



**To: Direct Import Suppliers/Vendors/Factories**

**Re: Updates to the Social Audit (WCA) Program – Subcontracting and Third Party Audit Reports**

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**Dear Valued Supplier,**

CVS/Caremark is announcing the expansion to the Workplace Conditions Assessment (WCA - factory social audit) program. Effective July 1, 2013 CVS will require the following:

- Our third party service provider, Intertek, to collect subcontracting information from foreign factories producing Direct Import items.
- A cost associated with the submission of a valid third party audit report(s).
- A change in cost for conducting new WCA audits

### **Subcontracting**

CVS Caremark suppliers/factories must disclose the subcontractor name, address, contact information, and the type of product and/or process performed by a subcontractor that:

- Provides *finished* goods to a CVS Caremark supplier that CVS Caremark has paid the supplier to provide
- Provides *consumer ready components* to be used in finished goods that CVS Caremark has paid the supplier to provide
- Provides components or embellishments that contain a CVS Caremark private label or proprietary brand logo
- Provides retail packaging or point of purchase packaging and/or labeling that contain a CVS Caremark private label or proprietary brand logo
- Performs other subcontracting functions such as printing, spraying, injection, dyeing, welding, washing, embroidery, etc.

Failure to disclose the use of a subcontractor to Intertek may result in cancellation of existing purchase orders and/or termination of the business relationship with that supplier.

All CVS Caremark Suppliers and their manufacturing facilities, including subcontracting facilities, are required to conduct business in accordance with our ethical standards and the law as mentioned in our CVS Caremark Ethics Policy. Further, it is the responsibility of CVS Caremark Suppliers to communicate to all entities within their supply chain, including any subcontractor performing any of the functions described above, all applicable laws and all CVS Caremark policies applicable to suppliers, and to ensure that such entities comply with all such applicable laws and policies.

CVS Caremark or its designated third party auditing firm, reserves the right to audit any subcontractor. If the subcontractor fails the audit or is found to have any zero tolerance issues, CVS reserves the right to cancel existing orders with the supplier and place both the factory and subcontractor on probation for a period of twelve months.

### **Third Party Audit Reports**

In an effort to reduce audit related costs to our suppliers, CVS is pleased to continue accepting qualified 3<sup>rd</sup> party audit reports in lieu of performing a new audit. Please note however, that effective July 1<sup>st</sup> 2013, there will be a cost associated with the submission of a valid third party audit report in lieu of performing a new WCA audit. Please find these costs outlined below:

- WCAs provided by the factory performed on behalf of another retailer: \$100
- Provided third party CSR reports (ICTI, BSCI, WRAP, SA8000): \$300

Failure to remit the associated costs above will prevent the acceptance of any provided audit reports.

### **Change in WCA Cost**

Effective July 1<sup>st</sup>, 2013, there will be an increase of USD 100 in the rate per audit for WCAs performed by Intertek. The audit fee quoted by Intertek is determined by the country in which the audited facility is located.

Please feel free to contact Susan Albatal at [Susan.Albatal@CVSCaremark.com](mailto:Susan.Albatal@CVSCaremark.com) or Denyse Hemond at [Denyse.Hemond@CVSCaremark.com](mailto:Denyse.Hemond@CVSCaremark.com) with any questions.

Thank you for your attention to the updates above and for your continued participation in the program.

Respectfully,

Gregory F. Froton  
Vice President of Merchandising Manager  
General Merchandise & Strategic Sourcing  
CVS Caremark