Philips Supply Chain Security

Global Export Control, Customs Compliancy & SCS
Kętrzyn, December, 2016

innovation ✦ you

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What is in common on these pictures?

Human Trafficking

New York 2001
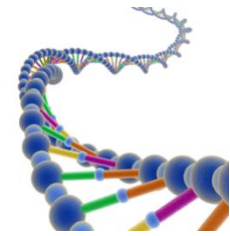
Bali 2

Narcotics

Parcel bomb 2010

Mumbai 2008

London 2007

Madrid 2004

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The Supply Chain

The Supply Chain is the life line of the world economy with an open structure with many access points… Can also serve as means for terrorists and criminals…

Using shipments to smuggle people, drugs, other contraband and/or weapons

Attacking supply bottlenecks (ports, airports, transport terminals etc.) to disrupt the supply chain

Using shipping (e.g. vessel, truck or airplane) to cause human casualties

Companies want to protect their employees, suppliers & service providers from being threatened by or involved in such activities.

Unreliable lead-time/high inventory
More controls/checks at border crossings
Carriers refuse to transport our products

Loss of revenue/sales
Loss of trust by customers/authorities
Revoked customs licenses
Brand damage

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Supply Chain Security is about…

…identifying and **minimizing** business risk by ensuring that our supply chains are not used to support terrorist and/or criminal activities

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National and international SCS programs (examples)

Click on the icon to read more, click again to hide

IATA Security Management Systems

PIP (Par...

BASC (Business Alliance created to promote secu... ...ernments and in... ...created to... ...cial trade.

IATA (The International Air Transport Association) Security Management Systems (SeMS)
Provides airlines with a risk-based framework to create a security culture. 243 IATA member airlines and 129 non-IATA airlines have implemented SeMS

...ent of Homeland ...ing containers at

Latin America and the Caribbean: ...dor, Guatemala, Haiti, ...Paraguay and

Colo... Mexico, Pan... Venezuela.

Worldwide 26 Programs and 12 to be launched (source: WCO 2014)

NEEC Mexico

...Certified Enter... ...into Measures for the... ...e...ng the compliance and self-dis... ...enter...es

Japan

AEO India introduced the by... ...Framework of Stand...

BASC (Busi... Commerce)

STP (Secure Trade Partnership) Singapore
The certification services as quality mark, company is recognized as a low-risk company

DIRE...

Customs Watch
Australian Customs and Bor... Protection Service's (ACBPS)...

SES (Secure Exports Scheme)
New Zealand, concept is based on the WCO SAFE Framework of Standards

SES New Zealand

WCO SAFE Framework

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Supply Chain Security in Philips

In view of the world wide action to prevent terrorist and/or criminal activities, Philips has signed commitments with governments stating to have a program in place with the objective of securing our international goods flow from unauthorized access

To protect our brand, employees, customers and suppliers from being threatened or involved in illegal activities
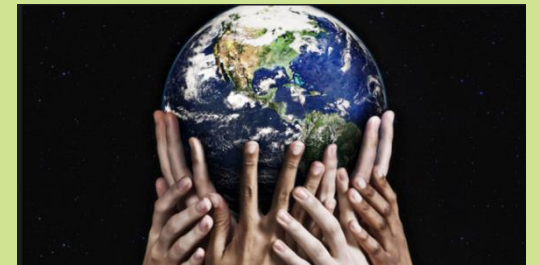
To ensure that we can retain our preferred / green lane status, that our goods flows will move with a minimum of interruption

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Philips Supply Chain Security

The purpose of the 'Philips Supply Chain Security' is to secure the Philips goods flow in such a way that **unauthorized access** to the goods flow will be prevented as much as reasonably possible (no unwanted goods added to our shipments).
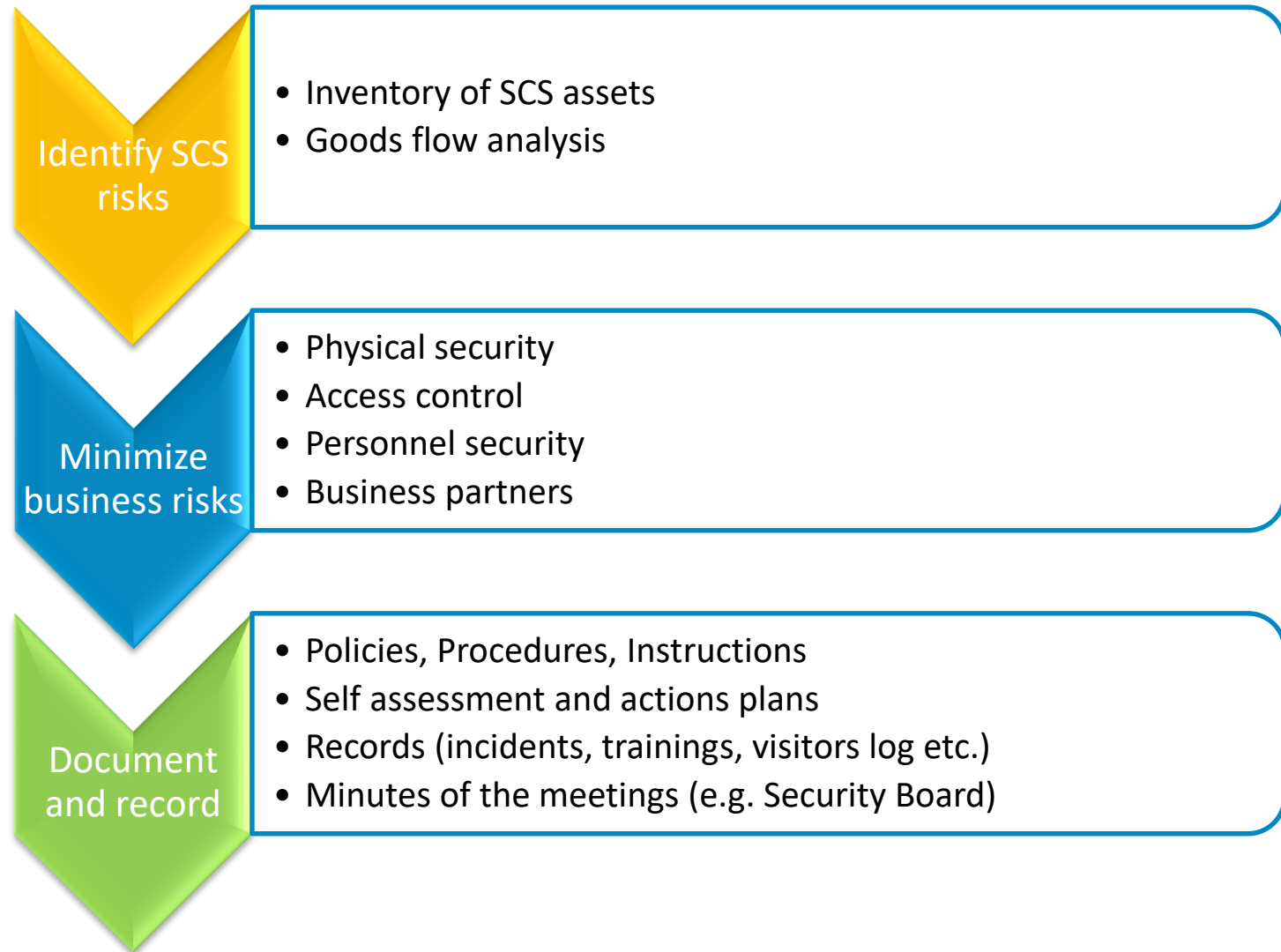
This also includes internal and inter-company flows

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Philips Supply Chain Security

PSCS measures... cover all together ....

C-TPAT

AEO Programs

The Philips Supply Chain Security regulations are defined to adhere to the US Customs-Trade Partnership Against Terrorism (C-TPAT), the EU Authorized Economic Operator (AEO) legislation and other governmental security programs based on the World Customs Organization (WCO) SAFE Framework.

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Implementation of PSCS

Identify SCS risks
- Inventory of SCS assets
- Goods flow analysis

Minimize business risks
- Physical security
- Access control
- Personnel security
- Business partners

Document and record
- Policies, Procedures, Instructions
- Self assessment and actions plans
- Records (incidents, trainings, visitors log etc.)
- Minutes of the meetings (e.g. Security Board)

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Implementation of PSCS

.... is organized differently

.... has different buildings with different layouts

.... has different processes and equipment

Every site/location....

.... has a different risk profile

.... different local laws may apply

There is no 'one size fits all' solution and implementation of PSCS will differ per site. Management of the Local Site must define how PSCS is implemented based on the requirements
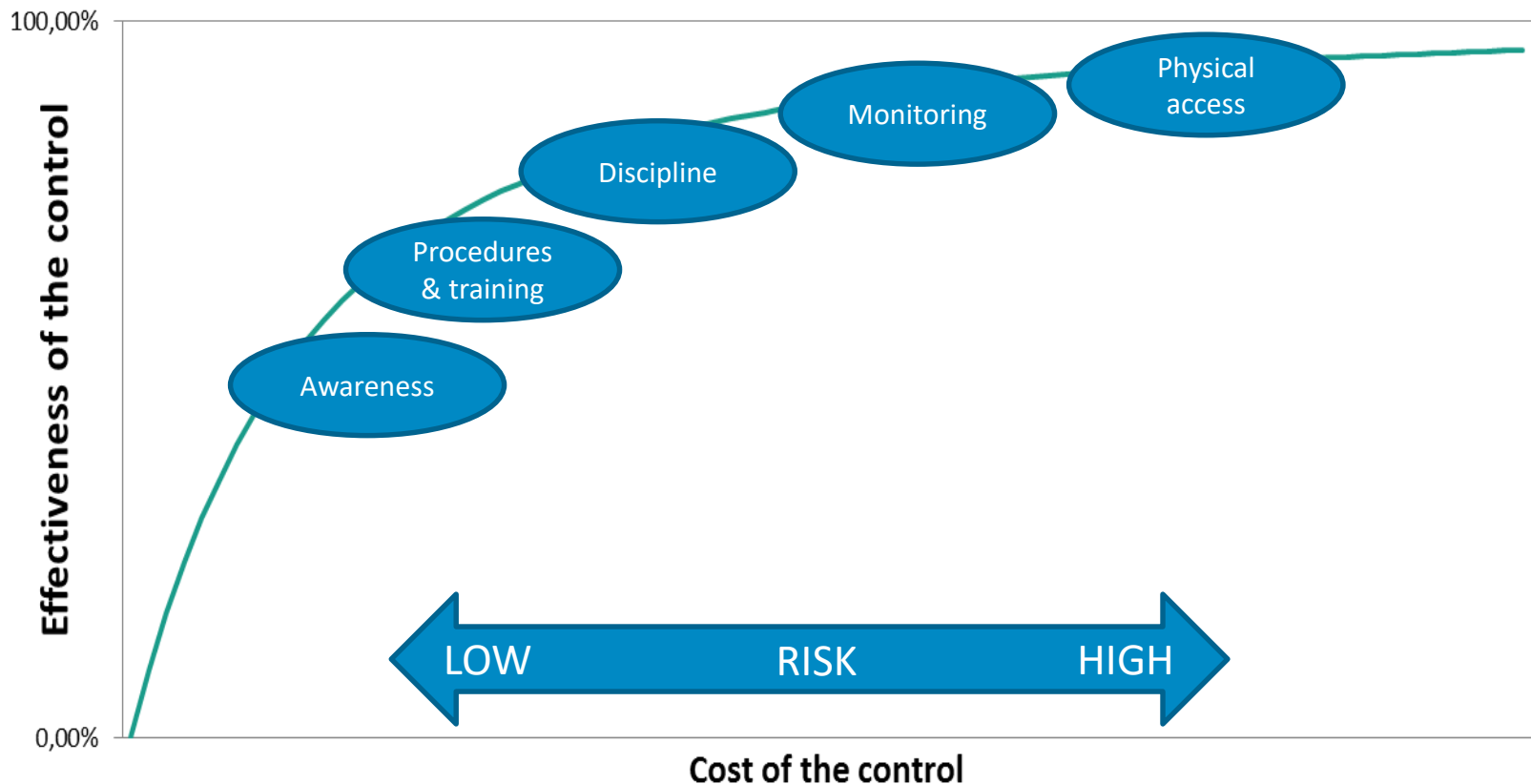
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What level of control is adequate to the risk profile of the location?

Detective and preventive controls

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Trade-off between effectiveness and cost of the access controls

Control efficiency versus cost of control:

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Key Definitions: PSCS Work Area

RESTRICTED AREA — AUTHORIZED PERSONS ONLY

An PSCS Work Area is an area in which an PSCS activity is carried out or PSCS items are stored. Following controls should be applied as minimum:

- PSCS Work Areas within compartments can be identified by floor markings and signage;
- A team lead/shift lead/manager has to be made responsible for that area;
- Access is limited to the employees who are authorized;
- Visitors are permitted when registered in and out (including date & time) and only when accompanied by an authorized person;
- All personnel must be instructed and shall be encouraged to challenge unaccompanied strangers.

Examples of PSCS Work areas:

- End of a production line/cell where finished products are packed into boxes that will not be opened;
- A dedicated packing area;
- The finished goods warehouse;
- The shipping platform where trucks/containers are loaded;
- Office where export shipping documentation is prepared and printed;
- A server room;
- The location where CCTV images are stored.;
- The Security Guard Lodge.

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Key Definitions: PSCS Compartment

An PSCS Compartment is a building that contains one or more PSCS Working Areas. Following controls should be applied as minimum:

- Limited entrances (preferable only one);
- Access is controlled e.g. via badge scanner/reader and/or by manual control or registration;
- Access is limited to the employees who work in the compartment or are authorized;
- Visitors are permitted when registered in and out (including date & time) and only when accompanied by an authorized person;
- All emergency exits are kept closed and may only be opened from the inside (Local fire regulations are always taken into consideration and are leading);
- The entry point(s) are signed with 'Restricted Area. Access for authorized personnel only'.

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Factory tour

Legend:

Outer

Supply Chain Compartment

Supply Chain Security (working)

Visible signage indicating restricted area

RESTRICTED AREA AUTHORIZED PERSONS ONLY

Visible floor tape indicating restricted area

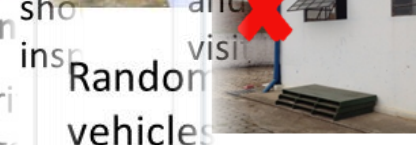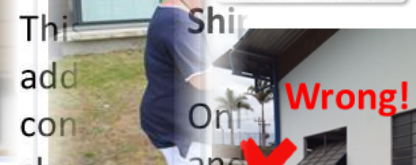## Supply Chain Security (working)

- Third line of physical security
- Identified by floor markings
- Only authorized and trained access to and should be enter challenge unauthorized visitors

Click on next to continue.

6. Ceiling

5. Front Wall

4. Left Side

7. Floor (Inside)

FIRE EXIT
DO NOT BLOCK

EMERGENCY EXIT ONLY
DOOR ALARM WILL SOUND

Wrong!

Random vehicles

Security exits from and to compartment have to be closed permanently under normal conditions, while still meeting the local safety requirements (i.e. in case of emergency these exits can be easily opened and all escape routes must be kept free.

Windows on ground floors easily accessible from the outside have to be kept closed permanently. In case this would not be possible the windows should be equipped with means that prevent all intrusions into the building (e.g. bars or grilles or other means). The same applies for the accessibility of skylights

Click on next to continue.

NEXT

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Q&A

Ketrzyn, November 30, 2016   Global Export Control, Customs Compliancy & SCS

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