary and not subject to review by third parties unless mutually agreed upon by both Charcroft and Manufacturer. In some instances, Charcroft may have a letter from the manufacturer to confirm it as an Authorised distributor, or a letter that attests to the existence of a distribution agreement between Charcroft and the Manufacturer.

5.4 Register of Suppliers

Charcroft maintains a register of all suppliers indicating the nature and extent of the relationship between the parties. This status is made clear on all quotations and despatch documentation sent to the customer.

5.5 Purchase Restrictions

Charcroft primarily purchase parts for re-sale from the Manufacturer or from the Manufacturer's Authorised Distributor. When we purchase from an Authorised Distributor, the distributor's authorisation with the manufacturer shall be verified and documented.

5.6 Purchasing Preference

Charcroft has a preference to purchase parts directly from the Manufacturer. See PI249-QTY Procedure.

5.7 Purchases Outside of a Distribution Agreement

Charcroft does periodically purchase components from outside its Franchised / Authorised partners. Such purchases are always at the written request of the customer and must be authorised each and every time by an assigned member of the Charcroft team. Notwithstanding this, any quotation or delivery note would indicate that the goods have been bought with Charcroft acting as an independent distributor. Goods received will be held in a separate part of the stores.

5.8 Counterfeit Electronic Part Control Plan Requirement

Before qualifying a Franchised / Authorised distributor as an approved supplier Charcroft will ensure that we receive a copy of their Counterfeit Electronic Parts Control plan and that it adheres to the principles of AS6496.

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5.9 Traceability, Record Retention and Retrievalability

Charcroft retains and maintains records indefinitely; the vast majority electronically. Records dealing with the purchase and despatch of goods will wherever possible include traceability information to provide a seamless complete link between the receipt and despatch of product.

5.10 Military Parts

Unless the customers purchase order dictates otherwise, military parts delivered by Charcroft will be accompanied by a copy of the Manufacturers Certificate of Conformance and/or other documentation used by the Manufacturer to provide batch traceability.

5.11 Commercial and Industrial Parts

Charcroft has as an integral part of its Despatch note a Certificate of Conformance statement. Commercial and Industrial customers will receive this level of authenticity.

5.12 Provision of Traceability

Charcroft, as standard, requests batch controlled traceable documentation from its suppliers. Suppliers of commercial and industrial parts are not always able to provide this level of traceability. Customers requiring this level of information must discuss this need at RFQ stage where Charcroft will be able to confirm agreement or otherwise. Once agreed the customer must re-affirm this requirement as part of their purchase order conditions.

5.13 Certificate of Conformance

Charcroft's Certificate of Conformance is printed on every despatch note. The Certificate of Conformance contains the following:

- The name and address of both Charcroft and the Customer
- The Manufacturer's name
- Manufacturer's part number
- Quantity
- Date code (if provided by the Manufacturer and required by the Customer)
- Lot code (if provided by the Manufacturer and required by the Customer)
- Customer purchase order number
- Ship date to Customer
- ISO Statement of Conformance
- Signature of Responsible Party (Electronic Signature is acceptable)
- Country of Origin
- Customer part number (if known and required)

5.14 Control of Suspect, Fraudulent and Confirmed Counterfeit Parts

Charcroft has several processes imbedded into the QMS that evaluate and minimize the risk associated with potential suspect, fraudulent or counterfeit product infiltrating into our inventory.

5.14.1. Customer Returns

Charcroft's Returns Policy can be found under Section 14 of our main Terms & Conditions, which aims to provide a fair but risk-based service to our customers.

No returns will be accepted without the company first issuing a Returns Material Authorisation. That authorisation identifies the original despatch details to the customer including core details such as a part number, quantity, batch numbers, dates and invoice details. In addition there is a requirement to stipulate the issue that necessitates the return request.

Product being returned will be accepted into inventory subject to:

- 1) Paperwork validation.
- 2) Basic electrical characteristics testing.
- 3) No evidence of alteration, mishandling, re-packaging or improper packaging.
- 4) That the product was purchased from Charcroft Electronics in the first instance.

Notwithstanding the above, if the customer is an independent distributor then the items will be treated as suspect.

If during the above validation tests there is any mismatch then the parts will be treated as suspect. If parts are not verified according to the above criteria then the parts will be destroyed as per the scrap control process detailed later in this plan, and not brought back into the supply chain.

5.14.2. Supplier Shipments

Manufacturers and other Authorised distributors are considered to be a low risk for counterfeit. The Quality Manager will monitor this risk and revise this plan should it be required. Inspection shall consider condition, looking to confirm that the goods show no signs of re-packaging or improper packaging. Charcroft shall review documents supplied with the shipment and ensure the shipment is from the intended supplier as per the original Purchase Order.

5.14.3. Disposition of Parts Deemed Suspect, Fraudulent or Counterfeit

Suspect, Fraudulent or Counterfeit parts are quarantined prior to dispositioning.

- Records of the dispositions shall be maintained.
- Suspect Parts may be returned to the Manufacturer for analysis to confirm their status as counterfeit or not counterfeit. Fraudulent parts will be returned to their correct inventory location provided there is no suggestion that they may be counterfeit and an investigation undertaken to determine why they were fraudulently offered to the customer. Suspect parts not returned to the original Manufacturer will be destroyed beyond any usable state.
- Confirmed Counterfeit Parts will not be returned to the Customer nor will credit be offered, and parts may be retained for investigative or training purposes. Charcroft Electronics will quarantine the Parts for 5 years or longer, if required by legal requirements.
- After 5 years or when legal requirements allow, the confirmed Counterfeit Parts shall be destroyed beyond any usable state.

5.14.4. Re-stocking Prohibition

Suspect, Fraudulent or confirmed Counterfeit Parts shall not be reintroduced into the supply chain, restocked nor returned to the Manufacturer in a stock rotation. Charcroft Electronics will not restock product into its inventory that was not purchased from the Authorised Distribution Channel.

5.14.5. Packaging and Repackaging Parts Sold to Customers

Charcroft will ship parts to its customers in the original Manufacturer's sealed packaging wherever possible.

When Manufacturer packaging cannot be sent, we shall package the product in standard commercial packaging or, when required by Manufacturer, the Manufacturer's specified packaging. Traceability on the repackaged parts is maintained by our Internal quality management system with each package having a printed label including traceability information derived from the original GRN process.

5.15 Training

Training is given to employees working within either a stores or purchasing role. This training is refreshed annually with records held on the individuals training file.

5.16 Scrap control

Any parts that are to be scrapped are destroyed by crushing to a point beyond any possible re-use of the internal mechanics. The company's Quality Management System records indefinitely the removal of the stock from inventory including any traceability information and records the goods as destroyed. The parts are physically destroyed on site before being placed in a skip destined for local landfill.

5.17 Inventory Control Plan

Charcroft Electronics has an inventory control system which provides for traceability of all stock movements. Customer Returns are initially controlled separately before dispositioning. Parts without any traceability are automatically treated as suspect.

5.18 Segregation of Product

Charcroft Electronics segregates its authorised from unauthorised stock. This is achieved both physically and via bin control within the company's ERP system.

5.19 Traceability of Returned Parts

Customer returns are traced in the inventory.

6. Reporting

Reporting on both confirmed and suspicious counterfeit parts shall be authorised by the Quality Manager. They shall make appropriate reports to the Board of Directors, affected Customers, affected Manufacturer and governmental organisations providing counterfeit reporting services (e.g. GIDEP). Confirmed counterfeit can only be determined by the Manufacturer.

7. Audits

This anti-counterfeiting plan and referenced processes are listed and scheduled for internal audit. This also makes the plan part of Charcroft's QMS.

8. Counterfeit Awareness

The Quality Manager is responsible for ensuring the upkeep for their personal understanding and competence on counterfeiting information and trends, including detection and avoidance techniques contained in appropriate industry standards, and using such information and techniques for continuously upgrading internal processes.

Approved by: Vicky Mellor, Director



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