1.0 Objective

The purpose of this procedure is to ensure that Toys “R” Us, Inc. and its manufacturers, suppliers, and warehousemen are in compliance with the U.S. Customs Department’s C-TPAT (Customs-Trade Partnership Against Terrorism) security guidelines so 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.

A copy of the current applicable C-TPAT minimum security guidelines are included as “Attachment A” to this procedure and may be found on the Internet at http://www.customs.gov/enforcem/tpat_security.htm.

2.0 Applicability

This policy applies to contracts with all foreign-source manufacturers and warehousemen engaged by Toys “R” Us in the manufacture, storage or shipment of product from outside the borders of the United States.

Source manufacturers and warehousemen are expected to become C-TPAT compliant within 120 days of entering into an agreement with Toys “R” Us. In the event that compliance is not achieved within that timeframe, it is the responsibility of the manufacturer or warehouseman to bring areas of non-compliance to the attention of the Toys “R” Us contract manager and Toys “R” Us Security. Toys “R” Us will work with the supplier to establish a date for compliance or to identify alternative controls that meet the intent of the guidelines.

3.0 Responsibility

3.1 Contract Managers

It is the responsibility of Toys “R” Us Contract Managers to ensure that the C-TPAT minimum security requirements, as set forth in this document, or as they may be updated from time to time,
are included in all Toys “R” Us contracts with foreign source manufacturers, suppliers, and warehousemen.

3.2 Suppliers

It is the responsibility of Toys “R” Us suppliers to maintain or become C-TPAT compliant, to keep abreast of changes to the C-TPAT guidelines, and to update their policies, procedures, and practices to ensure continuing compliance.

Suppliers that utilize subcontractors to fulfill their Toys “R” Us contract requirements shall also ensure that their subcontractors are in compliance with C-TPAT guidelines.

4.0 Toys “R” Us, Inc.’s Right to Audit

Toys “R” Us may, at its discretion and expense, audit the supplier’s compliance with the guidelines or may engage outside consultants to perform the audits at its expense. Although it will generally provide suppliers of compliance audits in advance, Toys “R” Us 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 Toys “R” Us audit recommendations or to provide a written explanation of why such changes cannot be implemented.

In the event that a supplier’s reasons for non-compliance are not satisfactory to Toys “R” Us, Toys “R” Us shall have the right to terminate its relationship with the supplier.

5.0 Attachment A: C-TPAT Minimum Security Guidelines

1.0 GENERAL SECURITY REQUIREMENTS

1.1 C-TPAT Compliant – The manufacturer is obligated to fulfill C-TPAT requirements in all of their operations. Toys “R” Us will base its manufacturer selection and business continuation on the manufacturer’s ability to demonstrate implementation of C-TPAT.

1.2 The manufacturer is required to contractually ensure that its subcontractors are also C-TPAT compliant and to select subcontractors that are C-TPAT compliant.

1.3 The manufacturer is required to implement loss prevention procedures for Toys “R” Us product within their operation and contractually with their subcontractors.
1.4 The manufacturer must allow Toys “R” Us, Inc. or its representatives to conduct security and quality audits at any point of the manufacturer delivery chain. In general, Toys “R” Us will notify the manufacturer of such audits, but shall not be required to do so.

1.5 The manufacturer is obligated to keep abreast of changes in C-TPAT guidelines and to comply with such changes.

1.6 The manufacturer is obligated to advise Toys “R” Us of areas where they are not compliant to C-TPAT or Toys “R” Us loss prevention requirements. A waiver may be granted for a limited time for the manufacturer to become compliant.

1.7 If a self-assessment determines the manufacturer is not in compliance with C-TPAT or Toys “R” Us requirements, Toys “R” Us needs to be informed immediately. Toys “R” Us may give a time-limited waiver for compliance.

2.0 MANAGEMENT RESPONSIBILITIES AND SUPPORT

2.1 The supplier’s management shall identify one or more security managers or equivalent, at the appropriate functional level, as the focal point for the quality and security of Toys “R” Us shipments and a representative for all manufacturer owned and subcontracted locations. The organizational structure must be proactively communicated to the appropriate local Toys “R” Us entities.

2.2 The appointed representative will ensure that appropriate self-assessments, investigation of losses, contact with law enforcement, and correction of any security breeches or exposures in their operations are completed as required in this security document.

2.3 The representative will ensure that deficiencies identified in self-assessments, audits, and investigations are corrected.

2.4 Security processes and policies shall be documented and put in place to protect against theft. C-TPAT procedures shall be implemented to protect against unmanifested material being introduced into the supply chain. Security controls shall include: Supervised introduction/removal of cargo; proper marking, weighing, counting, and documenting of cargo/cargo equipment verified against manifest documents; detecting and reporting of shortages and overages; and procedures for affixing, replacing, recording, tracking, and verifying seals on containers, trailers, and railroad cars. The inward and outward movement of goods shall be monitored. Random, unannounced security assessments of areas within the control of the supplier and its subcontractors shall be conducted annually. Procedures shall be in place for notifying Toys “R” Us, U.S. Customs, and other law enforcement agencies in cases where anomalies or illegal activities are detected or suspected by the company.

2.5 The supplier is responsible for ensuring the implementation of all required security measures and processes throughout their delivery network, including the personnel and facilities of any subcontractors engaged to perform services under this contract, as well as its own personnel and facilities.
2.6 The supplier’s security representative must be empowered to discuss any quality or security issue within the organization on both a regional and corporate level with general management in order to take immediate appropriate measures, and have the necessary financial support to correct deficiencies.

3.0 PHYSICAL SECURITY

3.1 Supplier and/or subcontractor facilities (buildings) must be equipped with the necessary fire alarm and sprinkler systems that will allow immediate detection and extinguishing capabilities for fire.

3.2 Facilities will be protected with perimeter fencing that is a minimum of six feet high and of sturdy construction that encloses the entire trucking yard/operation. Cars will not be allowed to park on the truck pad.

3.3 Points of access/egress to the truck pad, docks, warehouse, and offices shall be managed and access controlled by either authorized personnel or electronic access control systems, with access limited to only those with need to work in the area. A minimum of sixty days recordings must be kept of access control systems. The access control systems must be secured.

3.4 All dock doors will be closed and locked unless required to be open for receiving or shipping operations.

3.5 Employees will be issued and wear photo ID badges. Authorized visitors will be issued badges that identify them as visitors.

3.6 All visitors must be signed-in and authorized for either escorted or non-escorted access on site. All visitors to storage areas with Toys “R” Us product must be escorted.

3.7 A CCTV surveillance system will be in place that covers the exterior and interior of the docks and all personnel access and egress doors (including emergency exits) to Toys “R” Us product with recording capability to provide high quality images for a minimum of 30 days and a backup power source of either emergency generator or twelve (12) hour batteries (24 hours a day, 7 days a week). The CCTV system and recordings are to be secured from unauthorized access. Preventative maintenance must be performed on the CCTV system at least quarterly.

3.8 Facilities will have protective security lighting along the perimeter, throughout the yard, and in areas where containers/trailers that contain Toys “R” Us products are loaded or stored to enable high quality video recording.

3.9 Steel bars/mesh or other material to prevent burglary must secure any windows or other openings in the warehouse walls. Anti-ram posts or other physical barrier must protect ground floor warehouse windows/doors.

3.10 Facility walls and doors must be of suitable construction to prevent or delay forced entry.

3.11 Facilities (warehouse and offices) will be protected after-hours by an intrusion alarm system that has a reliable twelve (12) hour minimum backup source and is monitored twenty-four (24) hours per
3.12 International, domestic, high-value, and dangerous goods cargo will be appropriately marked and segregated within the warehouse. High-value and dangerous goods will be kept in separate, secure safes, cages, or fenced-in areas.

3.13 Facilities will have internal/external communications systems in place to contact internal security personnel or local law enforcement.

4.0 PERSONNEL SECURITY EDUCATION, TRAINING, & AWARENESS

4.1 Subject to prevailing local government regulations, suppliers shall conduct employment screening and interviewing of prospective employees to include periodic background checks and application verifications.

4.2 A security awareness program should be provided to employees including recognizing internal conspiracies, maintaining product integrity, and determining and addressing unauthorized access. These programs should offer incentives for active employee participation in security controls.

5.0 LOSS PREVENTION REQUIREMENTS

In addition to C-TPAT requirements:

5.1 Loaded containers on wheel chassis or trailers will not be left in unmanned yards. Truck cabins and ignition keys must be secured from unauthorized use at all times. The manufacturer will contractually stipulate this requirement in all subcontractor agreements.

5.2 The manufacturer will ensure that all incidents of container/trailer theft be reported to Toys “R” Us within 24 hours of the incident.

5.3 All information and information systems will containing information about Toys “R” Us shipments will be secure and controls will be in pace to prevent unauthorized access.

5.4 Supplier will report through the Toys “R” Us defined escalation path, all incidents of suspected loss, theft, damage or other situations impacting the on-time and /or full delivery of products. In the case of full trailer/container loads, theft must be reported within eight (8) hours of the first evidence of occurrence.

5.5 All incident details will be documented on the local appropriate form and forwarded via the defined escalation path to the appropriate Toys “R” Us representative.

5.6 Proof of delivery (P.O.D.) documentation, when applicable, shall be provided to Toys “R” Us as requested, but no later than 48 hours after request by Toys “R” Us, Inc. or discovery by source manufacturer.