

Latin America
Pre-shipment Inspection Program

Inspection Package

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A. INTROUCTION

Intertek has been appointed by LG Sourcing, Inc. (LGS) as the inspection company for their Latin America Vendors Pre-shipment Inspection Program. Pre-shipment inspection (Random Sampling Inspection) will be conducted at your factory. LGS' inspection requirements and procedure are described below.

B. INSPECTION STANDARD

i) Inspection Criteria

Inspection normally entails visual and manual examination for criteria such as:

- Style
- Color
- Workmanship
- Packaging
- Shipping Mark
- Dimension
- Quantity Available
- Assortment
- Configuration
- Function
- Safety Markings

ii) Inspection Sampling Plan and Acceptable Quality Level (AQL)

A random sampling plan which is internationally recognized will be adopted for inspection.

Sampling plan to be adopted :

**ANSI/ASQC Z1.4
Single Sampling Plans
for Normal Inspection
General Inspection Level II**

Below AQL to be adopted:

Ordinary Defect : 1.5

Critical Defect: Not allowed among inspected samples

**The final inspection level will be decided by LGS QA.*



ANSI/ASQC Z1.4
Single Sampling Plans for Normal Inspection General Inspection Level II

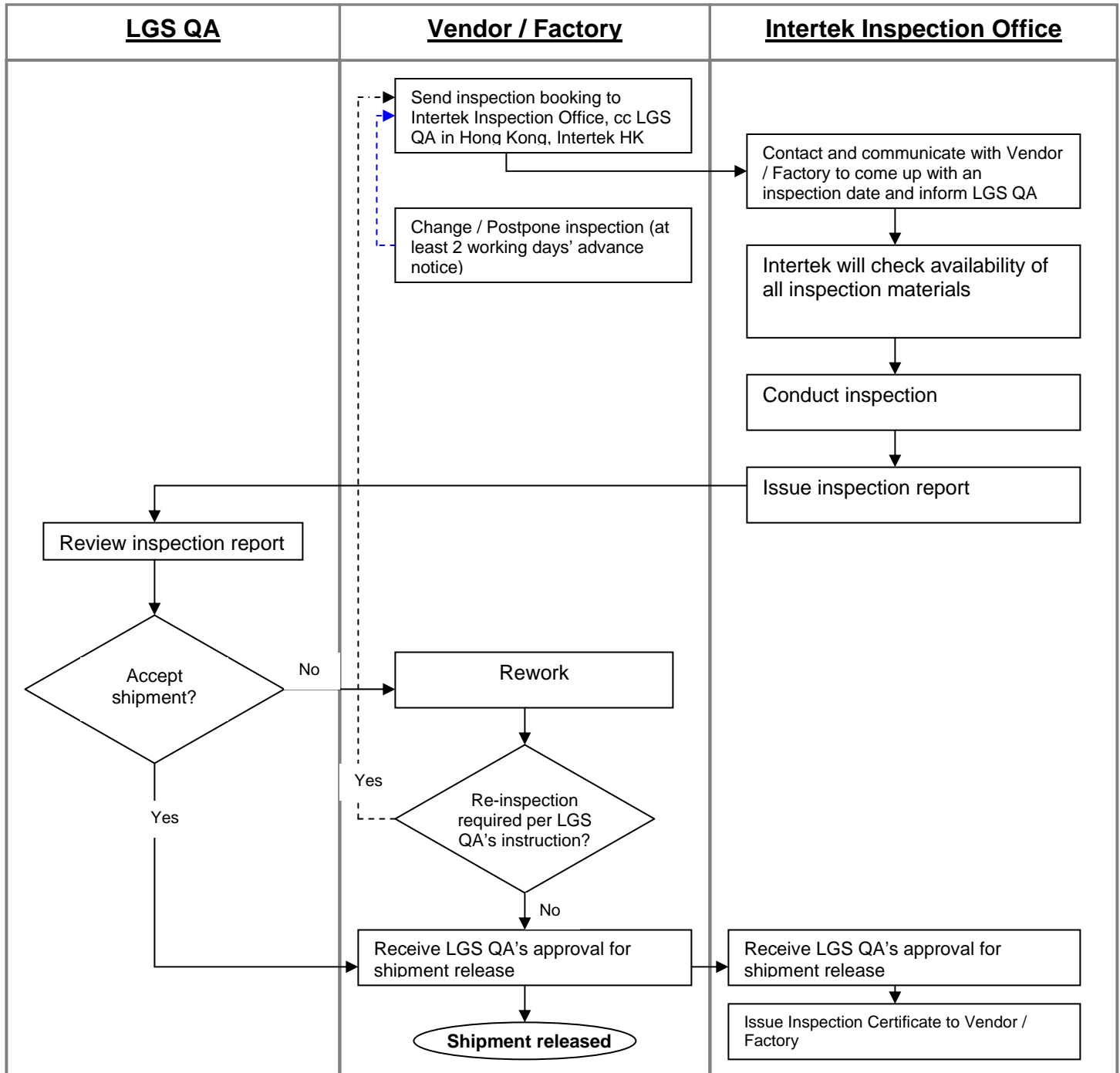
Lot Size			Sample Size	Accept number "AC" (at AQL 1.5) (i.e. max number of defects allowed per inspection lot size)
From		To		
151	-	280	32	1
281	-	500	50	2
501	-	1,200	80	3
1,201	-	3,200	125	5
3,201	-	10,000	200	7
10,001	-	35,000	315	10
35,001	-	150,000	500	14

Appendix 1 - AQL TABLE.



C. INSPECTION ARRANGEMENT WORKFLOW

i) The Workflow Diagram



ii) How to fill in the Inspection Booking Form?

Example



Inspection Booking Form - Latin America Vendors

To: LG Sourcing Hong Kong QA

E-mail: InspAdvSA@Lowe.com; lgshkinsp@intertek.com

From : _Silver wang_____

CC: Copy Intertek Inspection Office : (Mexico) bernice.guerra@intertek.com

Date : _May 15,2006_____

(Intertek Mexico contact for Vendor): Bernice GuerraTel: (52-55-50637193)

Vendor Name: [Dream House International](#)

Vendor Telephone: [52-34-6789-23412](tel:52-34-6789-23412)

Factory Name (in English): [Mission Manufacturing Company](#)

Factory Address: [12-15 ABC Street,Origin country,Mexico](#)

Factory Contact Person : [Hoi Man](#)

Factory Contact Telephone : [52-45-678912](tel:52-45-678912)

PO#	RDC	Request Inspection Date (mm/dd/yy)	Previous Inspection Date, if any (mm/dd/yy)	The Last Date of Ship Window (mm/dd/yy)	Item number	Quantity
22991122	123	5/23/2006		6/4/2006	456789	4000
22991123	124	5/23/2006		6/3/2006	456799	200
22991124	125	5/23/2006		6/3/2006	456709	1000
22991125	126	5/23/2006		6/3/2006	456685	1500
22991127	128	5/23/2006		6/5/2006	456578	1500
22991128	129	5/23/2006		6/5/2006	456532	2000
22991129	130	5/23/2006		6/5/2006	456486	6000
22991130	131	5/23/2006		6/5/2006	456440	100

* Note: Vendor shall send an inspection advice with all information required to LGS QA cc-copy to Intertek at least **7 WORKING DAYS** prior to date of pre-shipment inspection. Inspection schedule with shorter booking lead-time may not be entertained as per request schedule and the vendor is responsible for the consequence of the shipment delay. In case shipment is not ready for inspection as per the inspection schedule accepted by LG Sourcing, the vendor shall inform the LGS QA at least **2 work days before** the schedule inspection date.

D. POINTS TO NOTE FOR INSPECTION ARRANGEMENT

i) **Inspection booking** should be made by filling in the inspection booking form and send by email back to the relevant Intertek inspection office (refer to page 10 for booking contact information), copy LGS QA (email address: InspAdvSA@Lowe.com) and Intertek HONG KONG (email address: lqshkinsp@intertek.com) at least 7 working days before the requested inspection date.

No more than one inspection visit can be scheduled within 7 days unless large quantity of containers needs to be shipped within that period.

To make sure Intertek receives the inspection application, factory / vendor is suggested to follow up with a phone call.

LGS QA has the right to cancel or postpone any scheduled inspections.

ii) **Product Availability** - Inspection can only start when goods are 100% finished, packed and marked on pallets.

iii) Factory should provide appropriate equipment, facilities and workers in assisting in the sampling procedure (e.g. removing stacks of cartons), unpacking, repacking of goods, etc. during inspection. Besides, factory should set up a designated space with adequate lighting, space and ventilation for inspector to perform the inspection.

iv) **Inspection Materials** - Factory should have the standard sample(s) with LGS tag (if any) available at the factory for inspection. If there is no standard sample, inspector will draw one set of production sample and seal at the factory. This will become the *reference sample* for inspection in future. The factory should keep the reference sample in a safe place and it should also readily be accessible by the inspector(s).

v) **Defective Samples** - Inspector will draw defective samples during inspection and seal them at the factory. Factory / vendor should have them sent to LGS QA - Ms Shirley Tsang upon written request. (If required for review)

vi) **Aborted Inspection** - If goods are not completely available, and if inspector finds the inspection conditions are not suitable for inspection, inspector has the right to abort the inspection. Factory / vendor should contact Intertek to re-arrange the inspection. LGS QA may fine the vendor up to US\$500 for the aborted inspection.

vii) **Cancellation / Postponement of Inspection** - If inspection needs to be cancelled or postponed, factory / vendor should inform Intertek at least 2 working days in advance. LGS QA reserves the right to charge vendor a cancellation fee if less than 2 working days (US\$500).

viii) In case of re-inspection, vendor / factory should follow the above inspection arrangement. LGS QA reserves the right to charge vendor the re-inspection fee.

E. THE INSPECTION PROCESS

Step 1 Inspector will explain to vendor the way he will proceed inspection in a short opening meeting.

Step 2 Inspector will count number of cartons (n).

Step 3 Inspector will select at random $\sqrt{\text{TotalNumberofCarton}} \times 2$. These cartons should be representatives. Inspector will check their conformity and other related aspect such as dimensions, weight, shipping marks, no hole, not wet, not deformed, etc. Carton number of each of these selected cartons will be mentioned in the final report.

Step 4 In each of these cartons, inspector will:

- check markings on inner cartons
- check aspect of inner cartons
- check quantity and conformity of assortment in all inner cartons
- select correct quantity from each carton. The total number of inspection units (sample size) is checked according to the total order quantity per each item (lot size). (page 4 of this document).

Step 5 Inspector will check each selected sample on all points mentioned in the Product Specification Sheet and / or special instruction provided by Lowe's / LGS. Inspector is allowed to break the packaging of an item, if necessary to properly check it.

Step 6 **In those selected samples, inspector will select at random items to perform extra on-site checking. 5 pieces will be checked.**

Step 7 Inspector will ask factory to repack all inspected and passed units in cartons. Inspector will seal those repacked cartons without covering the carton markings with Intertek adhesive tape. The carton number of sealed cartons should be recorded and reported. If factory cannot repack the units right after our inspection, Inspectors must report it in the final report.

Step 8 Inspector will explain inspection results to vendor / factory and ask one representative from vendor / factory to sign & stamp with company chop on the handwritten draft inspection report. A copy will be left at the factory.

Step 9 Inspector will fax / e-mail a copy of the handwritten draft inspection report to the LGS QA at the factory. Inspection completes and inspector will leave the factory.

** No immediate re-inspection will be conducted in the same inspection visit without confirmation from LGS QA.

F. INSPECTION REPORT

All inspection reports will be in English. Handwritten / draft reports need to be acknowledged by the factory representative after inspection. A copy of handwritten / draft report will be left at the factory for vendor's reference. Typed Inspection reports will be e-mailed to LGS QA the next working day after inspection. No hard copy report will be sent in order to minimize paper consumption and save the planet.

G. INSPECTION CERTIFICATE

After inspection report has been issued, LGS QA will inform Intertek and vendor about approval for shipment release. Intertek will issue Inspection Certificate by email to vendor within 2 working days after having received LGS QA's approval. The Inspection Certificate is used to expedite Letter of Credit (L/C) negotiation with your banker.

H. INSPECTION CONTACT

MAIN CONTACT:

<u>Company</u>	<u>Contact Person</u>	<u>Contact Details</u>
LG Sourcing, Inc. (Hong Kong Office)	Shirley Tsang	Tel : 852- 3423 6363 / 2377 1862 (ext. 263) Fax : 852-2317 0293 Email : Shirley.Y.Tsang@lowes.com
LG Sourcing, Inc. (Hong Kong Office)	Ronnie Ng	Tel : 852 3423 6365 / 852 2377 1862 (ext. 265) Fax : 852 2111 0697 Email : Ronnie.K.Ng@Lowe.com
Intertek Hong Kong	Angela Chu	Tel : 852-2173 8822 Fax : 852-2274 7832 Email : angela.chu@intertek.com
Intertek Hong Kong	Cynthia Yau	Tel : 852-2173 8836 Fax : 852-2274 7832 Email : cynthia.yau@intertek.com
Intertek Latin America		
Intertek Brazil - Hub office of Latin America - Account Manager	Erica Missiato	Tel : 55 11 3707 0651 Fax : 55 11 3707 0656 Email : erica.missiato@intertek.com
Intertek Colombia – General Manager	Viviana Rodriguez	Tel : 57 1 610.6104 Fax : 57 1 493 3255 Email : viviana.rodriguez@intertek.com

Intertek Mexico - General Manager	Heron Molina	Tel : 52 55 5063 7190 Fax : 52 55 5211 5030 Email : heron.molina@intertek.com
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INSPECTION BOOKING CONTACT:

Intertek Mexico	Bernice Guerra Marcia Gonzalez	Tel : 52 55 50637193 Fax : 52 55 5211 5030 Email : bernice.guerra@intertek.com Tel: 52 55 5063 7190 ext 6306 Fax: 52 55 5211 5030 Email: marcia.gonzalez@intertek.com <i>Inspection Contact for Lowe's vendors' factory located in <u>Mexico</u>.</i>
Intertek Colombia	Camilo Caycedo	Tel : 57 1 256 8392 Fax : 57 1 493 3255 Email : camilo.caycedo@intertek.com <i>Inspection Contact for Lowe's vendors' factory located in <u>Colombia, Chile, Bolivia</u>.</i>
Intertek Brazil	Danielle Cordeiro	Tel : 55 11 3707 0651 Fax : 55 11 3707 0656 Email : danielle.cordeiro@intertek.com <i>Inspection Contact for Lowe's vendors' factory located in <u>Brazil</u>.</i>



I. APPENDICES

Appendix 1 - AQL TABLE

ANSI/ASQC Z1.4 / MIL-STD-105E / BS6001 / ISO 2859

It is a random sampling inspection method by attributes based on the mathematical theory of probability. This method provides the number of samples to be inspected in a given lot/shipment size. It also provides the specific criteria for acceptance or rejection of a shipment/lot based on the number of defects found, and provides a fair assessment, to both buyers and sellers, of product quality.

Acceptable Quality Level (AQL) is the minimum percentage defective that, for purposes of sampling inspection, can be considered satisfactory as a percentage average. It should be agreed upon between both buyer and seller.

Table I. Sample Size Code Letters

Lot or Batch Size	Special Inspection Levels				General Inspection Levels		
	S-1	S-2	S-3	S-4	I	II	III
2 to 8	A	A	A	A	A	A	B
9 to 15	A	A	A	A	A	B	C
16 to 25	A	A	B	B	B	C	D
26 to 50	A	B	B	C	C	D	E
51 to 90	B	B	C	C	C	E	F
91 to 150	B	B	C	D	D	F	G
151 to 280	B	C	D	E	E	G	H
281 to 500	B	C	D	E	F	H	J
501 to 1200	C	C	E	F	G	J	K
1201 to 3200	C	D	E	G	H	K	L
3201 to 10000	C	D	F	G	J	L	M
10001 to 35000	C	D	F	H	K	M	N
35001 to 150000	D	E	G	J	L	N	P
150001 to 500000	D	E	G	J	M	P	Q
500001 and Over	D	E	H	K	N	Q	R

Table II. Single Sampling Plans For Normal Inspection

Sample size Code Letter	Sample size	Acceptable Quality Levels (normal inspection)																											
		0.010	0.015	0.025	0.040	0.065	0.10	0.15	0.25	0.40	0.65	1.0	1.5	2.5	4.0	6.5	10	15	25	40	65	100	150	250	400	650	1000		
A	2	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	
B	3	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	
C	5	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	
D	8	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	
E	13	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	
F	20	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	
G	32	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	
H	50	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	
J	80	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	
K	125	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	
L	200	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	
M	315	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	
N	500	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	
P	800	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	
Q	1250	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	
R	2000	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	

▼ Use first sampling plan below arrow. If sample size equals, or exceeds lot or batch size do 100% inspection
 ▲ Use first sampling plan above arrow
 Ac Acceptance Rate Re Rejection Rate

Appendix 2 - INSPECTION BOOKING FORM.

~END~