



November 1, 2013

Dear Lowe's Supplier Partner:

Lowe's Merchandising remains excited about the number of ways Lowe's and our Supplier Partners are coming together to drive sales; including new and better ways to work together to offer, fulfill, transport, ship, and manage the products to unlock sales opportunities.

As you know, Lowe's is also committed to working with our supplier partners to protect each of our brands, associates, customers, the environment and the communities we both serve. As a valued supplier partner, we need your participation in a program that is aimed to unlock sales potential and fulfillment efficiencies while ensuring we maintain these commitments and continues to comply with existing and emerging federal, state, and local laws relating to certain products.

This initiative requires a change in how we have been capturing regulatory data for the product (UPC's) containing chemicals. As part of this effort, Lowe's selected The WERCS as its partner to manage this important data. The WERCS is a widely used industry solution, and may be familiar to you already from other programs you participate in.

The following FAQ document includes some basic information on product scope, as well as additional resources that can better define the impacted products and what your role needs to be in this program. Please provide a copy of this letter and the enclosed information to your product compliance personnel for their assistance.

As a part of this transition to The WERCS, Lowe's needs you to register all impacted products at The WERCS (www.supplierwercs.com) web site. There is a cost associated with registering products, however to be consistent with Lowe's objective to become more cost efficient with our product vendor community and to maintain the integrity of any existing costing agreements already in place, the fees to register the existing products are being paid by Lowe's during a ninety (90) day time grace period – from **November 1, 2013 to January 30, 2014**. This grace period was implemented to allow our supplier partners a cost-free opportunity to register existing and even possible products you sell or intend to sell Lowe's. Subsequent to this 90-day enrollment period, suppliers will be charged by The WERCS for each product submission as follows:

- \$180 – Per new chemical formulation assessment
- \$40 – Forward existing product in WERCS system to Lowe's
- \$25 – Battery containing products – non-regulated for transport
- \$180 – Battery containing products – regulated for transport

If you have a pre-existing relationship with The WERCS your company might already have some products registered in the system. Those products can simply be re-submitted by checking the Lowe's box in your portal account. If you have not previously entered your products in the WERCSmart system, please follow the process to register those products. The regulatory results of your product will then be forwarded to Lowe's after they are submitted. It is imperative that you complete this task within the 90 day period to take advantage of this one-time cost waiver.



New Item Setup

In order to "on-board" any new impacted item defined in the product scope, suppliers will have to go to www.supplierwercs.com and follow the steps required to have your product assessed by The WERCS.

We greatly appreciate your cooperation and partnership with the continued commitment to unlock sales and drive efficiencies while maintaining compliance with local, state, and federal regulations; as well as lessen product impact on the environment within the communities we both serve.

Please direct questions regarding this process to the following Lowe's E-mail address:
wercssupport@lowes.com

Sincerely,

Clint Davis
SVP/GMM – Home Décor Products
Lowe's Companies, Inc.

Troy Dally
SVP/GMM – Seasonal Products
Lowe's Companies, Inc.

Mike McDermott
SVP/GMM – Building & Maintenance Products
Lowe's Companies, Inc.



Frequently Asked Questions

What is The WERCS?

The Worldwide Environmental Regulatory Compliance System (WERCS) is a software and regulatory tool that is 100% focused on chemicals management. The data output provided by the WERCS to chemical manufacturers, retailers, and consumer product manufacturers has helped global organizations innovate critical business processes to enhance regulatory compliance.

Which products does the Program require to be registered?

In general, a product may need registration if it fits in one of the following categories, and additional resources are available below that can help further:

- Chemical Containing Product – A product that contains a powder, gel, paste or liquid that is not intended for human consumption.
- Pesticide Containing Product – A product containing chemicals that is advertised or labeled to kill, repel or prevent the growth of any living organism.
- Aerosol – An item that contains a compressed gas or propellant.
- Batteries or Battery Containing – Any product that contains batteries.
- Fluorescent bulb or fluorescent bulb containing (tubular or CFL).
- Products that meet the Federal/State Corrosive, Flammable, Oxidizer or Toxic Criteria.

How prevalent is The WERCS system in the industry?

The WERCS currently supports over 20 retailers worldwide, and has 4,000 registered vendors. Currently about 60% of Lowe's vendors with affected items are already registered with The WERCS as part of supplying their items outside of Lowe's.

What is the benefit to Lowe's and Lowe's Product Suppliers for utilizing The WERCS system?

The WERCS data will provide 3rd party validation of specific item level data in regards to proper shipping, storage, selling, and handling of impacted items that it will open up more shipment, fulfillment, and sales opportunities while maintaining our mutual commitment to meeting Federal, State and Local regulations for impacted items.

What is the cost?

Price per item registration is **FREE** for the first 90 days of the Lowe's open registration. During this time, submissions must include all applicable products currently supplied to Lowe's and vendors have the option to submit items that may potentially be offered in future product line reviews.

After 90 days, either one-time fee of \$180 per new chemical formulation, or \$40 for an existing item registration in The WERCS system to be forwarded to Lowe's. These payments will be made directly to The WERCS.

What are the dates for the "open enrollment period"?

From **November 1, 2013 to January 30, 2014**, all Lowe's supplier partners have an open enrollment period with a one-time cost-free opportunity to register all products you currently sell or intend to sell Lowe's. After this 90-day period, costs will be incurred for product registrations with The WERCS.

How does this factor into current costing agreements?

In providing vendors with a 90-day window to submit product formulation and ingredient specifications cost free, Lowe's is addressing any potential vendor dead net adjustment inquiries. Current agreements will not be modified as a result of the vendor not submitting their data into The WERCS system after the 90-day window. Any submission costs incurred by the vendor will be considered a cost of doing business and will be the vendor's responsibility. Given the responsibilities all product manufacturers have with federal, state and local regulation compliance, the Value Improvement Team at Lowe's determined these fees fall outside the Dead Netting guidelines. Fortunately, Lowe's believes this solution to be very cost effective, especially if you sell to multiple retailers or outlets.

How does this factor into future negotiating agreements?

During future Line Review negotiations, the cost of submitting product specs into The WERCS can be layered into the vendor product bids if vendors opt to include it. It is only after Lowe's agrees to carry an affected product that the item needs to be submitted into The WERCS.

How are we ensuring that all applicable vendors are notified of this request?

We will conduct a multi-faceted approach. First, by providing merchant teams with a vendor/item list based upon current item list. Secondly by item/vendor validation with Merchant teams using vendor participation feedback from The WERCS.

How do vendors get started?

- **WERCS Portal:** <https://secure.supplierwercs.com/>
 - Existing WERCS customers, log into their portal and add or forward registrations to Lowe's.
 - New WERCS customers, set-up their company account and set up items in portal.

Where do I get system support?

- **Via WERCS:** Assistance is available on The WERCS portal through live chat, 24/7 video tutorials, and ticketing support. WERCS also conducts regular Webinars for interactive step-by-step instruction.
- **Via Lowe's:** e-mail: WercsSupport@lowes.com