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| Document Title | VETERANS TRADING COMPANY (VTC) POLICY STATEMENT FOR AVOIDANCE AND MITIGATION OF COUNTERFEIT COMPONENTS | | | | | |
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POLICY SCOPE:

Counterfeit components can jeopardize the performance, reliability and safety of nearly all products. Recently, increasing amounts of counterfeit components have been introduced into both the Federal and commercial supply chains. Given the increased complexity of the supply chain, diligence and vigilance are needed to ensure that the authenticity and performance of components is not compromised. As a responsible AS9100/AS6081 Certified Supplier this document addresses Veterans Trading Company's (VTC's) actions and philosophy in securing the supply chain and taking reasonable efforts to control and prevent the introduction of counterfeit components into the company's material acquisition processes.

TOPIC BACKGROUND:

Counterfeit parts are defined as a suspect part that is a copy or substitute without legal right or authority to do so or one whose materials, performance or characteristics are knowingly misrepresented by a supplier in the supply chain. Industry analysis is clear in that the vast majority of counterfeit components identified to date were procured at some point in the supply chain from independent distributors (*i.e. distributors who are neither authorized nor franchised by the original component manufacturer for the parts they sell*) and/or "Brokers". VTC is neither an independent distributor nor a broker. VTC is a service provider working closely with our customers to purchase materials on their behalf. As a service provider, it is our responsibility to make reasonable efforts to ensure the integrity of the sources from which we procure. In effect, VTC considers itself an extension of our customer's procurement organization. As such, VTC seeks to follow established industry standards and employ industry best practices to minimize the risk of counterfeit components entering the supply chain.

VETERANS TRADING COMPANY POLICY STATEMENT:

THE BEST PROTECTION AGAINST COUNTERFEIT COMPONENTS IS TO HAVE A FIRMLY IDENTIFIED AND ESTABLISHED SOURCE OF SUPPLY.

Industry has established standards and identified the steps necessary to reduce risk when dealing with independent distributors and/or brokers. Therefore, due diligence must be performed to avoid counterfeit components (*i.e. product traceability, risk mitigation, verification, detection and disposition*). VTC has embraced this philosophy and incorporates the following into our business activities when procuring product(s) on behalf of our customers:

- ★ VTC has been certified to the AS9100/AS6081 Standard by a 3rd party auditing agency and will maintain this certification to assure our customers that a continued focus will be maintained to ensure a secure supply chain.
- ★ VTC will maintain relationships with world class Original Equipment Manufacturers (OEMs) and/or Original Component Manufacturers (OCM) and Franchised/Authorized distributors of components.
- ★ VTC will maintain voluntary memberships with GIDEP (Government Industry Data Exchange Program) and other organizations/resources as appropriate to stay abreast of industry developments and warnings/alerts concerning counterfeited components.
- ★ Supply sources that are mandated by the customer and approved by the customer will be recognized as Customer Directed Sourcing. However, VTC will still commit to counterfeit component due diligence and reporting of high-risk suppliers.
- ★ Components that are to be dropped shipped directly to a specified customer location will be done so from the franchised distributor, OEM or customer approved source to ensure a secure supply chain.
- ★ VTC is not a broker; and we will not procure products from non-authorized sources or from the so-called "Gray Market."
- ★ Manufacturers Certificate of Conformance (C of C) or Manufacturers Certificate of Conformance and Traceability (C of CT) will be provided when required contractually by our customers. When material is purchased through a authorized or franchised distributor, documentation of all supply chain intermediaries will be required.
- ★ VTC's Quality Management System and business practices provides for a carefully constructed and maintained Approved Supplier Listing (ASL) based upon supplier risk mitigation and/or customer direction.
- ★ VTC will maintain a customer approved Counterfeit Prevention Material Authenticity Control Plan to define and ensure the appropriate sequence and interactions occur if a suspect counterfeit component is detected.