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Future Tech Enterprise, Inc. (Future Tech) Counterfeit Protection Policy

1.0 Purpose

1.1 This policy outlines and defines Future Tech's approach for detecting, mitigating, disposing, and avoiding counterfeit product.

2.0 Scope

2.1 The scope of this policy applies to all employees, while compliance is inherent upon those in the supply chain (specified in section 3.4).

3.0 Responsibility

3.1 CFO/COO: The CFO/COO is responsible for the creation and approval of this policy, including the approval of future updates. The CFO/COO is also responsible for ensuring the policy's adherence.

3.2 CEO: The CEO will act as a backup when needed for approval of future updates to this policy.

3.3 Quality Control Manager (QCM): The Quality Control Manager (QCM) shall be responsible for any updates and for maintaining the current version of this policy. The Quality Control Manager will lead each suspect counterfeit investigation.

3.4 Employees: Any employee who is within the supply chain such as employees in customer service, purchasing, receiving, configuring, design and development, or technical services shall be responsible for compliance with this policy, including requisite training.

4.0 Definitions


4.1 Authorized Supplier or Distributor: Either the Original Equipment Manufacturer (OEM) or a distributor that has been reviewed and approved by the OEM and is under contract to distribute its parts.

4.2 Broker: In the independent distribution market as a small firm or individual with a limited supply of parts/products. Brokers may be referred to as Independent Distributors; see definition in section 4.6.

4.3 Counterfeit Part or Product: A fraudulent product or 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.

4.4 Government Industry Data Exchange Program (GIDEP): GIDEP is a cooperative activity between government and industry participants seeking to reduce or eliminate expenditures of resources by sharing technical information.

4.5 Independent Distributor: A distributor that purchases parts with the intention to sell and redistribute them back into the market. Purchased parts may be obtained from Original Equipment Manufacturers (OEMs) or Contract Manufacturers (typically from excess inventories) or from other Distributors (Franchised, Authorized, or Independent). Resale of the purchased parts (redistribution) may be to OEMs,

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Contract Manufacturers, or other Distributors. Independent Distributors do not normally have contractual agreements or obligations with OEMs.

4.6 Original Equipment Manufacturer (OEM): The OEM is a company that produces parts and equipment that may be comprised of components made by another manufacturer.

4.7 Parts: Components designed and built to perform specific functions and are not subject to disassembly without destruction of impairment of design use.

4.8 Supplier or Vendor: A party the supplies goods or services.

5.0 Policy

5.1 Future Tech has adopted this Counterfeit Protection Policy (CPP) to eliminate the impact of counterfeit products on us and our customers. Future Tech has a zero-tolerance policy against knowingly trafficking any counterfeit product. Future Tech only purchases new and authentic materials from OEM's and/or authorized suppliers.

5.1.1 This policy applies to all purchased systems that contain electronics and all assemblies containing electronics.

5.1.2 This policy does not allow purchases to be made from independent distributors, brokers, or unauthorized sources.

5.1.3 Future Tech will not consider any deviation of this Counterfeit Protection Policy.

5.2 Strategy for Eliminating Counterfeit Risk

5.2.1 **Avoidance:** How Future Tech avoids procuring counterfeit products.

5.2.1.1 Future Tech only procures product from OEM's and authorized suppliers.

5.2.1.1.1 Future Tech's ERP system will not allow purchases from unauthorized sources.


5.2.1.2 Future Tech's PO's will state that all product is required to be authentic and any counterfeit activity may result in liabilities and penalties.

5.2.1.3 New Vendor Procedure

5.2.1.3.1 All new vendors must be approved by the CFO/COO or the CEO. Refer to the **New Vendor Procedure** for more information.

5.2.1.3.2 New vendors will only be considered if essential. Some criteria deemed acceptable would be sole-sourcing, customer request/requirement, or challenges/restraints with current vendors.

5.2.1.3.3 Future Tech's vendors are classified by their scope of approval. Vendor classifications are assigned by the CFO/COO upon approval into our system. Scope of approval classifications are defined in the **Vendor Classification Policy**.

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5.2.1.3.3.1 Vendors classified as an 'E' for External must supply a copy of their counterfeit policy to remain on file in the Quality Control drive.

5.2.1.3.3.1.1 External vendors will be required to provide their counterfeit policy within 90 days of being added to our database. During this time, the vendor will be classified as 'P' for pending. After 90 days, if a counterfeit policy is not received, the vendor will automatically revert to a 'D' for Dormant.

5.2.1.4 Counterfeit Awareness Training (Refer to Section 9: Training).

5.2.1.5 Obsolescence Management

5.2.1.5.1 Future Tech, through OEM Partner Agreements, is kept apprised of OEM Product Lifecycles and uses that information in the Obsolescence Management of all OEM Inventory.

5.2.1.5.2 Future Tech works with customers on migrating away from end of life product to avoid purchasing non-authentic, obsolete product.

5.2.1.6 GIDEP Database

5.2.1.6.1 The QCM is Future Tech's GIDEP representative. The QCM will utilize GIDEP announcements to screen for active counterfeit activity in our industry.


5.2.1.6.2 If Future Tech confirms that any product is counterfeit following a counterfeit investigation, the QCM will document and report all findings to GIDEP. The QCM will discuss all confirmed counterfeit product incidents at the Executive Review Meeting.

5.2.2 **Detection:** How Future Tech detects counterfeit or potential counterfeit products.

5.2.2.1 Future Tech trains all employees within the supply chain on the multiple strategies used for detecting possible counterfeit activity.

5.2.2.2 Failure Analysis

5.2.2.2.1 During all repair work conducted by Future Tech, the repair technician will determine if failure was due to a counterfeit part/product. If counterfeit parts/products are suspected, the repair technician (or their manager) is required to notify the QCM to document the finding in CORE.

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5.2.2.2.2 During all configuration work conducted by Future Tech, the configuration technician will determine if failure was due to a counterfeit part/product. If counterfeit parts/products are suspected, the repair technician (or their manager) is required to notify the QCM to document the finding in CORE.

5.2.2.3 Incoming Shipments and Returns

5.2.2.3.1 Future Tech's receiving employees must visually inspect any returned product upon arrival to verify authenticity. Serial numbers are used to trace all product (see section 8.0 for more detail).

5.2.3 **Mitigation:** How Future Tech reduces the risk of counterfeit products.

5.2.3.1 If a product is identified as possibly counterfeit, the product will be quarantined immediately, in a separate building, segregated from all other inventory. All product suspected of being counterfeit will remain on Future Tech's premises until the investigation is over and product can either be destroyed or placed back into the supply chain as non-counterfeit.

5.2.3.2 The possible counterfeit issue is to be investigated and entered into the CORE system as a nonconformance by the QCM.

5.2.3.2.1 All pertinent information regarding the product is to be collected and provided to the QCM.


5.2.3.3 Internal investigations will be done to verify if the product is counterfeit. Internal investigations may include reaching out to the supplier for traceability, certifications of conformance (COC), or performing internal testing.

5.2.3.3.1 If unit is determined to be non-counterfeit as a result of internal investigations, the product will be placed back into the supply chain and the case will be updated and closed within the CORE system by the QCM.

5.2.3.4 If the potential of counterfeit cannot be ruled out after an internal investigation, the OEM/Authorized Distributor should be contacted within 24 hours of this determination to conduct their own investigation.


5.2.3.4.1 At no time is the product to leave Future Tech's premises until the status is verified as a non-counterfeit item or destroyed.

5.2.3.4.1.1 If unit is determined to be non-counterfeit as a result of the OEM/Authorized Distributor's investigation, the product will be placed back into the supply chain and the case will be

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updated and closed within the CORE system by the QCM.

- 5.2.3.4.2 If a potential counterfeit product is at a customer location, the customer must be notified that any suspect product is not to leave their premise. Future Tech will work with vendors and customers in the supply chain to isolate potentially affected product to ensure no re-entry into the supply chain until issue is resolved.
- 5.2.3.5 If a potential counterfeit product is determined to be counterfeit by the OEM/Authorized Distributor during their investigation, the QCM must notify the customer immediately if customer requirements are affected.
 - 5.2.3.5.1 If the confirmed counterfeit item was found by the customer at their location, the QCM must provide assistance for disposal if the product is so deemed.
- 5.2.3.6 When a product is determined to be counterfeit, Future Tech must determine if similar product has already been released into other parts of the supply chain. If so, the QCM will work with the customer and vendor to resolve and remove all counterfeit items from the supply chain immediately.
- 5.2.3.7 Future Tech must determine if any like product may have been sent to the customer on a prior or subsequent shipment. If so, the QCM will work with both the customer(s) and vendor(s) to resolve and remove all counterfeit items from the supply chain immediately.
- 5.2.3.8 Future Tech must determine if like product has been released to other customers or clients of customers. If so, the QCM will communicate to any related parties immediately upon this determination and provide assistance for disposal.
- 5.2.4 **Disposition:** How Future Tech disposes of confirmed counterfeit product.
 - 5.2.4.1 All counterfeit product will remain isolated during any legal investigation.
 - 5.2.4.2 Once product is no longer needed, it will be made unusable and will be destroyed. Documentary evidence, in the form of a destruction certificate, will be provided to the appropriate parties.
 - 5.2.4.3 Arrangements will be made to dispose of any like product that has already entered the supply chain.
- 5.2.5 **Communication:** How Future Tech communicates counterfeit challenges.

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- 5.2.5.1 Potential counterfeit incidents must be reported to the CFO/COO and the QCM immediately following the discovery.
- 5.2.5.2 The QCM will ensure that the supplier gets contacted by the appropriate party when a supplier investigation is needed.
- 5.2.5.3 The QCM will ensure that the customer, and all appropriate Future Tech employees, get notified by the appropriate party when a supplier confirms a product is counterfeit.
- 5.2.5.4 The QCM will document all findings from a counterfeit investigation in the CORE system and report any confirmed counterfeit product to GIDEP.
 - 5.2.5.4.1 If necessary, the QCM will notify legal authorities on any confirmed counterfeit product.

6.0 Re-Stocking Prohibition

6.1 Counterfeit product shall not be reintroduced into the supply chain, restocked, or returned to the manufacturer. Any suspect product shall also remain out of the supply chain until such point it has been confirmed acceptable.

7.0 Inventory Access

7.1 Future Tech's warehouse where inventory is kept shall be accessible by card access only or by escort.

8.0 Inventory Control

8.1 Future Tech has an inventory control program which provides traceability for all product.

8.1.1 Traceability is governed by the use of serial numbers for all product. The use of serial numbers provides full traceability records to the OEM or authorized OEM distributors.

8.2 Customer returns are inspected to validate the authenticity of returned item(s) and/or segregated from the supply chain.

8.2.1 The Serial Number is confirmed upon receipt from the customer. Non-serialized items must have a Future Tech label on the packaging.

8.2.2 Future Tech's system will not accept any return with a serial number not provided by Future Tech.

9.0 Training


9.1 Future Tech is to provide training to all employees within the supply chain, including customer service, purchasing, receiving, configuring, design and development, or technical services. All employees shall be responsible for compliance with this policy, including requisite training.

9.2 Training is to be provided within 90 days of hiring and annually thereafter.

9.3 Training focuses on avoiding, detecting, mitigating, and disposing of counterfeit product.

9.4 Training documents will be reviewed annually for updating and revision purposes.

10.0 Exceptions

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10.1 The exception to this policy is when customer requests a vendor that has not satisfied our counterfeit policy. In these cases, the customer must sign an **Exception Form**. The **Exception Form** ensures that the customer is aware that the part/product they wish to procure cannot be confirmed to be non-counterfeit, and that Future Tech will not be liable for any challenges and /or costs associated with those challenges, that may arise from using the requested product/part from the requested vendor. Items purchased from these vendors are never to be within proximity to items from vendors who have complied with our policy.

11.0 Internal Auditing


11.1 This policy is to be audited annually by the Quality Control Department.

12.0 References

- 12.1 Exception Form
- 12.2 New Vendor Procedure
- 12.3 Vendor Classification Process

13.0 Revisions

Revision	Revision Date	Description of Change	Change Made By	Approval	Document Location
000	3/11/16	Initial Release	Robert Johnson	Robert Johnson	Quality Control Drive
001	9/19/17	Modified sections 5.1.2, 5.1.3, 5.2.1.1, 5.2.1.3, 5.2.1.7, 5.2.3.2.1, 5.2.3.2.2, 9.1, and 9.4	Robert Johnson	Robert Johnson	Quality Control Drive
002	10/9/17	Updated section 4.0 with additional definitions; updated section 5.1.3 stating no deviations will be tolerated	Robert Johnson	Robert Johnson	Quality Control Drive
003	11/9/17	Added sections 5.2.1.2.1, 5.2.1.3.4; updated 5.2.1.7.1 to state how GIDEP announcements are being tracked; Added sections 10.0 Internal Audit and 11.0 Right of Access	Robert Johnson	Robert Johnson	Quality Control Drive

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004	12/1/17	Added sections 5.2.1.1.1.1, 5.2.1.6.1.1; updated 5.2.3.1 segregating practice; updated 5.2.3.2 client notification practices; updated 5.2.3.2.1 to state QM will communicate to the client; updated with 8.0 with traceability details	Robert Johnson	Robert Johnson	Quality Control Drive
005	5/30/18	Updated terminology from Anti-Counterfeit Policy to Counterfeit Protection Policy	Meredith Armstrong	Robert Johnson	Quality Control Drive
006	11/14/18	Updated format & grammatical errors. Removed section 11.0 Right to Access. Changed QCM GIDEP responsibilities, documents storage location, avoidance section, mitigation section, & communication section. Updated header template.	Erica Vega	Robert Johnson	Intranet
007	05/02/2019	Updated the departments included in the supply chain in Sections 3.4 and 9.1. Updated Section 4.0 and removed irrelevant definitions. Removed Sections 5.2.1.1.1 and 5.2.1.1.1.1. Updated Sections 5.2.1, 5.2.2, 5.2.3, 5.2.5, and 9.0. Added Section 10.0 for Exceptions to this policy.	Erica Vega	Robert Johnson	Intranet