DOLLAR GENERAL

Direct Import Vendor -Quick Start Overview

Dollar General Basics

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THE Vendor Guide

Vendor Level Requirements

On Time

Always the

Factory Level Requirements

Product Level Requirements

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Efficiency

Corrective Action

Supply Chain Efficiency Benefits Everyone

and the copied or disseminated in any manner

*Disclaimer: The Dollar General Direct Import Vendor Quick Start Overview is intended to provide a high-level overview of the expectations and requirements for our vendor partners. This document is not intended to provide full and complete information on all topics presented. In the event that any statement contained in this Overview conflicts with the Dollar General Direct Import Vendor Guide, the terms of the Vendor Guide governs. For full and complete information please refer to the Dollar General Direct Import Vendor Guide located atdapartners.com.

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Dollar General Basics

Dollar General operates over 13,000 neighborhood stores in 43 states as of August 2016. Dollar General helps shoppers Save time. Save money. Every day! ® by offering products that are frequently used and replenished, such as food, snacks, health and beauty aids, cleaning supplies, basic apparel, housewares and seasonal items at low everyday prices in convenient neighborhood locations. Dollar General sells products from America's most-trusted manufacturers such as Clorox, Energizer, Procter & Gamble, Hanes, Coca-Cola, Mars, Unilever, Nestle, Kimberly- Clark, Kellogg's, General Mills, and PepsiCo.

If you are selected to be a vendor for Dollar General, your organization MUST be able to adhere to and comply with ALL of the basic requirements that are outlined in this overview. Failure to comply may result in additional auditing, testing, fees and potential loss of the business

Procurement (e-Sourcing)

Dollar General Procurement Department regularly engages suppliers to participate in auctions for items sold in our stores. Procurement works closely with Global Sourcing teams on projects to bring qualified suppliers, meeting product specifications and factory requirements together to compete for distribution. We have a common goal of identifying the lowest cost provider of quality goods, regardless of the manufacturing country and pick up location.

As a Direct Import provider, working directly with the Dollar General Global Sourcing team, you may be invited to participate in one of our Procurement Merchandise Auctions.

Some of the reasons why you should engage:

- Opportunity to become a supplier for Dollar General, if you are not currently shipping to us
- Procurement Product Auctions level the playing field for all participants (direct import vs. domestic)
- Direct Import sourcing often allows for lower acquisition cost with potentially favorable bid results vs. suppliers shipping domestically (U.S.) for items produced outside of North America.
- In fiscal 2015 Import vendors participated in 30+ auctions and were awarded a significant amount of cost of goods (~ \$250M +) as a result of participation in DG Procurement events

To participate in Procurement Merchandise bids, please communicate with the Global Sourcing Team (Hong Kong office, satellite country offices, U.S. corporate office), expressing your interest in participating in any upcoming bids. The Global Sourcing Team will work directly with the Procurement Department so you can be invited to participate in applicable projects. Both departments will be involved in the project and communicate with you. However, when it comes to pricing and offer, Procurement is your single communication contact, as owners of the e-sourcing process.

Vendor Level Requirements

Supplier Agreement

Dollar General has formalized expectations for all Dollar General Suppliers called a Master Supplier Agreement. This agreement provides a record that you have been informed of the Dollar General expectations and you understand the requirements of being a supplier for Dollar General. The Supplier Agreement requirement must be satisfied by providing a signed and dated copy to the order originating Dollar General Sourcing Office. A Shipping Approval will not be issued until this requirement is satisfied. Detailed requirements for Supplier Agreement are found in Section 7 – Legal of the Direct Import – Vendor Guide.

Product Liability Insurance (PLI)

Dollar General requires PLI coverage based on several risk factors. The PLI requirement must be satisfied by providing a copy of your Insurance Certificate to the order originating Dollar General Sourcing Office. A Shipping Approval will not be issued until this requirement is satisfied. Detailed requirements for PLI are found in Section 7 – Legal of the Direct Import – Vendor Guide.

Quote Sheet

Every item that you wish to be considered for purchase by Dollar General will require a formal quotation. The quotation must be provided on the Dollar General Import Quote Sheet and must be fully completed before a Purchase Order will be written. Your local sourcing office will provide you with the electronic Quote Sheet (customized Excel Spreadsheet) once you are ready to engage in the quotation process. Updated and accurate photos of the item(s) need to be included on the quote sheet as this assists in both import classification and compliance. Assortments that use the same SKU need to have photos of ALL items on the quote sheet.

Importing Food

The regulatory and compliance requirements for US Food Imports are complex. Because of the complexity, Dollar General has made it a requirement that all New Food Import Vendors have current experience with the direct importation of Food to the US and/or EU.

Factory Level Requirements

Corporate Social Responsibility (CSR)

Dollar General requires that each factory adhere to certain standards of safety and human rights. Dollar General assesses the adherence through a process called a Workplace Condition Assessment (WCA). More information regarding the WCA assessment can be found at http://www.intertek.com/consumer/auditing/wca/.

Every factory doing business with Dollar General must either achieve certification status OR have an approved Corrective Action Plan (CAP) in order to ship. A Shipping Approval will not be issued if this requirement is not satisfied. A factory's failure to cooperate during this evaluation may result in an immediate order cancellation.

The WCA will require a factory to provide various management, payroll, and production documents. These documents will need to be ready and available to the auditor when they arrive at the factory and MUST be the original documents (not copies). Copies may be requested by the auditor during the assessment.

The WCA is an annual audit and it is at the expense of Dollar General. Factories that do not achieve certification status on the initial audit or the recertification audit will be responsible for all associated audit, re-audit and corrective action plan costs. Detailed requirements for Corporate Social Responsibility are found in Section 6 – Global Compliance of the Direct Import – Vendor Guide.

Customs Trade Partners Against Terrorism Questionnaire (C-TPAT)

Every Dollar General factory is required to have a completed C-TPAT security questionnaire on file with Dollar General. A Shipping Approval will not be issued until this requirement is satisfied. Detailed requirements for C-TPAT Questionnaire are found in Section 10 – Customs of the Direct Import – Vendor Guide.

Security Assessment (GSV)

Dollar General requires all factories manufacturing in High Risk Countries to undergo a Physical Security Assessment Audit in order to meet the needs of the US Customs and Border Protection C-TPAT requirements. If a vendor needs to understand which countries are considered high risk, they can contact the DGGS office or DG Compliance for further information. Dollar General assesses Factory Security through a process called Global Security Verification or GSV. More information about the GSV program can be found at www.importsecurity.com.

The GSV process is a vendor/manufacturer owned Security Assessment, which has the potential to reduce costs and audit frequency through document sharing. Participants have the ability to use one Security Assessment to fulfill the needs of various buyers and programs. Manufacturing facilities that have current GSV certification will automatically fulfill the Security Assessment requirements for Dollar General. Because the GSV program is a manufacturer driven process that allows you to share results with multiple buyers, the cost associated with conducting the assessment and maintaining certification will be your responsibility. Facilities that do not meet the requirements of the GSV audit will be required to ship Consolidated Freight (CFS). Detailed requirements for Security Assessment are found in Section 6 – Global Compliance of the Direct Import – Vendor Guide.

Technical and Quality System Audits

All Factories are required to be assessed for their technical and/or quality capabilities. Your product type will determine which audit will apply to your factory. Factories producing food for Dollar General will require a GFSI Audit. Factories producing Dollar General Private Label goods that are "Food Contact" items will require a GMP/HAACP Audit. Factories producing any other goods (non-food and non-food contact private label) will require an SQP Audit. Details about each type of audit are found below:

Technical Audit for Capability, Compliance and Quality Assessment (SQP)

Dollar General requires all factories to undergo a technical audit to evaluate their capability to produce product that consistently complies with regulatory standards and Dollar General Requirements. Dollar General uses the Supplier Quality Program (SQP) for their technical audit. More information regarding the SQP can be found at http://www.intertek.com/consumer/auditing/sqp/. The SQP is a vendor/factory owned audit, and as such, the cost of the audit, any required re-audits or any remedial activities will be the responsibility of the vendor/factory.

Dollar General will accept an existing SQP audit report if the scoring meets the existing Dollar General requirements.

Factories will be ranked with a Factory Profile Code (FPC) according to their SQP score. The FPC is used to determine the frequency of final inspections and verification labs tests. A higher ranking means reduced inspections and verification lab tests. Detailed requirements for Technical Audit are found in Section 6 – Global Compliance of the Direct Import – Vendor Guide.

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Quality Systems Audit for Dollar General Private Label Products

All factories that are producing Dollar General Private Label products and are considered Food Contact items require a GMP/HAACP Audit.

GMP – Good Manufacturing Practices

HACCP - Hazard Analysis Critical Control Points

Additional, details about the above audit can be found in our Food Import Vendor Manual.

Global Food Safety Initiative (GFSI)

A Global Food Safety Initiative Audit is required for every factory producing, packing, labeling, or repacking food products for Dollar General. The factory must submit the GFSI certificate to the appropriate Dollar General Global Sourcing office. The certificate will be assessed according to the DG GFSI Validation protocol and must meet the criteria specified for each certification body. The certifications accepted are:

BRC – British Retail Consortium
IFS – International Food Standard
SQF – Safe Quality Food
FSSC – Food Safety System Certification

The certificate will be valid for the period specified on the certificate, as long as no activities at the factory invalidate it. Any suspension of the GFSI certificate or change in achieved grade must be reported to the DGGS team before any subsequent work is performed for Dollar General within 7 days of suspension.

US FDA Registration for Food Facilities

All food factories supplying food to Dollar General must be currently registered with the U.S. Food and Drug Administration (FDA) as a food processing facility. In addition, they must be in good standing relative to established inspections performed by the FDA. Past Establishment inspection records must be available for review by Dollar General at any time. Factories must supply the appropriate Dollar General office with copies of its valid facility registration.

Product Level Requirements

Product Specification

Vendors are responsible to provide a product specification, in English, at the time the quote sheets are presented. The elements of a Dollar General Product Specification include:

- listing of components (with illustrative photos)
- materials list
- description of the processes used in manufacturing.

The Product Specification is incorporated into the Quote Sheet and takes the place of the current material cost breakdown tab. Additional requirements for Product Specification are found in Section 6 – Global Compliance of the Direct Import – Vendor Guide.

Pre-production Review(PPR)

The Pre-production review is a tool that assists Vendors in becoming and staying informed with the most current product compliance, regulatory and industry performance requirements applicable to their product(s). Being 50 State compliant requires not only meeting the US Federal requirements, but numerous

individual State requirements. Because existing regulatory requirements change and new regulatory laws are implemented frequently, the PPR serves to assist in knowing, understand and meeting all requirements constantly and consistently.

The pre-production review (PPR) is an annual requirement for all items excluding food. For new items, the PPR will provide confirmation of the product's age grading, the determination of all applicable regulatory requirements, classification of the product (toy, children's product, and adult product), final protocol determination, and appropriateness of cautionary/warning/safety standards. For continuing or core items the PPR will reconfirm the initial assessment and provide the vendor any updates to standards or requirements that have changed since the previous PPR report.

Detailed requirements for Pre-Production Review are found in Section 6 – Global Compliance of the Direct Import – Vendor Guide.

Sample Picking

All production Product Testing is conducted with samples that are selected by the Dollar General designated company. Samples are security sealed and sent to the lab to maintain a chain of custody and to assure the samples were selected in a random and unbiased manner.

It is the vendor's responsibility to request the Sample Pick far enough in advance to allow the third-party to effectively schedule their resources. Additional requirements for Sample Picking are found in Section 6 – Global Compliance of the Direct Import – Vendor Guide.

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Lab Testing

Dollar General has various levels of product conformance testing based on product type and risk categorization. Dollar General uses multiple testing companies to conduct the testing.

The vendor will be responsible for all lab test charges and the freight in transporting the required samples to the lab. All samples will need to be submitted to the lab early enough to allow time to make any required corrections before the ship date. Ship date changes requested because of a pending lab test or to rework an order after a failing lab test result will be penalized for late shipment.

Delayed or unsuccessful test results may result in order cancellation by Dollar General. It is the vendor's responsibility to make sure the product meets the established Dollar General standards.

Any lab test protocol that Dollar General publishes does not supersede a more stringent state, local or federal requirement. It is the vendor's responsibility to ensure product meets all requirements. Lab testing does not remove the vendor's responsibility to ship consumer safe products that meet all U.S. federal and state laws and customs requirements. Additional requirements for Lab Testing are found in Section 6 – Global Compliance of the Direct Import – Vendor Guide.

Certification Lab Test

All products are required to undergo Certification testing on an annual basis. For non-food items the Certification Test will be conducted at **10%** produced and packed of the first PO. For Food Items, Certification Testing will be conducted at **80%** produced and packed.

The Certification Test will include Federal, State, and Dollar General Requirements as contained in the DG Protocols. A passing Certification Test result must be received prior to the issuance of the Shipping Approval (SA).

Verification Lab Test

Products that have applicable CPSC standards/requirements applied to them will require a Verification Test. Verification testing will occur at either 80% or 100% produced and Packed. The frequency of Verification Testing is dependent on the factory's performance rating in the Technical audit (SQP).

Final Random Inspection (FRI)

Dollar General requires a periodic Final Inspection of our goods before the Shipping Approval is released. The Final Inspection (or FRI) assesses the quality of production goods against an approval sample. Dollar General requires that at least 80% of the total purchase order (or Production Lot) quantity be available and ready for loading. If this condition is not met, a re-inspection will be necessary.

Dollar General follows AQL standards for the Final Random Inspections' lot sizes. Please prepare sufficient packaging materials, (i.e. Blister Packs, etc.) for repackaging inspection samples. Additional requirements for Final Random Inspection are found in Section 6 – Global Compliance of the Direct Import – Vendor Guide.

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Shipping Approval

The Dollar General Freight Forwarder WILL NOT accept merchandise without a valid shipping approval. The Shipping Approval document is issued once all business rules for the specific purchase order are met and the LSD is less than 15 days out. The Shipping Approval is emailed directly to the vendor's designated representative. Additional requirements for Shipping Approval are found in Section 6 – Global Compliance of the Direct Import – Vendor Guide.

Toxics in Packaging Certification

It is the responsibility of the vendor/manufacturer to provide a Certificate of Compliance (CoC) for all packaging and packaging components provided to Dollar General Corporation. A completed CoC will need to be provided to the testing laboratory with each sample submitted for testing. The CoC form is accessible from the main vendor login page.

Tracking Labels

The CPSIA requires each manufacturer of a children's product (which includes any consumer product intended for children twelve and younger) to place permanent, distinguishing marks on the product and its packaging, to the extent practicable, that will enable (A) the manufacturer to ascertain the locations and date of production of the product, cohort information (including the batch, run number, or other identifying characteristic), and any other information determined by the manufacturer to facilitate ascertaining the specific source of the product by reference to those marks; and (B) the ultimate purchaser to ascertain the manufacturer or private labeler, location and date of production of the product, and cohort information (including the batch, run number or other identifying characteristic).

Corrective Action Plan (CAP)

Regulatory failures for both lab testing and inspection will require a Corrective Action Plan (CAP). DG uses a standardized CAP form that will be provided to you when necessary. CAPs are reviewed by the DG Compliance team and accepted, rejected, or deemed incomplete and returned for modification. A number of factors go into the review and acceptance of a CAP. These include, but are not limited, to the technical competence of the manufacturing facility as measured by the SQP audit, the historical quality and compliance performance, the ability to confirm that the non-compliant items or components have been removed and destroyed, the ability to easily confirm the corrective measures have taken place for all impacted product, and the ability to easily distinguish the non-compliant product from the corrected/re-worked product.

DG Compliance acceptance of a CAP does not provide any guarantees or assurances that your product will meet all requirements. It merely indicates that a suitable plan has been outlined which, if executed properly and completely, will provide DG the ability to verify and validate compliance.

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