



## LG Sourcing Corporate Security Guidelines for Manufacturers & Warehouse Facilities

### Objective

The purpose of this procedure is to ensure that LG Sourcing and its manufacturers and suppliers are in compliance with the US Customs and Border Protection's Customs-Trade Partnership Against Terrorism (C-TPAT) security guidelines. Compliance with these guidelines limits the risk that shipments from outside of the United States are not unduly delayed for Customs clearance or utilized by smugglers or terrorists as vehicles for the delivery of contraband into the country.

Lowe's Security Audit also known as C-TPAT audit was developed in accordance with CBP's "Minimum Security Criteria and Guidelines", for more information about U.S. Customs & Border Protection (CBP) and CTPAT, please visit below link:

<http://www.cbp.gov/border-security/ports-entry/cargo-security/c-tpat-customs-trade-partnership-against-terrorism/apply/security-criteria>

### Applicability

This policy applies to contracts with all foreign-source manufacturers and warehousemen engaged by L G Sourcing in the manufacture, storage, or shipment of product from outside the borders of the United States. Import Suppliers are responsible for disclosing all facilities that are subject to audits.

Lowe's conducts bundled audits on all Factories owned or engaged by Import Vendors on an annual basis to ensure all the Import Suppliers have robust quality control, adopt anti-terrorism measures and comply with Lowe's social accountability requirements. The bundled audit is a supplier-paid program that consists of three parts: 1) QMS/FC audit, 2) Customs-Trade Partnership against Terrorism (C-TPAT) audit, and 3) Social Accountability and Environmental audit.

All audits are conducted annually by qualified factory certification firms designated by Lowe's Quality Assurance Department. All audits are conducted on a semi-announced basis whereby Import Suppliers are given a window of time when the audit will take place, but the exact date of the audit within the timeframe is unannounced.

The audit process involves a combination of onsite observation, interviews, and document review. Lowe's Import Suppliers are contractually required to provide consistent, accurate, and authentic records on a timely basis.

Source manufacturers and warehousemen are expected to be compliant with Lowe's 6 Mandatory Requirements and remaining areas of Lowes' Supply Chain Security Audit. For non-conformance findings identified in the audit report, Import Suppliers will be required to submit a documented Corrective Action Plan (CAP) and evidences that the non-conformances have been addressed within the established time frame. Failure to comply with Lowe's audit requirements may result in delay of processing orders, order cancellation or termination of a business relationship.

### L G Sourcing's Right to Audit

L G Sourcing may, at its discretion, audit import supplier's compliance with C-TPAT guidelines or may engage outside consultants to perform the audits at its expense. It is our objective to conduct the initial CTPAT Audit as part of the bundled audit as soon as possible after the Import Supplier has signed an agreement with L G Sourcing. Although LGS would generally advise suppliers of compliance audits in advance, L G Sourcing reserves the right to perform unannounced audits of supplier compliance. Where necessary, suppliers shall be obligated to revise their policies and procedures to comply with L G Sourcing's audit recommendations or to provide a written explanation of why such changes cannot be implemented.

# Corporate Security Guidelines for Manufacturers & Warehouse Facilities, Continued

In the event that a supplier's reasons for non-compliance are not satisfactory to L G Sourcing, L G Sourcing shall have the right to terminate its relationship with the supplier.

## Lowe's C-TPAT Audit and Requirements

Lowe's conducts C-TPAT audits as part of the bundled audit as soon as possible after an Import Vendor has signed an MSBA with Lowe's. Audits are performed by designated Lowe's third party auditors.

Below is the common flow of a C-TPA audit:

1. Opening Meeting and Management Interview
  - a. During the opening meetings, Lowe's third party auditors would provide facility management with an overview of the audit process and scope. Auditors will collect general business and management information of the facility being inspected.
2. On-site Observation
  - a. After the opening meeting, auditors will conduct a plant tour to examine facility security compliance. Onsite observation covers the following areas, including but are not limited to production workshop, warehouse, storage areas, container yard, and loading and unloading areas. Auditors will check, according to the Lowe's audit template, security compliance, and practices.
3. Employee Interviews
  - a. Employee interviews are crucial to verify effective knowledge of security practices and procedures.
4. Document review
  - a. Lowe's auditors generally review factory records to verify that proper documentation of security practices and procedures are in place.
5. Closing Meeting
  - a. Lowe's auditors will summarize and discuss audit findings during the closing meeting with the factory management team. An on-site report will be prepared to cover all the audit findings identified during the audit process. Upon reviewing and agreeing with the onsite report, the authorized factory manager and the auditor will sign the report, which will be sent to Lowe's for review.

## Mandatory Requirements

Lowes' Import Suppliers are required to meet the following mandatory requirements:

1. The premises must be protected from unauthorized access by perimeter fencing or natural barriers.
2. All buildings must be constructed of materials that resist unlawful entry and protect against outside intrusion.
3. All doors/windows should be locked to prevent unauthorized access to the facility after business hours.
4. Conveyance integrity is to be maintained to prevent the introduction of unauthorized personnel or material into a container/trailer/railcar. All containers must be sealed and or locked during unloading pauses and after loading and prior to departure to prevent cargo tampering.
5. Procedures must be in place to ensure unauthorized and unidentified persons are restricted and prevented access to the truck pad, trailer and container storage areas.
6. All access to the facility is to be controlled by gate and/or security officer to ensure unauthorized access is prevented and all vehicles and containers are logged in and out accordingly.

In addition to above Mandatory requirements, Lowe's C-TPAT Audit has the following 4 Sections:

# Corporate Security Guidelines for Manufacturers & Warehouse Facilities, Continued

## Section I: Security Management System

Purpose: To ensure that individuals responsible for security have been identified, that security responsibilities have been clearly defined, that security policies and procedures are documented, that liaison and communication protocols with law enforcement have been established, and that random unannounced security assessments are performed.

### Requirements

1. Have a designated manager or supervisor in charge of security for the company. Have documented responsibilities and procedures such as job description and job requirements.
2. Establish written security policies and procedures to include physical security, access controls, personnel security, education and awareness, manifest and conveyance security and the handling of incoming and outgoing goods to identify overages and shortages or the introduction of un-manifested or illegal goods.
3. Conduct periodic internal reviews or audits of security operations. Document the results of these reviews.
4. Provide any subcontract transportation or other service providers with documented minimum security requirements.
5. Assign or designate a security representative for each facility.
6. Document processes for reporting and/or investigating security-related incidents. Include any reporting to law enforcement, if warranted.
7. Establish working relationship with local law enforcement agencies.
8. Establish internal and external communication systems to notify internal security personnel and law enforcement in the event of a security incident.
9. Based on internal reviews or audits, establish a security improvement plan, if warranted.
10. Establish inspection of personal belongings upon entry and exit from the facility for both visitors and employees.

## Section II: Physical Security and Access Controls

Purpose: To ensure that the facility has implemented effective physical security and access controls to prevent unauthorized access to the premises, buildings, and conveyances.

### Requirements:

1. Establish written physical security standards.
2. Ensure the facility has adequate perimeter fencing or natural barriers.
3. Establish controls to prevent unauthorized vehicles from entering the premises.
4. Establish controls to prevent unauthorized individuals from accessing conveyances (trucks, trailers, and containers.)
5. Establish and document a visitor policy.
6. Provide means of identification (badges, passes, labels, tags, or photo identification) for all employees and authorized visitors.
7. Ensure that all doors/windows/openings are locked to prevent unauthorized access to the facility after regular business hours.
8. Employ on-site security officers. Identify scope of coverage and patrols.
9. Establish controls to prevent unauthorized access to computer systems.
10. Place security warning signage throughout the facility.
11. Establish means to positively identify drivers through photo identification or other means.
12. Ensure that all buildings are constructed with materials that resist unlawful entry and provide protection from outside intrusion.
13. Establish a segregated waiting area for drivers within the facility.
14. Ensure that adequate exterior lighting is utilized, including any parking lots.

# **Corporate Security Guidelines for Manufacturers & Warehouse Facilities, Continued**

15. Monitor exterior buildings, docks, and yards with CCTV that is either monitored or has recording capabilities.
16. Establish inspection of personal belongings upon entry and exit from the facility for both visitors and employees.

## **Section III: Human Resources**

Purpose: To ensure that all employees are properly screened before hiring to the fullest extent allowed by law; to ensure that all employees receive security training; and to ensure that all terminated employees are restricted from entering the facility.

### **Requirements:**

1. Conduct pre-employment background checks on all prospective employees to the fullest extent possible allowed by law in the country where employed. Include criminal checks wherever possible.
2. Conduct pre-employment background checks on all temporary or contract personnel to the fullest extent possible allowed by law in the country where employed. Include criminal checks wherever possible.
3. Establish a process for dealing with terminated employees or contractors which includes preventing subsequent access to the premises.
4. Conduct drug testing (as allowed by law in the country where employed) on all employees and temporary or contract workers.
5. Conduct security training as part of a new employee orientation as well as on an annual basis for all existing employees.
6. Issue employee conduct guidelines or other documented code of conduct instructions to all employees.
7. Establish a system which encourages and rewards employees for reporting anomalies and/or wrongdoings.
8. Provide key personnel with training in document fraud and computer security.

## **Section IV: Procedural Security, Receiving and Shipping Practices, Manifest Procedures & Conveyance Security**

Purpose: To ensure that receiving and shipping practices prevent the theft of cargo or the introduction of un-manifested materials.

### **Requirements:**

1. Establish written security procedures for shipping and receiving operations which prevent cargo loss and/or the introduction of unauthorized or un-manifested material.
2. Establish restricted-access for the shipping and receiving areas which allows only authorized employee access.
3. Establish procedures which require that all unauthorized persons be removed from the shipping and receiving area.
4. Ensure that loading and unloading of trucks, trailers, and/or containers is supervised appropriately.
5. Maintain records of incoming and outgoing goods.
6. Ensure conveyance integrity for containers/trailers/railcars in order to prevent the introduction of unauthorized persons or materials.
7. Utilize containers/trailers that are of solid wall construction and in good working order.
8. Establish procedures to ensure that trailers/containers/railcars are properly sealed and or locked prior to leaving the facility.
9. Establish procedures which record and track use of seal numbers.

# Corporate Security Guidelines for Manufacturers & Warehouse Facilities, Continued

10. Establish procedures to ensure that manifests or bills of lading are complete, legible, accurate and meeting the requirements of advance notification (i.e. 24 Hour rule, ISF, etc.)
11. Establish a segregated parking area from the shipping receiving area.
12. Log flow of incoming and outgoing traffic to the facility.
13. Monitor the shipping and receiving docks with CCTV cameras.
14. Establish a procedure for detecting and reporting overages and shortages.
15. Establish procedures which require proper marking, counting, weighing (if necessary) for reporting on the bill of lading or manifest.
16. Retain control of all unused seals.
17. Establish anti-pilferage measurements.
18. Establish storage area for empty and full containers so as to restrict opportunity to introduce unmanifested or unauthorized materials or persons.
19. Establish a storage area for international, domestic, high-value and dangerous goods within a cages, fences or restricted areas.

## Container Security & High Security Seals Guidelines

Container security is one of the most critical components of global trade. High security seals are security seals that are constructed and manufactured of material such as metal or metal cable with the intent to delay intrusion. They require inspection to indicate whether tampering has occurred or entry has been attempted.

Lowe's Import Suppliers are required to maintain container and seal integrity to protect against the introduction of unauthorized material and/or persons. The C-TPAT security criteria states that "a high security seal must be

affixed to all loaded containers bound for the U.S". All seals must meet or exceed the current ISO 17712:2013 standards for high security seals.

At point of stuffing, procedures must be in place to properly seal and maintain the integrity of the shipping containers. Seals are much more vulnerable to successful tampering when they can be manipulated prior to application and closing. Seals should never be handled by unauthorized/ untrained individuals. Partners can minimize the possibility of seals being tampered with by establishing a seal integrity process. The VVTT seal verification and inspection process described below needs to be used before seals are put in place and closed.

- V – View seal and container locking mechanisms.
- V – Verify seal number for accuracy.
- T – Tug on seal to make sure it is affixed properly.
- T – Twist and turn seal to make sure it does not unscrew.

## Documentation of Seal Procedure

Written procedures must stipulate how seals are to be controlled and affixed to loaded containers to include procedures for recognizing and reporting compromised seals and/or containers to US Customs and Border Protection or to the appropriate foreign authority. Only designated employees should distribute and affix container seals for integrity purposes. The fewer people who have access to seals, the better! Unauthorized employees must never handle container seals.

# Corporate Security Guidelines for Manufacturers & Warehouse Facilities, Continued

## High Security Seals for Lowe's Shipments

Lowe's suppliers are required to request a high security seal from the Ocean carriers any time they make a booking for Lowe's export. High Security Seal is to be collected from the Ocean Carrier when vendor/consolidator pickups empty container for stuffing at carrier's CY.

## High Security Seal Placement

Secure stuffing and sealing of containers is the foundation of cargo security. The party responsible for stuffing the container must ensure its contents are properly stowed and documented, while the seal verifies the container's security during transit. Import Suppliers can use SecuraCam to seal the container. **SecuraCam** is an enhanced seal placement feature on all new containers that better protects your cargo during transit.

The **SecuraCam** is an innovative redesign of the locking bar and door sill cam found on containers. With the **SecuraCam** sealing fixture, entry through the container doors is virtually impossible without noticeable damage to the seal. Substantially greater security is provided using the **SecuraCam** than attaching seals to the container locking handles. The **SecuraCam** not only deters container entry, but allows Ship Lines to easily detect seal anomalies during examination.

Simply locate the **SecuraCam** at the bottom of the left locking bar of the right container door identified by a yellow arrow "Fasten Seal Here" sticker. After securely closing door, insert the seal through the **SecuraCam**, and affix as shown to the right. As always, the seal number should be recorded.



*Remember to Use the SecuraCam when sealing your containers.*

## Alternative Seal Placement

Seal could also be affixed on the Left hand locking bar on the right container door.

## Seal number change prior to container in-gate at origin port

In the event that a container seal is changed for any reason after the advanced shipment notification (ASN) is submitted but prior to container in-gate at origin port, the factory/vendor/consolidator is required to advise the shipping line of the new seal number so they can amend the BOL and transmit correct seal number to Lowe's.

# Corporate Security Guidelines for Manufacturers & Warehouse Facilities, Continued

## Container/Trailer Inspection

Prior to loading a container vendor/consolidator must inspect container/trailer structure to make sure it is intact and that the locking mechanism of the doors is in good working order. The containers must not have false walls, floors or show signs of tampering. Each stuffing location/consolidation warehouse is required to conduct and document a seven-point inspection process for all containers:

1. Outside/Undercarriage
2. Inside/Outside doors
3. Right side
4. Left side
5. Front wall (opposite end from rear doors)
6. Ceiling/Roof
7. Floor (inside)

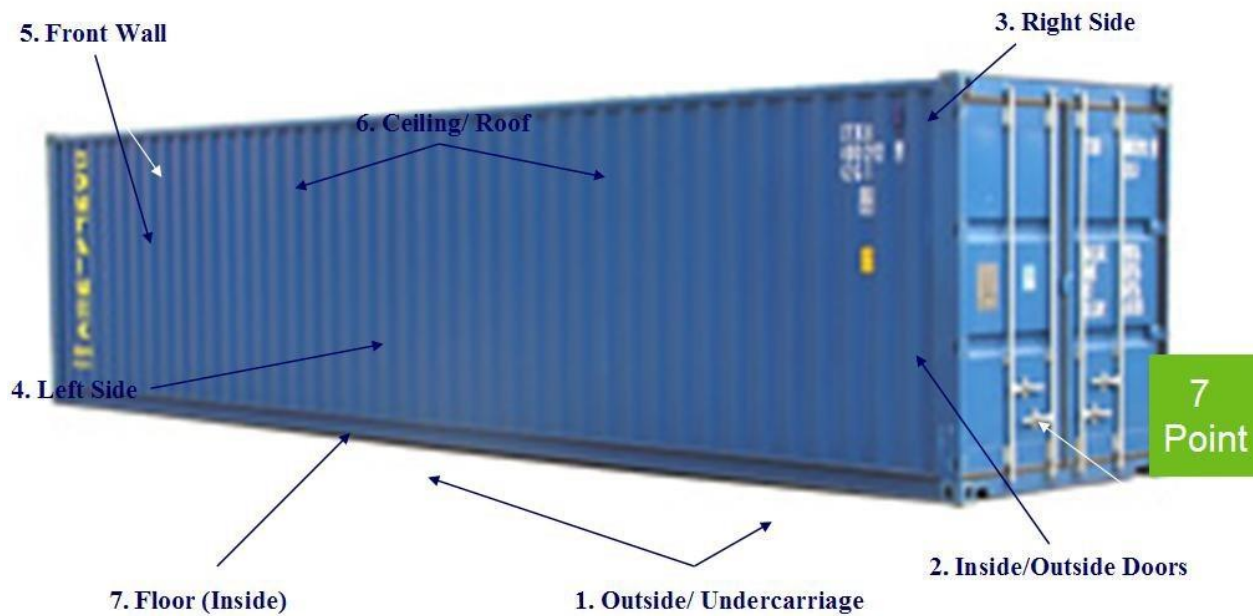
### **Please follow below inspection guidelines:**

1. Outside/Undercarriage
  - a. The undercarriage should be visibly inspected prior to the container/trailer entry into facility.
  - b. All the support beams should be visible.
  - c. Wheels and tires should look normal.
  - d. If anything seems unusual about the container/trailer's undercarriage, report this problem to your supervisor.
2. Inside/Outside Doors
  - a. Inspect both the inside and outside of the container/trailer's doors. The doors should have secure and reliable locking mechanisms, and they should not have loose bolts.
  - b. Be suspicious of different color bonding materials and unusual plates or repairs.
  - c. Plates should not cover door cavities.
3. Right Side
  - a. Inspect the right side wall.
  - b. Look for any unusual repairs to structural beams.
  - c. Use a tool to tap the side walls. Listen and feel for a hollow sound.
  - d. Any major repairs to the walls on the inside of the equipment should be visible on the outside too.
4. Left Side
  - a. Inspect the left side wall.
  - b. Look for any unusual repairs to structural beams.
  - c. Use a tool to tap the side walls. Listen and feel for a hollow sound.
  - d. Any major repairs to the walls on the inside of the trailer should be visible on the outside too.
5. Front Wall
  - a. Use a range finder, measuring tape, or string to determine the length of the trailer.
  - b. Blocks and vents must be visible and several inches apart. All the vent holes should be visible.
  - c. Use a tool to tap the front wall. Listen and feel for a hollow sound.
6. Ceiling/Roof
  - a. The ceiling is a certain standard distance from the floor. Blocks and vents must be visible.
  - b. Repairs to the ceiling on the inside of the trailer should be visible on the outside.
  - c. Use a tool to tap the ceiling. Listen for a hollow sound.
7. Floor
  - a. The ceiling is a certain standard distance from the floor. Blocks and vents must be visible.
  - b. Repairs to the ceiling on the inside of the trailer should be visible on the outside.
  - c. Use a tool to tap the ceiling. Listen for a hollow sound.



# Corporate Security Guidelines for Manufacturers & Warehouse Facilities, Continued

## 7-Point Container Inspection



Inspect the Container/Trailer Floor for Hidden Compartments





# Corporate Security Guidelines for Manufacturers & Warehouse Facilities, Continued

Check for False Walls inside the Container/Trailer



## Trailer Inspection

Procedures must be in place to verify the physical integrity of the trailer structure prior to stuffing, to include the reliability of the locking mechanisms of the doors. The following ten-point inspection process is required for all trailers:

1. Fifth wheel area - check natural compartment/skid plate
2. Exterior - front/sides
3. Rear - bumper/doors
4. Front wall
5. Left side
6. Right side
7. Floor
8. Ceiling/Roof
9. Inside/outside doors
10. Outside/ Undercarriage

# Corporate Security Guidelines for Manufacturers & Warehouse Facilities, Continued

Check for False Floors in the Fifth Wheel



Inspect Side Wall Compartments



# Corporate Security Guidelines for Manufacturers & Warehouse Facilities, Continued

Inspect the Tires



Import Suppliers and consolidators are required to fill out and sign a **Pre-loading/stuffing container inspection certificate** evidencing container and seal integrity. This document is part of Lowe's financial instrument that needs to be presented to the bank for payment.

## **Containers and Trailers Storage**

Containers and trailers under foreign manufacturer control or located in a facility of the foreign manufacturer must be stored in a secure area to prevent unauthorized access and/or manipulation. Procedures must be in place for reporting and neutralizing unauthorized entry into containers/trailers or container/trailer storage areas.