

Title: Counterfeit Parts Procedure

1.0 Purpose:

This plan was created in response to a significant and increasing volume of counterfeit electronic parts entering the supply chain, posing significant performance, reliability and safety risks to our organization and to its customers.

2.0 Scope:

This plan creates an overview of the documented procedures used by IDC to eliminate the receipt and unintentional delivery of counterfeit parts. It is designed to:

- Assist purchasing in procuring parts from reliable sources,
- Assure authenticity and conformance of procured parts,
- Detect and Control parts identified as counterfeit, and measures required to ensure that counterfeit parts do not reenter the supply chain,
- And report counterfeit parts to other potential users and Government Investigative authorities.

3.0 Referenced Documents:

Form, RF410024 Supplier Counterfeit Parts Communication
Work Instructions. WI-740001 IDC Supplier Quality Requirement Clauses
Form, PF-740001 Supplier Quality System Evaluation Questionnaire
Log, PL-740001 Approved Supplier List

4.0 DEFINITIONS

- **SUSPECT PART** - A part in which there is an indication by visual inspection, testing, or other information, that it may have been misrepresented by the supplier or manufacturer and may meet the definition of counterfeit part provided below.
- **COUNTERFEIT PART** - A suspect part that is a copy or substitute without legal right or authority to do so or one whose material, performance, or characteristics are knowingly misrepresented by a supplier in the supply chain. Examples of counterfeit parts include, but are not limited to:

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- 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 flow, but are represented as completed product.
- Parts sold as up-screened parts, which have not successfully completed up-screening.
- Parts sold with modified labeling or markings intended to misrepresent the part's form, fit, function or grade

NOTE: Parts which have been refinished, up-screened, or up-rated and have been identified as such are not considered counterfeit.

- **MALICIOUSLY TAINTED PRODUCT** – the product is produced by the provider and is acquired through a provider's authorized channel, but has been tampered with maliciously.
- **OPEN MARKET** - The trading market that buys or consigns primarily OEM and Contract Manufacturer's excess inventories of new electronic parts and subsequently utilizes these inventories to fulfill supply needs of other OEMs and contract manufacturers, often due to urgent or obsolete part demands.
- **AUTHORIZED SUPPLIER:** OEM/OCM authorized sources of supply for a part.
- **APPROVED SUPPLIER** - Suppliers that are formally assessed, determined to provide acceptable risk of providing counterfeit parts, and entered on register of approved suppliers.
- **AUTHORIZED (FRANCHISED) DISTRIBUTOR** - OEM/OCM authorized distributors of supply for a part.
- **INDEPENDENT DISTRIBUTOR** - A distributor who purchases parts with the intention to sell and redistribute them back into the marketplace or supply chain. Purchased parts may be obtained from Original Equipment Manufacturers (OEMs), Original Component Manufacturers (OCMs) or Contract Manufacturers (typically from

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excess inventories), or from other Distributors (Franchised, Authorized, or Independent). Resale of the purchased parts (redistribution) may be to OEMs, Contract Manufacturers, or other Distributors. Independent Distributors do not normally have contractual agreements or obligations with OEMs or OCMs.

- **STOCKING DISTRIBUTOR** - A type of Independent Distributor that stocks large inventories typically purchased from OEMs and Contract Manufacturers. The handling, chain of custody, and environmental conditions for parts procured from Stocking Distributors are generally better known than for product bought and supplied by Broker Distributors.
- **BROKER DISTRIBUTOR** - A type of Independent Distributor that works in a “Just in Time” (JIT) environment. Customers contact the Broker Distributor with requirements identifying the part number, quantity, target price, and date required. The Broker Distributor searches the industry and locates parts that meet the target price and other Customer requirements.
- **UP-RATING** - a part used beyond the environment and application for which the part was designed.
- **UP-SCREENING** - performing additional testing and/or lot acceptance to use product beyond data sheet conditions.
- **RECLAIMED** - removed from products, parts, components and sold as new devices in the open market.
- **DISPOSITION** - Decisions made by authorized representatives within an organization concerning future treatment of nonconforming material. Examples of dispositions are to scrap, use-as-is (normally accompanied by an approved variance/waiver), retest, rework, repair, or return-to-supplier.

5.0 PROCEDURE

5.1 Purchasing

When purchased material has an impact on product quality, the suppliers of the material are evaluated and selected based on (a) their ability to supply product or services that (a) meets requirements and (b) their risk of supplying counterfeit parts. IDC is responsible for the quality of all products purchased, including those from customer designated sources. Parts are to be purchased, whenever possible, directly from OEMs, OCMs or from manufacturer’s authorized suppliers. Independent distributors are used only after consideration of alternate parts and a reasonable search for material from franchised/authorized sources has been conducted and approval has been obtained from the Quality Manager and Purchasing Manager.

The company will only use customer approved sources when such sources are required by the customer or indicated on the customer’s purchase order and approval has been obtained by the Purchasing Manager.

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IDC's Purchasing Department will maintain and keep current a register of approved suppliers. Product assurance processes for avoiding counterfeit product begins prior to the tendering of a contract for a product. The extent of these processes is commensurate with risks related to the sources of supply and criticality of customer's requirements'. Assurances will include use of Approved/Authorized Supplier List; as well as other actions such as sample orders to be followed by inspection and testing.

5.2 BUYERS

Buyers should investigate independent distributors, stocking distributors and brokering distributors through all available reporting sources in advance of procurement activity to ensure suspect counterfeiting incidents have not occurred. When any of the above distributors are used, special precautions must be taken. These precautions must be approved by the IDC Quality Manager and may include, but not limited to:

- Product testing and inspection
- Marking inspection
- Packaging Inspection

The Purchasing Department will request from the supplier through the Buyer traceability to the OEM/OCM that identifies the name and location of all of the supply chain intermediaries from the part manufacturer to the direct source of the product for the seller. If this traceability is unavailable or the documentation is suspected of being falsified, IDC (with the approval of the Purchasing Manager, Contracts Manager and Quality Manager may:

- After obtaining customer's consent and purchase the parts,
- Discontinue efforts to procure the part,
- Deliver to the customer a documented risk assessment.

Supplier's approval and source selection considerations include:

- The supplier is ISO 9000 registered.
 - A copy of their certificate must be available for review.
- The supplier is on the OEM's/OCM's approved or authorized supplier list or provides a Certificate of Conformance for product that will be subject to verification through testing or whatever other means deemed appropriate.
- The supplier has read and accepted (by signature acknowledgement) IDC's Counterfeit Parts Communication
- The supplier has adopted its own processes and procedures to prevent the acquisition and use of counterfeit parts.

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- A copy to be obtained from the Supplier and kept on file in the Purchasing Department
- The supplier is a member of associations with rigorous business, ethical, and quality standards intended to avoid acquiring and reselling counterfeit goods (e.g. IDEA)
- Samples of the material or items are provided for inspection and test, with satisfactory results
 - Trial order required for the inspection and test to be performed will be noted on the purchasing documents.
 - Completed inspection and test records will reflect the criteria for acceptance and the actual results. Copies will be maintained in the Purchasing Department.

Supply chain and quality management perform periodic evaluation of suppliers to assure that approved/ongoing sources of supply are maintaining effective processes for mitigating the risks of supplying counterfeit electronic parts and to evaluate overall performance against criteria.

Criteria include:

- Meeting specifications
- On time delivery
- Correct quantity
- Quality and condition (including absence of counterfeit evidence)
- Competitive pricing

When a product or service provided does not meet the requirements of the order, purchasing or quality may initiate a Corrective Action Request, (SCAR).

- Purchasing or Quality sends a copy of the SCAR to the supplier for follow-up.
- All follow-up information received from the supplier will be added to the SCAR form.

Purchasing prepares a summary of the suppliers for management review. Management will review the summary at management review, following the Management Review Procedure.

Purchasing documents specify contract/purchase order requirements to minimize the risk of being provided counterfeit parts. These documents may contain, where or when appropriate:

- Requirements for approval of product, procedures, processes, services, and equipment.
- Quality Management System requirements
- Catalog number, item number or other accurate description of the item, any applicable issues of specifications, drawings, process requirements, inspection instructions and other relevant technical data.
- Requirements for design, test, examination, inspection and related instructions for acceptance by the company.
- Requirements for test specimens

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- Requirements for supplier notification to the company of nonconforming product and any arrangements for approval of supplier nonconforming material
- Requirements for the supplier to notify the company of changes in product or process definition, and to obtain approval where required.
- Right of access by the company (customer) and regulatory authorities to all facilities involved in the order as well as to all applicable records
- Requirements for the supplier to flow down to sub-tier suppliers the applicable requirements in the purchasing documents, including key characteristics where required.
- Quantity
- Required delivery date,
- Any specific quality requirements such as approval or qualifications
- Signature and date indicating review and approval of purchase order
- Product Traceability, when applicable
- Acceptance of financial responsibility, when applicable
- Penalties associated with fraud

Purchasing staff reviews the information to make sure it is complete, and reviews the Approved Supplier List to make sure the specified supplier has been evaluated and accepted. If not evaluated and accepted, the supplier cannot be used unless the Supply Chain Manager decides to initiate a trial order pursuant to the above section.

6.0 VERIFICATIONS

Purchased product is verified before use to assure detection of counterfeit parts prior to formal acceptance. The rigor of the verification process shall be commensurate with product risk. Product risk is determined by the criticality of the part and the assessed likelihood of receiving a counterfeit part. Receiving checks the order against purchasing documents to verify the identification, quantity and condition of the items in the order.

Verification may include:

- Obtaining objective evidence of the quality of the product from suppliers through documentation, certificate of conformity, test reports etc.
- Inspection or audit at the suppliers premises
- Review of required documentation
- Visual inspection of products upon receipt
- Delegation of verification to the supplier or supplier certification.
- X-ray, non-destructive evaluation and destructive testing
- Receiving personnel labeling the receiving documents to indicate acceptance.

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- Where specified in the contract the customer or their representative is given the right to verify subcontracted product at the supplier's premises.
- Verification by the customer is not used as evidence of effective control by the supplier. IDC is responsible to provide acceptable product, and does not preclude subsequent rejection by the customer.

7.0 DETECTION

If material is identified to be counterfeit:

- All products will be immediately segregated from inventory and production line and quarantined.
- Material in house or in stock from the same supplier should be segregated and inspected.
- All pending orders from this supplier should be place on hold until resolution is achieved.
- If deliveries have already been made to customers, customers should be notified immediately and provided sufficient information to trace counterfeit materials delivered, stored, used or shipped.

8.0 DISPOSITION

Upon the discovery of counterfeit materials, the supplier is to be contacted and provided IDC data supporting the counterfeit nature of the material. IDC will discuss options with the supplier for disposition of the affected material in order to prevent re-entry into the supply chain. This may include:

- Upon mutual agreement, destruction of the material by IDC to render it unusable in any form and documentary evidence provided to the supplier.
 - Evidence should include (at a minimum) a certification by the Purchasing Manager of the disposition, to include description of action taken, date actions taken and location of action.
 - A copy of the Certification of Destruction should be maintained by the Purchasing Department
- Return material to the supplier and request evidence of disposition to prevent re-entry into the supply chain.
 - Evidence should include (at a minimum) a certification by the supplier of disposition, to include description of action taken, date actions taken and location of action. Certification must be signed by senior management official of the supplier.
 - A copy of the Certification should be maintained by the Purchasing Department

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9.0 Reporting

A report of the incident of the counterfeit material is to be made to any agencies/bodies in order that other users at large may become aware of the existence of the material in question and review their own supply chain for any risks as applicable.

All occurrences of counterfeit parts are reported, as appropriate, to internal organizations, customers, government reporting organizations, industry supported reporting programs (e.g. ERAI, GIDEP, etc), and criminal investigative authorities (Defense-related counterfeits: DCIS at <http://www.dodig.mil/hotline> or Commercial counterfeits: FBI at <http://www.fbi.gov/contact/fo/fo.htm>).

10.0 Approvals:

Approved by CCB	Date 5/27/15	Process Owner: Wendy Lee
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11.0 Revision History

Page No.	Reference	Revision	Date	Description of Change	Initials
All	New procedure	1	5/27/15	New Procedure	LRW

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