



DEPARTMENT OF THE NAVY

NAVY EXCHANGE SERVICE COMMAND
3280 VIRGINIA BEACH BOULEVARD
VIRGINIA BEACH, VIRGINIA 23452-5724

IN RESPONSE REPLY TO:
Ser K/02-03
October 04, 2002

Effective immediately, the Navy Exchange Service Command (NEXCOM) "General Provisions" (Publication Number 61), is amended to incorporate the following addendum clause by reference, with the same force and effect as provisions that appear in full.

A handwritten signature in black ink, appearing to read "H. A. Friedland".

H. A. Friedland
Director, Corporate Contracts

Social Responsibility

The Navy Exchange Service Command (NEXCOM) pursues its mission, consistent with the Department of the Navy's core values of Honor, Courage, and Commitment. Embodied in those core values, and reflected in our Social Responsibility Policy are integrity, accountability, and compassion.

a. Policy:

All items offered for sale to NEXCOM shall be made in compliance with all applicable laws and regulations. Further, all NEXCOM suppliers/manufacturers (here after referred to as "contractors"), and their suppliers/manufacturers (hereafter referred to as "subcontractors"), that provide private label or directly imported merchandise, shall assess their practices for compliance with the following Social Responsibility and Labor Standards.

- (1) Child Labor: Contractor and subcontractors shall not employ any person under the age of 14 years, unless local minimum age law stipulates a higher age for work or mandatory schooling, in which case the higher age will apply.
- (2) Forced Labor: Contractor and subcontractors shall not use forced or other compulsory labor in the manufacture of products. Contractors and subcontractors shall not require employees to lodge "deposits" and/or identity papers upon commencing employment with the company.
- (3) Working Hours: Contractor and subcontractors shall comply with applicable local laws on working hours.
- (4) Compensation and Benefits: Contractor and subcontractors shall ensure that wages paid for a standard workweek are consistent with local/national laws.
- (5) Disciplinary Practice: Contractor and subcontractors shall not engage in or support the use of corporal punishment, mental or physical coercion, and/or verbal abuse.

- (6) Freedom of Association & Right to Collective Bargaining: Contractor and subcontractors shall respect the right of all employees to form and join trade unions of their choice, consistent with prevailing local/national law and to bargain collectively, without any activity that impedes or suppresses freedom of association. Contractor and subcontractors shall ensure that representatives of such employees are not be subject to discrimination and such representatives have access to their members in the workplace.
- (7) Discrimination: Contractor and subcontractors shall be consistent with local laws regarding discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, disability, gender, sexual orientation, maternity status, union membership, or political affiliation.
- (8) Safe and Healthy Workplace: Contractor and subcontractors shall provide employees with a safe and healthy workplace in compliance with local laws.

b. Requirements:

All contractors and their subcontractors that provide private label or directly imported merchandise, shall:

- (1) Take all actions necessary to comply with the requirements of this clause at the earliest date practicable, and at no additional cost to NEXCOM.
- (2) Promptly comply with all requests for additional information and/or to take all additional actions NEXCOM deems necessary to bring contractor and their subcontractors into compliance with this clause.
- (3) Take following actions as soon as practicable, but in no case later than 01 September 2003:
 - (a) Identify all production facilities and subcontractors (domestic and foreign), and
 - (b) Certify in writing that each facility operates in compliance with all applicable labor laws (that is, a letter signed by a senior official stating that any facility used to produce private label goods provided to NEXCOM will operate in compliance with all applicable labor laws).
- (4) Provide evidence, deemed by NEXCOM to be adequate, to prove that each production facility that is (or that will be) producing such goods, is in compliance with the Standards set forth in paragraph a. of this clause, if made in facilities outside the United States. NEXCOM, in its sole and exclusive discretion, exercises the right to determine the adequacy of evidence provided. Proof of compliance may be established by presenting evidence showing:
 - (a) Certification/approval by Social Accountability International (SAI), Worldwide Responsible Apparel Production (WRAP), and/or Amana Ltd. ("Link Label"). (Evidence of "certification/approval" by one of these organizations is preferred.)
 - (b) Active participation in the social responsibility program of: Clean Clothes Campaign (CCC), Fair Labor Association (FLA), and/or Fair Wear Foundation (FWF).

(c) Certification/approval by a nationally recognized private sector retailer or brand name company, provided that adequate supporting information is submitted, including proof that all merchandise produced in the facility is made in compliance with standards that include the following:

- i. No child labor (i.e., under 14 years of age, or as specified by applicable law);
- ii. No forced or other compulsory labor (i.e., no “deposits” and/or identity papers);
- iii. Compliance with applicable laws governing working hours;
- iv. Compliance with laws applicable to wages and benefits for a standard workweek;
- v. No corporal punishment, mental or physical coercion, and/or verbal abuse;
- vi. Freedom of association and to bargain collectively, consistent applicable law;
- vii. A safe and healthy workplace in compliance with applicable law; and,
- viii. No discrimination in hiring, compensation, training, promotion, termination or retirement in accordance with applicable law.

(d) Certification/approval by one of the military exchanges, such as the Army and Air Force Exchange Service (AAFES), the Navy Exchange Service Command (NEXCOM); or the Marine Corps Community Services (MCCS). Where certification/approval has already been granted, documentary evidence of certification or approval will suffice. Where approval is based upon reports provided by an independent contractor or other third party retained by NEXCOM, the contractor shall reimburse NEXCOM for the cost of each such review.

(e) NEXCOM reserves the right to accept certification/approval or program participation issued by organizations other than those specifically listed in this clause. Acceptance of certification/approval or program participation by organizations other than those specifically listed above, shall be at the sole discretion of NEXCOM.

(5) Post the attached “Standards of Social Responsibility and Labor Standards” exhibit in the appropriate local language(s), in a location accessible by production facility workers that make NEXCOM private label or directly imported merchandise.

(6) Maintain current records of sufficient detail to enable NEXCOM to determine their compliance with this clause for five years from the date such records were created, and make all such records available upon request of NEXCOM or its authorized agents.

Contractors are fully responsible for ensuring that all their subcontractors comply with all requirements of this clause.

c. Certification:

By accepting this contract (to include purchase orders or other procurement documents), contractor certifies that all items offered for sale to NEXCOM shall be made in compliance with all applicable laws and regulations, and that private label or directly imported merchandise have been made in compliance with the requirements of this clause.

d. Verification and Consequences:

- (1) To ensure compliance with this clause, NEXCOM reserves the right to conduct unannounced on-site inspections of its contractors' and their subcontractors' production facilities to verify compliance with this clause. Such inspections may be conducted by NEXCOM, by AAFES or MCCS, or by a third party designated by NEXCOM.
- (2) NEXCOM reserves the right to rely on judicial or administrative findings issued by competent government entities, courts, administrative bodies, as well as upon similar determinations or actions undertaken by cognizant non-governmental or private entities, regarding the conduct of any particular contractor or country.
- (3) NEXCOM reserves the right to require that a contractor representative(s) attend a course(s) on Social Responsibility and Labor Standards, such as those offered by organizations as Social Accountability International (SAI), at the contractor's expense.
- (4) Failure of a contractor and/or subcontractors to comply with this clause will result in notification being issued, and a reasonable time provided in which to comply. The amount of time provided (solely at the discretion of NEXCOM) will be based upon the nature of the failure. NEXCOM reserves the right to suspend performance on current contracts and/or not place any additional contracts with any such contractor until compliance is proven.
- (5) NEXCOM may, in its sole discretion, terminate for default, any or all contracts, upon receipt of any judicial or administrative findings issued by competent government entities, courts, or administrative bodies, or similar determinations by cognizant non-governmental or private entities, indicating that a facility being used by a NEXCOM contractor or subcontractor has violated applicable labor laws, and that the contractor has failed to take action to correct the violation. If such contracts are terminated, all shipments from that facility will be suspended. Termination for default will be dealt with in accordance with the NEXCOM General Provisions clause entitled "Termination for Default". The grounds for termination will be in addition to, and not in lieu of other reasons for termination for default, such as, but not limited to nonperformance.
- (6) NEXCOM reserves the right to cease doing business immediately with any contractor that loses certification received from another entity (for example, an independent certifying organization, a major retailer, and/or a major brand name company).

e. Effective Date:

- (1) This clause is effective immediately. There is a grace period for enforcement; however, to allow current and future contractors and subcontractors to come into compliance.
- (2) After 01 September 2003, NEXCOM will not do business with any contractor that has not certified, in writing, that all production facilities of the contractor and its subcontractors that provide NEXCOM with private label or directly imported merchandise, operate in compliance with all applicable labor laws.
- (3) NEXCOM may terminate, for default, any contract in existence on 1 September 2003, wherein the contractor has not demonstrated compliance with the requirements of this clause.

EXHIBIT

Standards of Social Responsibility and Labor Standards

Child Labor:

Suppliers/manufacturers shall not employ any person under the age of 14 years, unless local minimum age law stipulates a higher age for work or mandatory schooling, in which case the higher age will apply.

Forced Labor: Suppliers/manufacturers shall not use forced or other compulsory labor in the manufacture of products. Suppliers/manufacturers shall not require employees to lodge "deposits" or identity papers upon commencing employment with the company.

Working Hours: Suppliers/manufacturers shall comply with applicable local laws on working hours.

Compensation and Benefits: Suppliers/manufacturers shall ensure that wages paid for a standard workweek are consistent with local/national laws.

Disciplinary Practice: Suppliers/manufacturers shall not engage in or support the use of corporal punishment, mental or physical coercion, and verbal abuse.

Freedom of Association & Right to Collective Bargaining: Suppliers/manufacturers shall respect the right of all employees to form and join trade unions of their choice, consistent with prevailing local/national law and to bargain collectively, without any activity that impedes or suppresses freedom of association. Suppliers/manufacturers shall ensure that representatives of such employees are not subject to discrimination and that such representatives have access to their members in the workplace.

Discrimination: Suppliers/manufacturers shall be consistent with local laws regarding discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, disability, gender, sexual orientation, maternity status, union membership, or political affiliation.

Safe and Healthy Workplace: Suppliers/manufacturers shall provide their employees with a safe and healthy workplace in compliance with local laws.

A copy of these standards, translated in the language(s) of the workers, shall be posted in a location, visible to all employees at all facilities that either supply or manufacture private label merchandise for, or merchandise that will be directly imported by the Army and Air Force Exchange Service (AAFES), Navy Exchange Service Command (NEXCOM), or Marine Corps Exchange (MCX).

Any person(s) having knowledge of any violation of these standards are encouraged to contact:

AAFES

Attn: Quality Assurance (SD-P/Q)
3911 S. Walton Walker Blvd.
Dallas TX 75236
U.S.A

MCX

Attn: Retail Operations
3044 Cotlin Avenue
Quantico VA 22134
U.S.A.

NEXCOM

Attn: Chief Merchandising Officer
3280 Virginia Beach Blvd.
Virginia Beach VA 23452
U.S.A.