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1. Introduction

CVS Values – Integrity & Business Practices

At CVS, our set of values defines our company and serves as a guide for how we conduct business every day.

**Innovation:** Demonstrate openness, curiosity and creativity in the pursuit of delivering excellence

**Collaboration:** Sharing and partnering with people to explore and create things that we could not do on our own.

**Caring:** Treating people with respect and compassion so that they feel valued and appreciated

**Integrity:** Delivering on our promises: doing what we say and what is right

**Accountability:** Taking personal ownership for our actions and their results

CVS Caremark also believes complying with the law and promoting high ethical standards is a responsibility shared by the entire organization. CVS is committed to creating a work environment that promotes integrity, ethics and compliance with applicable international, federal and state laws and regulations at all levels of interactions with suppliers, customers, and clients. We have policies in place to help prevent, detect and resolve instances of potential unethical behavior and compliance concerns within our International Supply Chain.

**CVS Caremark Ethics Policy**

We seek suppliers that share our values, our promise to deliver outstanding service and our commitment to uphold the highest standard and level of integrity as communicated by CVS Caremark. All CVS suppliers and their manufacturing facilities, including all subcontracting and packaging facilities, are required to adhere to our company’s standards, supplier requirements, and business processes which are published on [www.cvssuppliers.com](http://www.cvssuppliers.com).
Program Intent

To ensure that CVS Direct Import and Storebrand Suppliers are held to the same CVS Standards as mentioned above in the CVS Caremark Ethics Policy, CVS launched an enhanced factory audit program in January 2012. Suppliers are subject to social and security audits to ensure that:

- We provide our customers with safe, quality products that are manufactured in a socially responsible manner
- We uphold our commitment to protecting our brand, and helping people on their path to better health
- CVS Suppliers comply with and improve processes that conform to social, legal, and ethical standards, while maintaining our commitment to Human Rights.

In order to meet these objectives, the overall intent of the audit based program is to conduct business with continually high level performing factories. Although CVS is committed to working with suppliers toward continuous improvement, suppliers that persistently perform poorly within the program jeopardize their business relationship with CVS. In section four of this guide, specific expectations regarding audit results will be discussed in greater detail.

Introduction to Intertek

CVS has selected Intertek to be the sole provider of social and security auditing services for the Factory Audit Program.

Intertek is the world’s largest provider of Social Compliance Audits monitoring the well-being of more than 100 million workers annually in over 40,000 factories. Intertek employs the international expertise of more than 500 Corporate Social Responsibility (CSR) Auditors servicing brands in 45 countries. CVS has chosen Intertek’s Workplace Conditions Assessment (WCA) and Global Security Assessment (GSV) programs as the auditing standards to verify compliance to our social and security expectations.
2. Program Basics

What type of audit is required?

CVS Direct Import items require two types of audits – Social (WCA) and Security (GSV). CVS Store Brands domestically purchased items require a WCA audit if the items are manufactured in a non-exempt country (refer to table below). Additionally, **ALL** subcontractors providing finished goods to CVS or CVS logo components must successfully complete a WCA audit. Failure to complete an audit may result in delay of shipments or cancellation of orders.

Certain CVS Store Brands domestically purchased items also require a quality audit depending upon the type of item being produced. Please direct any questions you have related to Quality Audits to the contacts listed at the end of this document. This document is intended only as a guide to outline CVS’ social and security audit requirements.

It is important to first understand what category of audit is necessary for your manufacturing facilities. Listed below are the various types of audits that may be required in order to conduct business with CVS/Caremark:

<table>
<thead>
<tr>
<th>Type of Item and Country of Manufacture</th>
<th>Type of Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>WCA</td>
<td>GSV</td>
</tr>
<tr>
<td>Direct Import non-Store Brand item (Non-FDA Regulated)</td>
<td>WCA</td>
</tr>
<tr>
<td>Direct Import non-Store Brand item (FDA Regulated)</td>
<td>WCA</td>
</tr>
<tr>
<td>Direct Import Store Brand item (Non-FDA Regulated)</td>
<td>WCA</td>
</tr>
<tr>
<td>Direct Import Store Brand item (FDA Regulated)</td>
<td>WCA</td>
</tr>
<tr>
<td>Store Brands Domestic items manufactured in non-exempt countries **(non-FDA Regulated)</td>
<td>WCA</td>
</tr>
<tr>
<td>Store Brands Domestic items manufactured in non-exempt countries ** (FDA Regulated)</td>
<td>WCA</td>
</tr>
</tbody>
</table>

* GSV (Security Audits) are performed on 20% of factories producing direct imports in China and 100% of factories producing direct imports outside of China

** Exempt countries include: Canada, US

If the product is manufactured in a country that is not listed as either non-exempt or exempt, CVS/Caremark will, at its sole discretion, determine what audit(s) are required.
- **Workplace Conditions Assessment (WCA) Criteria**

Anchored in Intertek’s extensive social compliance expertise, the Workplace Conditions Assessment (WCA) is a powerful tool for ensuring the welfare of individuals producing CVS products, benchmarking, improving supplier performance, mitigating supply chain risk, and improving product quality. This social auditing program is supported by a web-based platform that automates and streamlines the audit process, increasing efficiencies for all supply chain partners. The Workplace Conditions Assessment standard is aligned with the Global Social Compliance Program (GSCP), which is endorsed by some of the world’s largest retailers.

**Workplace Conditions Assessment benefits include:**

- Improved work conditions for a more content, healthier and productive workforce
- Improved confidence in partnerships with suppliers through greater transparency and trust
- Reduction in excessive auditing and duplication (“audit fatigue”)

**Workplace Conditions Assessment country requirements:**

* A WCA social audit is required for 100% of all import suppliers’ facilities and all their subcontractors providing finished goods to CVS or CVS logo components prior to shipment.

Manufacturing facilities and all their subcontractors providing finished goods to CVS or CVS logo components for Store Brand Domestic Suppliers located outside the US and Canada also require a WCA audit prior to shipment.

Suppliers manufacturing direct import or Store Brand domestically purchased items in the countries listed below require a comprehensive review by CVS and approval by the Director of QA Regulatory Compliance (or designee) before the factory can source finished goods produced in these countries for CVS:

- Bangladesh
- Cambodia
- Ethiopia
- Haiti
- Pakistan
**Workplace Conditions Assessment (WCA) Criteria**

The following is a list of the code of conduct criteria audited during a Workplace Conditions Assessment:

<table>
<thead>
<tr>
<th>Workplace Conditions Assessment (WCA) Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Labor</strong></td>
</tr>
<tr>
<td>Child Labor; Forced Labor; Discrimination; Discipline, Harassment or Abuse; Freedom of Association; Labor Contracts</td>
</tr>
<tr>
<td><strong>Wages &amp; Hours</strong></td>
</tr>
<tr>
<td>Wages &amp; Benefits; Working Hours</td>
</tr>
<tr>
<td><strong>Health &amp; Safety</strong></td>
</tr>
<tr>
<td>General Work Facility; Emergency Preparedness; Occupational Injury; Machine Safety; Safety Hazards; Chemical and Hazardous Materials; Dormitory and Canteen</td>
</tr>
<tr>
<td><strong>Management Systems</strong></td>
</tr>
<tr>
<td>Policies and Processes; Documentation and Records; Worker Participation; Corrective Action Process</td>
</tr>
<tr>
<td><strong>Environment</strong></td>
</tr>
<tr>
<td>Legal Compliance; Environmental Management Systems; Waste and Air Emissions</td>
</tr>
</tbody>
</table>
CVS Workplace Conditions Assessment (WCA) Zero Tolerances

**IMPORTANT:** Certain compliance issues are of high importance to CVS and are considered “Zero Tolerance” or “ZT” issues. They display as a red flag on the audit reports and will be communicated to CVS within 24 hours. The ramifications for Zero Tolerance findings will be discussed in more detail within section four of this Guide.

The following are Zero Tolerance issues for CVS:

<table>
<thead>
<tr>
<th>Issue</th>
<th>Expectation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child Labor</td>
<td>There are no workers employed by the facility currently below the age requirement of local law (if no law, below 15)</td>
</tr>
<tr>
<td>Forced / Prison Labor</td>
<td>The facility does not utilize employees who are imprisoned (i.e., utilized in a manner not in accordance with International Labor Convention 29), bonded, or indentured either to the facility itself, or a broker</td>
</tr>
<tr>
<td>Abuse and Harassment</td>
<td>There is no evidence of either sexual, psychological, physical, verbal harassment, abuse, intimidation and/or bullying occurring at the facility</td>
</tr>
<tr>
<td>Life Threatening Conditions</td>
<td>There are no blocked or locked emergency exits /doors/stairways</td>
</tr>
<tr>
<td>Bribery</td>
<td>There is no evidence of the factory bribing or attempting to bribe the auditing team in any manner</td>
</tr>
<tr>
<td>Falsified Audit Reports</td>
<td>There is no evidence of the factory submitting falsified audit reports to circumvent the requirements of the social and/or security audit</td>
</tr>
<tr>
<td>Unauthorized Subcontractor</td>
<td>Facility or Supplier shall not use subcontractors in the manufacturing of CVS/pharmacy products or product components without first disclosing subcontractors to CVS/pharmacy.</td>
</tr>
</tbody>
</table>
Global Security Verification (GSV) Criteria

The Global Security Verification (GSV) program is based on US Customs-Trade Partnership for Terrorism (C-TPAT) Foreign Manufacturer’s Security Criteria Minimum Requirements. The Global Security Verification program has been reviewed and is recognized by US Customs Border Protection (CBP) as an approved 3rd party service provider. The program is calibrated annually with CBP senior officials. Participation in a Global Security Verification audit can also be used to demonstrate performance for other importers under Canadian and European requirements.

As an Importer and C-TPAT certified member, CVS agrees to abide by the security standards outlined by CBP. As part of our program membership, CVS has chosen to verify that its suppliers are also following these security requirements through the Global Security Verification audit process. The GSV addresses all of the topics mentioned below.

For a comprehensive explanation of Global Security Verification program, please contact Rohan Padhye at Rohan.Padhye@Intertek.com. For further information concerning the C-TPAT program, please refer to the U.S. Customs website http://www.cbp.gov/.

**A GSV Security Audit is required for 100% of all import suppliers outside of China and on 20% of randomly selected suppliers within China because China is considered a “low risk” country regarding security.**

<table>
<thead>
<tr>
<th>Security Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Partner Requirements</td>
</tr>
<tr>
<td>Container and Trailer Security Requirements</td>
</tr>
<tr>
<td>Physical Access Controls</td>
</tr>
<tr>
<td>Personnel, Procedural, and Physical Security</td>
</tr>
<tr>
<td>Information Technology Security Requirements</td>
</tr>
<tr>
<td>Security Training and Threat Awareness Requirements</td>
</tr>
</tbody>
</table>
Acceptance of Third Party Audit Results

In an effort to reduce related assessment costs and limit audit fatigue for our suppliers, CVS is pleased to accept certain audit reports in lieu of a new factory audit.

The following types of reports are currently accepted by CVS Caremark:

WCA, GSV, ICTI, WRAP, SA8000, and BSCI

Provided audit reports must meet the following criteria to be considered valid and must not expire before the FDD (Factory Delivery Date) or the In DC Date of the CVS item that is being manufactured. The process of submitting reports to CVS is performed during registration and is explained in the following section.

<table>
<thead>
<tr>
<th>Audit Type</th>
<th>Report Type</th>
<th>Grade Needed</th>
<th>Documents Required</th>
<th>Expiry Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social</td>
<td>WCA – Workplace Conditions Assessment</td>
<td>85+</td>
<td>Report</td>
<td>1 year from Audit Date</td>
</tr>
<tr>
<td>Social</td>
<td>WCA – Workplace Conditions Assessment</td>
<td>71-84</td>
<td>Report</td>
<td>9 months from Audit Date</td>
</tr>
<tr>
<td>Social</td>
<td>ICTI – International Council of Toy Industries</td>
<td>Certified Class A, B, or C</td>
<td>Report &amp; Certificate</td>
<td>As per Certificate</td>
</tr>
<tr>
<td>Social</td>
<td>WRAP – Worldwide Responsible Accredited Production</td>
<td>Certified Silver</td>
<td>Report &amp; Certificate</td>
<td>As per Certificate</td>
</tr>
<tr>
<td>Social</td>
<td>BSCI – Business Social Compliance Initiative</td>
<td>Good</td>
<td>Report</td>
<td>18 Months</td>
</tr>
<tr>
<td>Social</td>
<td>SA8000 – Social Accountability International (SAI)</td>
<td>Certified</td>
<td>Report &amp; Certificate</td>
<td>As per Certificate</td>
</tr>
<tr>
<td>Security</td>
<td>GSV – Global Security Verification</td>
<td>76+</td>
<td>Report</td>
<td>1 year from Audit Date</td>
</tr>
<tr>
<td>Security</td>
<td>SCS – Wal-Mart Supply Chain Security</td>
<td>81+</td>
<td>Report</td>
<td>1 year from Audit Date</td>
</tr>
</tbody>
</table>
Additional Criteria - Subcontractor Policy

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. It is the expectation of CVS that its factories disclose the use of all suppliers & subcontractors on the day of the audit; when submitting a third party audit; and when a supplier/subcontractor changes between PO initiation and product shipment.

CVS Caremark Suppliers must disclose to CVS the use of any 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, i.e. printing, spraying, dyeing, injection, welding, washing, embroidery.

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

ALL subcontractors providing finished goods to CVS, or CVS logo components, must successfully complete a WCA audit. Failure to complete an audit may result in delay of shipments or cancellation of orders.

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 a zero tolerance, existing orders with the subcontractor will be cancelled and the subcontractor will be suspended for twelve months.
3. Audit Process

**Step 1: On-line Factory Registration with Intertek – Direct Import Items Only**

All Import suppliers are required to register their factory(s) with Intertek via the GSCC online website at http://www.suppliercompliance.com/audit/ (pictured below) *immediately upon receipt of purchase orders.* Registration is required for all CVS Item Numbers that have not been previously registered. Additionally, the factory must be re-registered if *new* CVS item numbers will be manufactured at a previously registered factory. Furthermore, if there is a change in factory for a specific CVS Item number, the *new* factory must be registered as well.

**Previous Audit Reports:** If you have previous audit reports to provide for review in lieu of performing a new audit, it must be uploaded to the site during registration.

**PRE-PO Audits:** If you would like to conduct an audit before a PO has officially been released and before an item number has been assigned, please enter “Pre-PO” in the item number field. **IMPORTANT:** If the correct factory producing the relevant items is not registered, the audit process will not commence and purchase orders will not be approved to book or ship. Should you have any questions regarding the registration process, please contact Rohan Padhye from Intertek at Rohan.Padhye@intertek.com.

**Step 1** – Go to http://www.suppliercompliance.com/audit/

**Step 2** – Select “CVS Caremark”

**Step 3** – Select “Workplace Conditions Assessment” (A GSV will automatically be set up for applicable factories)

**Step 4** – Enter Factory Information

**Step 5** – IMPORTANT: Enter all CVS Item Numbers (SKUs) manufactured at the applicable facility

**Step 6** – Upload any Previous Audit Reports that meet the criteria previously mentioned

**Step 7** – Click ‘Submit’ to send to Intertek. A confirmation email will be forwarded to the submitter. A message will come up on the screen: “Your Audit request has been registered successfully. Thank you for participating.”
Factory Registration with Intertek – Store Brand Domestic Purchases

All Domestic Store Brand Suppliers that supply products manufactured in factories located overseas are required to fill out the CVS Potential New Item Form (PNI) (pictured below) with the correct factory name, address, contact information, once the factory has been identified. Registration is required for all factories that have not been previously registered. Once the factory has been identified, you must work with Frances Tang at Intertek at frances.tang@intertek.com to register the factory with Intertek.

**Previous Audit Reports:** Previous audit reports may be provided for review in lieu of performing a new audit, it must be e-mailed to Frances Tang at frances.tang@intertek.com.

**IMPORTANT:** If the correct factory producing the relevant items is not registered, the audit process will not commence and purchase orders will not be approved to book or ship. Should you have any questions regarding the registration process, please contact Frances Tang at frances.tang@intertek.com.

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**CVS Potential New Item Form**

**Manufacturing facilities must be listed on the form**

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![CVS Potential New Item Form](image-url)
Step 2: Audit Scheduling, Cost and Payment

Following the factory registration process, an Intertek representative will reach out to the factory to either:

1.) Schedule a new audit(s)
2.) If valid audit report(s) were submitted, prepayment of the 3rd party report sharing fee as well as a CVS subcontractor declaration form will be collected from supplier prior to providing approval to ship to CVS

Audit Scheduling

When scheduling a new audit, a local Intertek Customer Service Representative (CS) will contact the factory directly and request that an Audit Application Form be filled out and signed. This document clarifies the factory details and signifies the factory’s agreement to Intertek’s audit terms and conditions. The local CS will then arrange a 1 week unannounced audit window that is agreeable to both the factory and Intertek. Please note that the assessment may take place on any day within the agreed upon assessment week.

Audit Cost

The cost of the audit is determined based on the ITS quoted rate (i.e., location, turnaround time, and type of audit) multiplied by the number of Man days + expenses. A Man day is calculated based on the number of employees at the factory:

<table>
<thead>
<tr>
<th>Audit Type</th>
<th>Number of Man days</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td># of Employees</td>
</tr>
<tr>
<td></td>
<td>0-199</td>
</tr>
<tr>
<td>WCA (Initial or Annual)</td>
<td>1</td>
</tr>
<tr>
<td>WCA (Follow-up)</td>
<td>1</td>
</tr>
<tr>
<td>GSV (Initial, Annual, Follow-up)</td>
<td>1</td>
</tr>
</tbody>
</table>

Note: WCA Cost = Rate per Man day x Number of Man days + Expenses
GSV Cost = Rate per Man day x Number of Man days + Expenses

Audit Payments

A local Customer Service Representative will also send out a Payment Advice slip communicating the payment details including the audit costs. Please note that due to shipping considerations with this auditing program, payment must be received quickly by Intertek.

- Payment should be received by Intertek BEFORE the assessment occurs.
- Payment for accepted third party audit reports will be invoiced.
- Payment should be received from the billed party within 5 DAYS of receiving the Payment Advice slip. (Pro-forma Invoice).
- If payment is not received by the START of the audit day, the audit will proceed as planned.
- If payment is not received by the END of the audit day, CVS will be invoiced for the audit; the supplier should NOT pay for the audit at that point. In the event that Intertek receives payment from the supplier after the invoice is issued to CVS, Intertek will refund the payment directly to the supplier.
- Travel expenses not included unless otherwise specified.
**IMPORTANT NOTE:** Audit payments not received by Intertek prior to the end of the audit day, will be charged directly to CVS. Any fees incurred by CVS will be charged back to the supplier with an additional $1,000 USD penalty fee above the cost of the audit.

**Step 3: Audit Preparation**

In preparation for the audit, it is requested that the documentation mentioned below be collected and made available to the auditors. Furthermore, for greater preparation, please refer to the comprehensive WCA and GSV Standards documents available at [http://www.cvssuppliers.com/](http://www.cvssuppliers.com/).

**WCA documentation:**

- Payroll records (Recent 12 months)
- Payroll register with employee signature (if wages paid in cash)
- Bank statement corresponding to payroll register (if wages paid by bank deposit)
- Time card/ Attendance records (Recent 12 months)
- Production records (tickets/ sheet) (Recent 12 months) (if applicable)
- Personnel records
- Young worker registration and health examination (if applicable)
- Employment/ Labor contracts
- Agency workers agreement (if any)
- Foreign employees work permits and approval letter from government (if applicable)
- Business registration
- Fire safety inspection or certificates for facility/ dormitory buildings
- Fire drill records
- Facility regulation or employee handbook, in regard to the following areas:
  - Recruitment Policy
  - Disciplinary Policy

**GSV documentation:**

**H/R TRAINING**

- Written personnel security guidelines for hiring
- Personnel files: including demonstration of pre-employment verification, background checks and / or investigations, including updated / periodic employee checks (based on cause or sensitivity of position)
- Employee termination procedure
- Employee code of conduct or handbook
- Employee orientation and training(s) materials and records
- Employee security awareness training materials and records
- Procedure for retrieving ID and deactivating access
- Employee ID records: including distribution, retrieval, and missing IDs
- Procedure for employees ID returning and related records
- Facility access keys records: including distribution, retrieval, and missing keys

**SECURITY**

- Documented security policy and improvement plan
- Facility security plan
- Security guard / force contract
- Security guard / force training record
- Security guard / force job description
- Security guard / force post orders and descriptions
- Employee access control procedures
- Employee entrance / exit records
- Visitor / Vehicle entrance / exit access control and management procedures
- Visitor / Vehicle entrance / exit records
- Procedures for screening arriving packages and mail
- Procedures for periodic announced security checks
- Physical security procedures: including fencing, lighting, alarm systems, and CCTV coverage

**SHIPPING & LOGISTICS**

- Conveyance drivers entrance / exit records
- Container/Trailer security procedures
- Container/Trailer/Truck integrity inspection procedures
- Container/Trailer/Truck inspection records
- Policies / procedures for affixing, replacing, recording and tracking seals
- Cargo shipping and receiving procedures
- Cargo verification procedure
- Cargo loading records
- Shipping documents: including purchase orders, invoices, pickup orders and customer notifications
- Over Short & Damage (OS&D) reports
- Seal control records
- Procedure for affixing, replacing, recording and tracking of seals
- Procedure to affix a high security seal which meets or exceeds ISO/PAS 17712 on each container / trailers bound for the US
- ISO/PAS 17712 test reports or certification of seals
- Procedure for handling broken seal case and reporting anomalies
- Procedure for tracking goods for shipment
- Procedure for in-country carriers to report security violations to the facility management

**INFORMATION TECHNOLOGY**

- Information access control procedures
- IT security procedures IT

**BUSINESS PARTNER SELECTION**

- Security standards and procedures for contractors and vendors: including contracts, manuals, etc.
- Selection process of business partners: including carriers, consolidators & 3PLs
- Evidence of partners’ participation in C-TPAT or other supply chain security programs administered by foreign Customs administrations: including SVI numbers (for C-TPAT), contracts, letters and questionnaires
- Procedures for periodic risk-based review of business partners’ processes and procedures
- Records periodic risk-based review of business partners’ processes and procedures
- Other Supply Chain Security related documents
Step 4: Audit Day

A WCA social audit consists of five components: an opening meeting, health and safety tour, payroll and documentation inspection, employee interviews, and a closing meeting.

Opening Meeting
After the auditors have passed all security requirements and are given access to the factory, an opening meeting is held with the contact person, preferably management. During this meeting, the format of the audit is described. The production manager and the human resources personnel are needed in order to answer a series of questions regarding production capacity, machines, lead times, and hiring practices.

**Facility Integrity Acknowledgement:** During the Opening Meeting, CVS requires the factory owners/managers to sign two letters of integrity (CVS Facility Integrity Acknowledgement Form and Intertek Factory Integrity Declaration Form) acknowledging policies around bribery. If the factory owners/managers/staff offer or imply to offer any form of benefit (including but not limited to meals, transportation, accommodation, money, gifts and/or favors) to an Intertek employee, CVS will cancel all orders and place the factory on probation for one year.

Health and Safety Tour
A walkthrough of the factory is conducted to ensure adequate measures are in place to protect the health of workers and guarantee their safety and the safety of the surrounding environment. Production capacity is also evaluated during the walkthrough. Housing units, if applicable, need to be inspected by the auditors. The eating area used by the workers is also viewed, as is the kitchen if cooking takes place onsite. Photographs of the factory are also taken with permission from management.

Payroll and Documentation Inspection
Payroll documentation is reviewed. Payroll journals, timecards, production records, attendance books, proof of insurance payment or tax payment (if applicable) must all be provided to the auditors for a complete audit to take place. The auditors are checking to ensure that the regional minimum wage is provided to all employees for all hours worked, including overtime compensation. Also evaluated is whether maximum hours authorized to work, including weekend and evening hours, are in compliance with regional labor laws. Copies of operating licenses and other government issued permits are also reviewed. Company policies handbooks and management systems are reviewed. Employee records are reviewed. Proof of age documentation must be available.

Employee Interviews
The auditors will randomly select employees from various production areas for interviews, away from the presence of management or other employees. Auditors will require the use of a private room in which to conduct these interviews. Employees are asked questions regarding hours of work, length of employment, their understanding of human rights (freedom of association, collective bargaining, equal opportunity, non-discrimination, unrestricted liberties, etc.), disciplinary policies of the factory, hiring policies, and working conditions.

Closing Meeting
At the conclusion of the audit a Continuous Improvement Report (CIR) is created if necessary and all concerns are discussed with the facility management. Management is requested to sign the CIR, to verify that they understand the findings. A copy of the CIR is left with management to assist them in resolving the concerns detected during the audit.
4. Results and Follow-up

Audit Report and Supplier Letter

Following the assessment, a copy of the full Audit Report will be sent to the factory and supplier via email. *(For this reason, it is very important for suppliers to provide their contact e-mail addresses during the registration process.)* Facilities that successfully pass their Workplace Conditions Assessment with a grade above 50 without any Zero Tolerance issues are eligible to ship goods to CVS. They will receive a Supplier Letter with information for booking a shipping appointment with Yusen Logistics.

The Supplier Letter contains two key pieces of information that are to be entered into the Yusen system during the booking process: *Facility ID and Assessment Number.*

WCA Zero Tolerances (ZT) and Scores 50 and Below

There are two non-passing WCA scenarios that prevent booking and cause delays in shipment:

1.) Zero Tolerance non-compliance issues
2.) Scores 50 and below

What happens if the factory is found to have Zero Tolerance compliance issues or scores below a 51?

Depending on the type of Zero Tolerance issue(s) found at the factory and/or types of issues discovered within a 50 or below audit report, CVS will make a determination on how to proceed with the business relationship.

In the instance of a factory found to have a Zero Tolerance issue such as Child Labor, Forced/Prison Labor, Abuse & Harassment, or Bribery, CVS will cancel all orders and place the factory on probation for one year. In other instances, an immediate follow-up audit may be requested that could move out the ship date, which would potentially add late shipment penalties.
The CVS Factory Compliance Team will take the steps as mentioned below following a Zero Tolerance incidence or score of 50 or below:

- Notify the Category Manager or Product Development Manager via a Non-Compliance Form and the completed audit report
- Communicate and forward the audit results to the Supplier
- Work with Intertek to reschedule a follow-up audit at the factory or cancel the purchase orders
- If purchase orders are cancelled, place the factory on probation for one (1) year
- Factories placed on probation for one year must successfully pass an audit prior to receiving new CVS Purchase Orders.

**Capacity Site Evaluation Review (SER)**
In the event that another factory is selected to produce merchandise in light of poor audit results, CVS will request that Intertek conduct a Site Evaluation Review (SER capacity audit), at the factory’s expense, to verify that the merchandise is actually being produced in the new factory.

**CVS/Caremark will, at its sole discretion, determine whether to do business with a factory/supplier based on further review of the factory.**

**Online CAP Process and Follow-up / Annual Assessments**

**WCA Assessments**
Following the audit, depending upon the results obtained, the factory may be required to submit an online Corrective Action Plan (CAP) and/or participate in a Follow-up/Annual assessment.

The supplier letter will indicate next steps required of the factory. The matrix below summarizes which action is typically needed based upon the audit results received:

<table>
<thead>
<tr>
<th>Audit Results</th>
<th>Next Action</th>
<th>Follow-up Results</th>
<th>Next Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Low 0-50</td>
<td>Follow-up audit within 3 Months (prior to ship)</td>
<td>Very Low</td>
<td>Shipment TBD by CVS</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Low</td>
<td>Follow-up audit 3-6 Months (No Major findings: Supply Online CAP)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Medium</td>
<td>Follow-up audit 6-9 Months (No Major findings: Supply Online CAP)</td>
</tr>
<tr>
<td>Low 51-70</td>
<td>Follow-up audit 3-6 Months (No Major findings: Supply CAP)</td>
<td>Very Low</td>
<td>Shipment TBD by CVS</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Low</td>
<td>Follow-up audit 3-6 Months (No Major findings: Supply Online CAP)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Medium</td>
<td>Follow-up audit 6-9 Months (No Major findings: Supply Online CAP)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>High</td>
<td>Annual Audit</td>
</tr>
<tr>
<td>Medium 71-84</td>
<td>Follow-up audit 6-9 Months (No Major findings: Supply CAP)</td>
<td>Very Low</td>
<td>Shipment TBD by CVS</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Low</td>
<td>Follow-up audit 3-6 Months (No Major findings: Supply Online CAP)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Medium</td>
<td>Follow-up audit 6-9 Months (No Major findings: Supply Online CAP)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>High</td>
<td>Annual Audit</td>
</tr>
<tr>
<td>High 85-100</td>
<td>Annual Audit</td>
<td>Very Low</td>
<td>Shipment TBD by CVS</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Low</td>
<td>Follow-up audit 3-6 Months (No Major findings: Supply Online CAP)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Medium</td>
<td>Follow-up audit 6-9 Months (No Major findings: Supply Online CAP)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>High</td>
<td>Annual Audit</td>
</tr>
</tbody>
</table>
GSV Assessments
Following the GSV audit, depending upon the results obtained, the factory may be required to submit an online Corrective Action Plan (CAP) and/or participate in an Annual assessment. As referenced in the table below, should the GSV audit report include any minimum security requirement violations (as defined by the C-TPAT program) an online Corrective Action Report (CAP) will be required to be filled out and submitted with sufficient evidence 30 days after receipt.

Details regarding how to submit the online CAP will be provided by Intertek shortly after the GSV audit report is released. All GSV audits will be valid for one (1) year from the previous audit date. After one year, CVS reserves the right to request a new GSV at anytime there are active purchase orders.

<table>
<thead>
<tr>
<th>Audit Result</th>
<th>All Minimum Security Requirements Passed?</th>
<th>Online CAP Required?</th>
<th>Expiry Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Risk 0-75</td>
<td>Yes</td>
<td>No</td>
<td>1 year from Audit Date</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Medium Risk 76-85</td>
<td>Yes</td>
<td>No</td>
<td>1 year from Audit Date</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Low Risk 86-100</td>
<td>Yes</td>
<td>No</td>
<td>1 year from Audit Date</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>

Continuous Improvement

As previously mentioned, the goal of the factory audit program is to guarantee that our suppliers are conducting business with continually high performing factories. It is CVS’ expectation that all suppliers strive towards improving working conditions within their supply chains.

Continuous Improvement Plans are given to factory officials the day of the audit. The WCA Audit Report and the Supplier Letter are sent to the supplier within 5 days of the completed audit.

WCA CAP: If a facility scores between 51 and 84, has no major violations, and no Zero Tolerance issues or findings that require an onsite review, the facility is required to respond by correcting all findings within three submissions or sixty days, whichever comes first.

GSV CAP: The GSV CAP is based on the US Customs-Trade Partnership Against Terrorism (C-TPAT) program’s minimum security requirements. Minimum security requirements that are not met by the facility will be listed on the CAP. The facility is required to respond by correcting all findings within three submissions or sixty days, whichever comes first. The facility will be required to go through a new GSV before it is approved to ship product to CVS.
Both WCA and GSV CAP processes require the facility to log on to the Intertek website. Instructions needed to complete and submit the CAP on-line are as follows:

- The facility must log on to www.suppliercompliance.com using the user name and password received in the welcome e-mail (sent separately). An instructional guidance document for this system is available online via the library.
- The facility should review the detailed findings from the assessment as listed in the website and respond on-line with a proposed plan of action or evidence of correction.
- The facility MUST click on the “Submit CAP” button so that the responses and evidence provided are sent to Intertek for review.
- On behalf of CVS, an Intertek representative will conduct a thorough desktop review of the evidence provided. Intertek will either accept or reject the corrective actions; then, the facility will receive an automated alert e-mail regarding the status.
- Intertek will provide specific comments when a CAP is rejected, and will request additional information or documents as needed. The facility should log on to the site again and respond as directed.
- After three submissions of corrective action or sixty days, whichever comes first, the WCA/GSV CAP will be closed out as “Approved” or “Not Approved” and Intertek will schedule a follow up audit with the facility as per the Follow-up matrices shown above.

It is important to note that facility scores can only change during a follow up audit, and not during the CAP Process.

**Double Orange/Three Strikes Policy**

Factories or suppliers that continue to perform at a sub-standard level on social or security audits risk putting their business relationship with CVS in jeopardy.

**Workplace Conditions Assessments:** Any factory that scores three consecutive Low/Orange grades on their Workplace Conditions Assessment will be placed on probation for one (1) year and all outstanding orders will be cancelled.

**Global Security Verification:** Any factory that scores three consecutive Very Low/Red grades on their Global Security Verification assessment will be placed on probation for one (1) year and all outstanding orders will be cancelled.

For additional questions regarding the Three Strikes Policy or CVS’ expectations for supplier performance in general, please feel free to reach out to the CVS contacts mentioned at the end of this document.

**CVS Site Visits**

In addition to the audit requirements discussed above, CVS representatives may conduct site visits to review the facility’s social compliance practices. In the event that CVS representatives identify any significant findings that lead CVS to conclude the facility may not meet each of our Zero Tolerance criteria or that the facility is otherwise substantially deficient, CVS reverse the right to cancel all outstanding orders and cease doing business with the supplier and/or manufacturer.
## 5. Timeline Summary and Contacts

### Audit Process Timeline Summary – *Direct Import Program Only*

<table>
<thead>
<tr>
<th>Days Prior to Factory Delivery Date (FDD)</th>
<th>Action Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>120 - 90</td>
<td>Purchase Orders are released. Factory registers via Intertek’s website upon receipt of PO information. Valid previous audit reports should be submitted for review by Intertek <a href="http://www.suppliercompliance.com/audit">http://www.suppliercompliance.com/audit</a></td>
</tr>
<tr>
<td>85 - 89</td>
<td>If previous audit report is accepted, factory receives a Supplier Letter with information for booking with Yusen. If previous audit report audit is NOT valid, a WCA must be scheduled.</td>
</tr>
<tr>
<td>75</td>
<td>Factory issues payment to Intertek for audit. Pre-payment must be obtained by Intertek before the audit date.</td>
</tr>
<tr>
<td>60</td>
<td>Audit is performed</td>
</tr>
</tbody>
</table>
| 55                                       | Audit results are issued:  
---If the factory passes with a **51 or higher**, the factory receives a Supplier Letter allowing shipment of goods.  
---If the factory receives **50 or Lower or has ZT issues**, CVS will make a determination on how to proceed with the business relationship depending on circumstances. |
<p>| 45                                       | For ZT Failures or 50 or less scores, CVS will contact the supplier to discuss next steps |</p>
<table>
<thead>
<tr>
<th>Name</th>
<th>Company</th>
<th>Title</th>
<th>Location</th>
<th>Phone</th>
<th>E-mail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mark Guilmain</td>
<td>CVS</td>
<td>Director QA Regulatory &amp; Social Compliance</td>
<td>CVS Headquarters, USA</td>
<td>1.401.770.4194</td>
<td><a href="mailto:Mark.Guilmain@CVSCaremark.com">Mark.Guilmain@CVSCaremark.com</a></td>
</tr>
<tr>
<td>Susan Albatal</td>
<td>CVS</td>
<td>Director Import &amp; Security Social Compliance</td>
<td>CVS Headquarters, USA</td>
<td>1.401.770.5169</td>
<td><a href="mailto:Susan.Albatal@CVSCaremark.com">Susan.Albatal@CVSCaremark.com</a></td>
</tr>
<tr>
<td>Claudia Arellano</td>
<td>CVS</td>
<td>Store Brand Social Compliance Manager</td>
<td>CVS Headquarters, USA</td>
<td>1.401.770.1806</td>
<td><a href="mailto:Claudia.Arellano@CVSCaremark.com">Claudia.Arellano@CVSCaremark.com</a></td>
</tr>
<tr>
<td>Linda Dupont</td>
<td>CVS</td>
<td>Social Compliance Analyst</td>
<td>CVS Headquarters, USA</td>
<td>1.401.770.6347</td>
<td><a href="mailto:Linda.Dupont@CVSCaremark.com">Linda.Dupont@CVSCaremark.com</a></td>
</tr>
<tr>
<td>Holly Tartaglia</td>
<td>CVS</td>
<td>Social Compliance Analyst</td>
<td>CVS Headquarters, USA</td>
<td>1.401.770.6576</td>
<td><a href="mailto:Holly.Tartaglia@CVSCaremark.com">Holly.Tartaglia@CVSCaremark.com</a></td>
</tr>
</tbody>
</table>

FOR ADDITIONAL INFORMATION RE: THE CVS FACTORY PROGRAM, PLEASE VISIT OUR WEBSITE AT http://cvssuppliers.com/factory-audit-program