vendor standards manual

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Change History

Version	Updated By	Date Updated	Brief Summary of Change
Original	Scott Gibson	5/18/2009	Original version
Vendor Compliance Update	Scott Gibson	5/27/09	Changed verbiage for shelf label expiry compliance
Sep 09 Revision	Scott Gibson	9/1/2009	Added social compliance, DUNS information, and merchandising overview
Oct 09 Revision	Scott Gibson	10/1/2009	Revised UCC-128 requirements, Shipping Instructions, Carton and Packing Requirements and Transportation Section
Feb10	Scott Gibson	2/2/10	Requirement of Promo code on UCC-128 label, Inclusion of Vendor Planogram access information
May 10	Scott Gibson	4/26/10	Updated link to EDI documents and updated departments requiring price tickets
Jan 2013	Scott Gibson	1/28/2013	Added updated social compliance documentation

INTRO

Scope

Welcome to the NEX's 2013 Vendor Standards Manual. This manual is your guide to doing business with the NEX Retail Division. The manual will provide you with information necessary to streamline the processes that bring your merchandise to our customers, the most deserving customers in the world. To achieve that goal, we ask that you support NEX's goal of maximizing our supply chain efficiency by embracing industry-wide technologies include U.P.C. (Universal Product Code) and Electronic Data Interchange (EDI). Due to the importance of the compliance issues documented within this manual, the NEX reserves the right to assess charges for noncompliance to vendors that do not follow the provisions of this manual.

We strongly encourage vendors to review the entire Vendor Standards Manual and to direct any questions regarding the content of this manual to the buyer.

Relation to Publication 61

Publication 61 applies to all vendors that do business with NEX. We strongly encourage vendors to review the entire Publication 61. For your convenience we have included a listing of sections that are especially pertinent to the retail business.

Section A

- 25 - Procurement Misconduct pg. 14
- 16 – Advertisements/Endorsements pg. 12

Section B

- 1 – Marking Instructions for Overseas Shipments pg. 17
- 2 – Commercial Bills of Lading for FOB Origin Shipments pg. 17
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- 4 – Electronic Funds Transfer (EFT) pg. 22

Merchandising Points of Contacts

Link to our current POC listing

Guide to Doing Business with NEX

This guide provides a good overview and background of the NEX. We strongly encourage you to review the entire Guide to Doing Business with the NEX.

Getting Started

Once a buyer has agreed to do business with your company, the next step is to read this manual and the associated documents linked above (Publication 61 and Guide to Doing Business with NEX). Once you've completed those steps and are sure that you can meet the requirements of doing business with the NEX as outlined in this document, please complete and submit a Trading Partner Agreement (PDF File) to your buyer.

Technology

NEX is committed to following industry standards to maximize the utilization of our technology investment to ensure that we provide the best possible customer service. We expect that our vendors maintain sufficient technological capabilities.

The following technology resources may be of assistance:

- Voluntary Inter-Industry Commerce Standards at http://www.vics.org/
- GS1 at http://www.uc-council.org/
- National Retail Federation at http://www.nrf.com/
- Dun & Bradstreet (D&B) at http://www.dnb.com/

DUNS NUMBERS

All trading partners must provide a Dun & Bradstreet Universal Numbering System (DUNS) number. DUNS numbers will be your trading partner identification numbers. If your firm does not have a DUNS number(s), see below 'How to Obtain a DUNS Number' for information on how to obtain the required DUNS number(s) from Dun & Bradstreet. There is no charge to obtain a DUNS number.

If your company has more than one DUNS number, you need to determine which are applicable. If you require that we utilize two or more DUNS numbers (i.e. to reflect separate divisions/branches of your company), this matter must be brought to our attention and a separate Trading Partner Agreement (PDF File)must be completed for each DUNS number your company requires.

How to Obtain a DUNS Number

1. Dun & Bradstreet Contact Information
- http://www.dnb.com/
- Customer Service: 1-800-234-3867
2. Dun & Bradstreet with ask for the following information:
- Name
- Company Name and Address
- Line of Business
- Number of Employees
- Chief Executive Officer/Key Manager
- Relationship to other businesses that may be linked in the D&B database for your company.
3. Note: DUNS numbers will not be assigned for the following:
- Different departments at same location
- Unstaffed operations of locations (e.g. automatic tellers)
- Trade styles of additional names used by a company for buying and/or advertising purposes
- PO Boxes used for general mailing purpose.
4. Note: DUNS numbers are retained for the following:
- If a business moves to a new location, the DUNS number remains the same.
- If a business stops operation without a successor its DUNS number is retired and will not be reissued
- If a company consolidates operations or locations, one of the location's DUNS numbers is retained for the consolidated location.
- If one or more corporations merge into an existing corporation, the DUNS Number of the latter corporation is retained.

UPC/EAN/GTIN Requirements

NEX's scanning, ticketing and POS systems are equipped to utilize U.P.C. and EAN codes. We require that all retail products that are sold in our stores are identified with a scannable bar code attached to the product. Please contact GS1 at http://www.uc-council.org/ for any questions related to getting started in bar-coding product.

All of our EDI transmission are traded at the U.P.C. (Universal Product Code) level; therefore, you must be 100% U.P.C. marked.

EDI

NEX utilizes Electronic Data Interchange (EDI) to trade business documents electronically. EDI is the automated application-to-application exchange of business data such as purchase orders, invoices, shipping notices and point of sales information. NEX is committed to strengthening vendor partnerships through the application of industry standard technology; therefore, our vendors must be EDI-capable on the EDI documents listed below. Our EDI specifications are posted at EDI Specifications.

NEX requires all vendors to test with us through SPS Commerce username: nexvendor, password: spscommerce prior to trading the 850, 810 and 856 documents with NEX.

NEXCOM's EDI Testing Methodology – Why we test with every trading partner regardless of translator or EDI service provider

The purpose of conducting EDI testing is to confirm our trading partner's ability to exchange EDI data in compliance with EDI Standards, our EDI guideline requirements, and to provide confirmation that the turnaround details from one business transaction to another are correct and that the partner is able to accept in inbound documents such as the EDI 850 PO and EDI 852 POS Sales information and send outbound documents such as the EDI 810 invoice, EDI 856 ASN and a scannable shipping label in the correct format.

This involves testing the connection with the suppliers, EDI standards syntax validation, NEXCOM's EDI guideline segment / element requirements, and additional business rules such as specific conditions based on order model (cross-dock or bulk) .

NEXCOM has made the decision to require supplier level testing versus product level testing. This means that each trading partner will be required to test with our current testing partner SPS Commerce. The reasons for this decision are as follows:

- Validate the VAN connection per supplier. Although the trading partner may be trading with other retailers and/or we are currently trading EDI transactions through the 3rd Party EDI Service the trading partner utilizes, there is still a setup process per supplier that needs to be completed. The confirmation of connectivity test is represented by processing an EDI 997 document.
- Even if we are currently trading EDI transactions through the 3rd Part EDI Service the trading partner utilizes, we still need to test to validate:
    - ☐ Business Rules based on Order Model (cross-dock versus bulk) to include invoicing method
    - ☐ UCC-128 Labels are scannable

- ☐ Business validation rules around case versus each ordering
- ☐ Data synchronization of items

▪ EDI Service Providers often have more than one product including an integration service, which moves data in and out of the supplier's backend systems. This setup is identical to an EDI Supplier that hosts its own EDI service and requires testing.

▪ Once testing is complete, NEXCOM wants to reap the benefits of EDI immediately. If we did not perform this type of detailed testing with each trading partner, then we will be forced to 'test' the transactions in production, which would slow down our realized benefits.

- ☐ Additionally, the EDI 856 ASN/UCC-128 is a high profile transaction and the quality of the data and barcode scan will make or break the efficiencies gained.

Current EDI Documents

The following are mandatory documents:

- 850 Purchase Order
- 855 Inbound Purchase Order **(mandatory for Vendor Managed Inventory vendors only)**
- 856 Advanced Shipping Notice (ASN) including UCC-128 Bar Code label
- 810 Electronic Invoicing
- 997 Inbound/Outbound Functional Acknowledgement

We also have the capability to process the following documents:

- 832 Price/Sales Catalog
- 820 Electronic Fund Transfer
- 852 Product Activity Data (POS Sales)

EDI 856 Advanced Shipping Notice (ASN)

NEX requires a VICS EDI 856 ASN with carton level information for every shipment to a NEX Distribution Center or store. Merchandise shipped by small package carriers requires one EDI 856 per carton. In order to send an EDI 856 ASN:

1. Vendor must complete and submit pages 9-14 of our Trading Partner Agreement (PDF File)
2. Complete testing for EDI 850, EDI 810 and EDI 856/ UCC-128 label through SPS Commerce username: nexvendor, password: spscommerce prior to trading the 850, 810 and 856 documents with NEX
3. If you install a new EDI 856 ASN system or make any changes to the current program contact our EDI Business Team at EDI Business Team@nexweb.org
4. Vendors must use correct, valid PO numbers in the EDI 856
5. The EDI 856 must be 100% accurate and include all mandatory segments and must match the shipment. We recommend a 'scan and pack' method of EDI 856 ASN creation
6. Do not include U.P.C. codes for any quantities not shipped, including merchandise that is back-ordered
7. Never transmit the same UCC-128 number on more than one EDI 856 ASN. We cannot currently accept corrections on a systematic basis. If you need to correct the ASN, contact the EDI Business Team@nexweb.org prior to transmitting the corrected ASN.
8. Every EDI 856 ASN must accurately provide 'ship to' numeric code in the N104 segment that matches the 'ship to' numeric code in the N104 of the EDI 850 Purchase Order.

- **Note: It is possible that that during the ship-to address verification process (SEE SHIPPING INSTRUCTIONS BELOW) that the final 'ship to' address will vary from the original address provided on the EDI 850 Purchase Order; however, the 'ship to' numeric code will NEVER change during the verification process.**

9. Charges will be assessed if:

- Removed from program due to continued inaccurate ASNs
- ASN is inaccurate
- No ASN is sent or it is sent later than the time of receipt

NEX UCC-128 Label Requirements: Rev Feb10

1. All Shipments to NEX locations require UCC-128 (SSCC-18) Shipping Container labels.
2. Your UCC-128 data must be included in your EDI 856 ASN ship notice transmission.
3. You should have an ongoing UCC-128 bar code quality control program in place that ensures ANSI A or B print quality when scanning with a 10-mil aperture. Be sure to use “smudge-proof” labeling / ink and high quality paper products. For best results, the correct combination of paper, ink / ribbon and printer type should be chosen based on your method of shipping so that your labels arrive at our distribution centers in a scannable condition. Do not use colored paper for UCC-128 labels, use non-reflective label stock and ink.
4. Create your UCC-128 Shipping Container label based on the UCC specifications. If you use the 4” by 6” label format, your UCC-128 bar code should be 3.02” in length, 1.25” in height, with a .25” quiet zone on each side. Only use UCC / EAN-128, subset C bar code symbology with the nominal X dimension of 20 mil.
5. Every UCC-128 number you generate must be unique (across shipments, across divisions, across distribution centers, across departments, over time). NEVER REPEAT CARTON NUMBERS. Although industry standards state UCC-128 should not be re-used for 1 year, Nexcom strongly recommends that you never re-use UCC-128 numbers, and that you disable the ability to generate duplicate labels in your system. If you send us cartons with duplicate UCC-128 numbers you may not be paid on time.
6. Labels should be placed on top of the carton, parallel to, but not overlapping the seam. Do not place labels over product ID numbers, UPC barcodes, retail price, or other consumer information. Be sure the label is placed so that the bar code is scannable, i.e. not on a seam or the corner of the carton, no closer than 1.25” from any edge.
7. Do not affix a UCC-128 Shipping Container Label to your carton until you are providing pack level detail to your ASN transmission.
8. DO NOT COVER PRODUCT INFORMATION WITH THE UCC-128 label where the shipping carton is also the display (selling unit) carton on the selling floor (examples: toaster ovens, glassware sets, cookware sets, etc.). Use removable UCC-128 labels, shrink-wrap each carton before applying the UCC-128 labels, or design your packaging to provide a space for the UCC-128 that does not interfere with selling floor display.
9. Do not cover your UCC-128 label with any tape. Covering the label with clear tape creates ‘reflection’ which causes your label to be unreadable.
10. NEX transmits the Department number in the REF segment of the 850 Purchase Order document. An example of how data will transmit

is:REF*DP*597. Please refer to the 850 EDI Mapping Guides for additional information.

All shipping labels (UCC-128 or manual) require the following information:

1. Ship from (Company name & address) (Zone A)
2. Ship to name and address. This information is be obtained at time of routing and could be different than what is on the purchase order
Example: NEX Norfolk Distribution Center
Bldg CD1 9222 Hampton Blvd
Norfolk, VA 23511 (Zone B)
3. Postal Code – Zone C
4. Bill of Lading number, carrier information - Conditional Field (Zone D)
5. Purchase order number, NEX Department number and promotional verbiage from the SAC 15 segment of our EDI 850 PO. (use a minimum 20 point bold font). (Zone E)
6. Identify number of smallest shipping unit, whether cartons or pallets shipped against each purchase order (ie. 1 of 3, 2 of 3, 3 of 3). (Zone F)
7. Specific “Mark For” information will be transmitted within the purchase order. NEX Store/Warehouse number (minimum 30 pt. bold font, no abbreviations). (Zone H)
8. Standard for Shipping Container Codes (SSCC) -128 bar code symbology with (quiet zone of .25”, minimum length of 3.02” and minimum height of 1.25”, 20 digits Human Readable in Zone I)

Example of a UCC-128 Label

UPC Catalogue

NEX utilizes UPC catalogue information from GXSfor our MS softline clothing division of product. We strongly recommend that you publish your UPC catalogue information to GXS's Inovis's catalogue. Please contact GXS Inovis at (877) 446-6847 for transmission via Inovis.

Purchase Order Information

1. The general terms and conditions of purchase orders listed below apply to all purchases orders:

- All FOB Origin and Destination orders must be routed confirmed at https://webserv.nexweb.org/fastweb/ (legacy system) or https://webserv.nexweb.org/otm/GC3/glog.webserver.servlet.umt.Login. Please contact the transportation department (POC information is available through the legacy system link above) for any questions.
- Purchase orders are subject to terms and conditions to Publication 61.
- Date of invoice must not precede data of shipment.
- Shipments against the purchase order must be an exact match for item, UPC, case pack and cost.
- A purchase order modification from the buyer is required prior to shipment of any item not in compliance with the purchase order.
- No substitutions or additions will be accepted. These items will be kept or destroyed at our option without payment to the vendor. WARNING – Failure to comply with these instructions will result in a chargeback for excessive freight and a processing fee of $300.
- Do not include freight charges on merchandise invoices.

2. Vendors are not to accept any PO for retail product other than EDI PO(s) (with the exception of the few vendors that are approved for our automated FAX service). Vendors that are on EDI 850 PO(s) must not accept faxed copies of purchase orders as valid.
3. Vendors are responsible for verifying the accuracy of every PO detail, including ship not before and ship not after date. Do not ship merchandise until all details are confirmed and the correction of any discrepancies are verified by an EDI retransmission documenting the EDI PO changes from the original transmitted order. If an agreement is reached to change the cost price, the vendor must verify that the buyer completed such cost price changers and an updated EDI PO was retransmitted.
4. Do not ship merchandise before the ship not before date or after the ship not after date without NEX's prior written authorization. Vendor ship windows will be validated at time of routing.
5. Shipment of merchandise that does not comply with the applicable PO, such as style, color, size, quantity, etc. may result in a chargeback, even if NEX accepts the merchandise.
6. Pack and Mark EDI 850 PO(s) – Vendors must follow NEX's allocations (SDQ segments on the EDI 850 PO(s)) as listed on the PO and must not over-ship any store.
7. NEX reserves the right to reject unauthorized substitutions, invalid orders, canceled orders, early shipment, late shipments, over-shipments, and

duplicate shipments. NEX reserves the right to assess charges in respect of unordered merchandise whether rejected or accepted.

8. Backorders are not accepted without prior approval in writing from the buyer. The EDI Business Team needs to be notified so that the mapping can be updated to reflect that back orders are allowed. The EDI 850 PO CSH01 segment transmits information on whether back orders are allowed or not.

CSH01	Sales Requirement Code	"N" - No Back Order. "Y" – Back Order if Out of Stock.

Partner Information Site

NEX maintains a partner information site that provides sales information to authorized partners. The link to the Partner Site is https://www.navy-nex.com/command/contractor_vendor/cv-partner_information.html

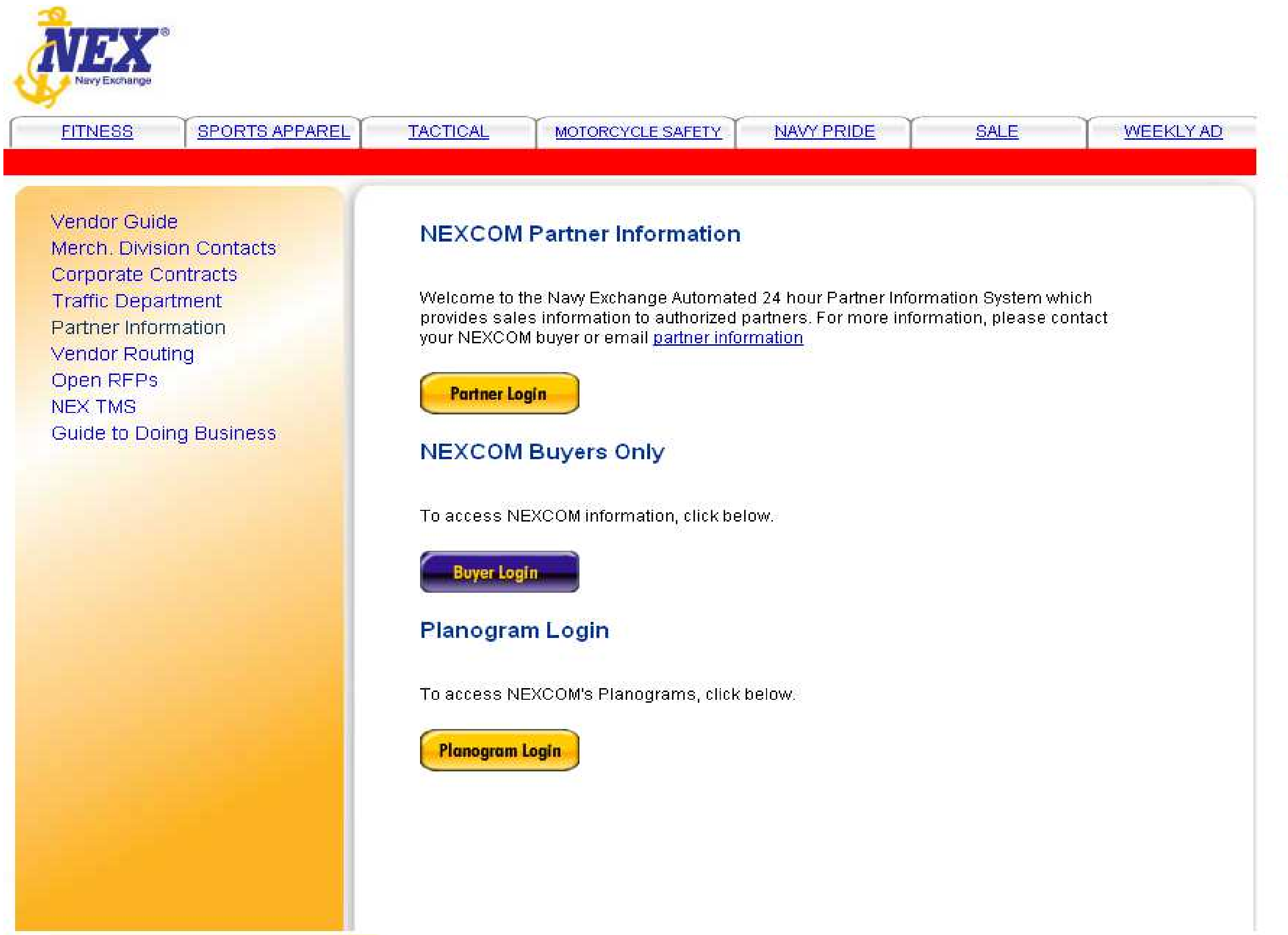
Questions related to the site can be directed to partner information@nexweb.org

Trading Partner Access to NEX Planograms

NEX maintains a web site that provides planogram visibility to our authorized trading partners.

Logging into Website

1. The Trading Partner first needs to log into externally accessible website of **https://www.mynavyexchange.com**
2. Click on the "Business Partners" located at the bottom of the screen
3. Then click on "Partner Information" on left.
4. Then they should click the “Planogram” Login in middle of screen
5. For first-time Partners on this site there is a "Register" button to click on. If they already have received their User and Password from us, they can proceed directly to the "Planogram" button, Login and then proceed to the planogram site.



6. Once the Trading Partner clicks on the Register button this DOD Banner will be displayed:

You are accessing a U.S. Government (USG) Information System (IS) that is provided for USG-authorized use only.

By using this IS (which includes any device attached to this IS), you consent to the following conditions:

The USG routinely intercepts and monitors communications on this IS for purposes including, but not limited to, penetration testing, COMSEC monitoring, network operations and defense, personnel misconduct (PM), law enforcement (LE), and counterintelligence (CI) investigations.

At any time, the USG may inspect and seize data stored on this IS.

Communications using, or data stored on, this IS are not private, are subject to routine monitoring, interception, and search, and may be disclosed or used for any USG-authorized purpose.

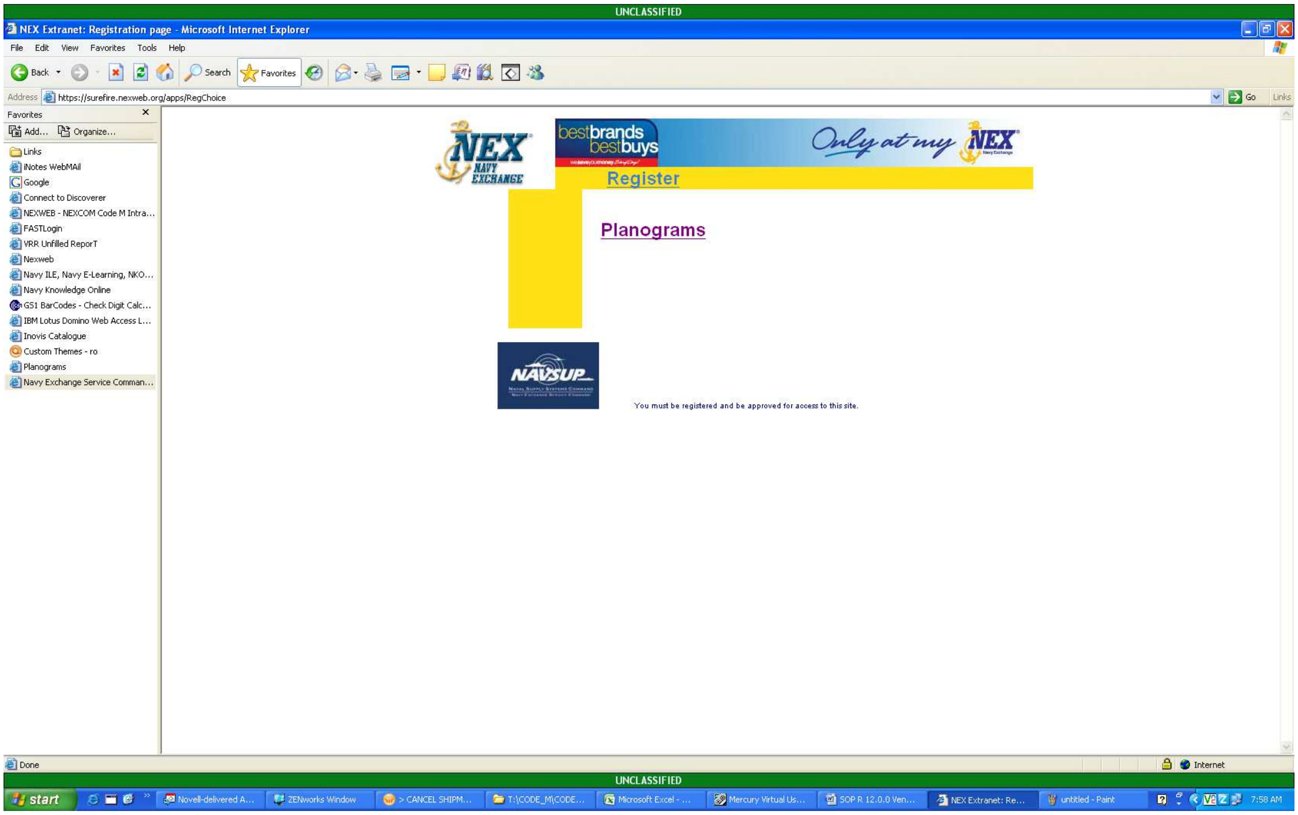
This IS includes security measures (e.g., authentication and access controls) to protect USG interests--not for your personal benefit or privacy.

Notwithstanding the above, using this IS does not constitute consent to PM, LE or CI investigative searching or monitoring of the content of privileged communications, or work product, related to personal representation or services by attorneys, psychotherapists, or clergy, and their assistants. Such communications and work product are private and confidential. See User Agreement for details.

ACCEPT DECLINE

NOTE: They must accept the agreement or they will not be able to continue.

Registering online for a User Name and Password:



1. The Trading Partner must fill out the profile information

Create User Profile

Profile Information
The fields in **Bold** are required to complete this transaction; all other fields are optional.

Company Name: Pleasant Pastries
First Name: Janice
Middle Initial: M
Last Name: Pleasant
E-Mail Address: ce_pleasant@nexweb.org
Confirm E-Mail Address: ce_pleasant@nexweb.org
Phone Number: 631-6604
NEX Sponsor's E-Mail Address: marty_martinez@nexweb.org / replenishment_action_team@nexweb.org

Password Information
This is a temporary password. Do not change the password here. You will be required to change it the first time you login.
Password ••••••••••••••
Confirm Password ••••••••••••••
Challenge word ••••••••••••••

Continue | Clear Entries

2. Note: In the "Nex Sponsor's email address" section select the Replenishment Action Team

3. They should then click “Continue”, after completing the form. The below screen will then be displayed:

Thank you Janice INC for registering on the NEX Planograms site!

You should receive an e-mail confirming your registration within 2 to 3 hours. The message will contain your NEX Planograms username and password. Your registration has been sent for approval by a NEX Associate. Once it has been approved, you will receive a notice and will be able to login to the NEX Planograms Site.

Thank you for registering.

1. Once we approve the request the Trading Partner will receive this email:

Your registration request has been entered
skyfire to: janice_pleasant

Please allow 2 business days for your request to be completed.

2. Afterwards our Nexcom Customer Support Technical Team will then send a return email to the Trading Partner with the user id and temporary password information as follows:

<u>Email Example:</u>

Dear “Trading Partner Name here”:

Your Navy Exchange Registration has been successfully processed.

Your username is: Xxxxxxx Xxxxxxx
Your temporary password is: Ch@ngePass3316
Account Rules To Know:
Passwords must be changed every 60 days.
Passwords must be 14 charactors long, including 1 Upper Case, 1 Lower Case, 1 Number and 1 Special Character.
Passwords older than 45 days will trigger a reminder to change it.
Accounts not accessed in 61 days will be removed.
Once an account is removed, a new account must be requested.

Thank you for using our site!
NEX IT Team
https://www.mynavyexchange.com
Note: Special Characters cannot include $,^,~,+,=,<>

3. After the Trading Partner receives the response back from our I.T.Support group, they then can go directly to the website at: **https://www.mynavyexchange.com/command/contractor_vendor/cv-partner_information.html**
4. They then can click to Login and use their new username and temporary password. (Note: they will again be prompted with the DOD banner to Accept before proceeding). The Trading Partner enters user name/temporary password: Click on Sign in.

5. After seeing this screen the Trading Partner must change their temporary password, and click submit.

Change Password

Your admin has required a password change before logging in. Please choose a new password

Old Password:

New Password:

Confirm Password:

Submit Cancel

Screen displays:

Password change request submitted.

The Trading Partner now has access to Planograms.
Note: Please ensure you are now using the user id and password you created, and do not share user id’s or passwords with anyone.

NEX NAVY EXCHANGE

Navy Exchange Planograms

* Nex Planograms are for viewing by authorized vendors only.
* Do not share your login information with anyone.

▸ Operations - Merchandising Direction-Planograms-Calendars

* Use right scroll bar and/or twisties (Green Triangles) to view more
* Questions or comments should be sent to your NEX Buyer

Now the Trading Partner can proceed to the Planogram site, and will see the above screen. Once they click on the arrow, they will see subdirectories with Planograms by ARMS dept. (as pictured below)

Replenishment

Replenishment Overview

The NEX buyer determines the best method of replenishment. NEX also utilizes a demand forecasting system to drive our replenishment for our top selling items across most of our retail departments. There are currently 6methods of replenishment of basic product:

1. Auto Replenishment (A/R) Warehouse Stocked – NEX's Oracle Retail system generates replenishment orders to the distribution centers for stocking based on warehouse transfers, inventory and established minimum and maximums. The NEX stores are replenished from the distribution center based on sales, inventory levels and established stock levels. The purchase orders are transmitted to the vendor as an EDI 850 transmission.
2. Auto Replenishment (A/R) Store Replenishment – NEX's Oracle Retail system generates replenishment orders either directly to the store or cross-docked through a distribution center based on sales, inventory levels and established stock levels. The purchase orders are transmitted to the vendor as an EDI 850 transmission.

3. Store Order – NEX store associates determine order quantity using a hand-held device based on the active, authorized assortment. The purchase orders are transmitted to the vendor as an EDI 850 transmission.
4. Vendor Managed Inventory (VMI) – Authorized trading partners will set up their systems to generate replenishment orders based on sales, inventory and established minimum and maximum stock levels. Please contact the appropriate buyer or the Replenishment Action Team for more details on this program. VMI partners must be able to transmit EDI 855 Purchase Order Acknowledgement to NEX.
5. Quick Order Entry (QOE) – QOE is utilized for daily store delivery type of merchandising for those vendors that are able to provide the billing invoice at the time of delivery. Examples of product that are appropriate for this program are bread, milk and other daily delivery product. The purchase order, receipt, and invoice match will be created at time of receipt. Only authorized assortment items will be accepted. A purchase order number is NOT required on the invoice because the purchase order will be created at time of receipt at the store. In order to ensure accurate cost prices it is imperative that all cost changes be submitted to the NEX buyer no later than 30 days prior to the effective date of the cost change.
6. Scan Based Trading (SBT) – NEXCOM has a SBT program available to qualified trading partners. Please contact the appropriate buyer or the EDI Business Team for more details on this program.

Demand Forecasting - RDF

NEXCOM utilizes RDF- Retek (Oracle) Demand Forecasting a Windows-based statistical forecasting solution that uses state-of-the-art modeling techniques to produce a high quality forecast with minimal human intervention.

RDF – High Level Explanation of How it Works

- Utilizes 2 years of sales or issue history to forecast the item's future sales/issues utilizing 7 different methods of forecasting models
- Uses an Out of stock indicator to fill in gaps of lost sales
- Uses Promotional Sales – and adjusts forecast up or down based on promotional lift
- Forecaster can adjust forecast at any level of hierarchy of the Product and Locations
- Forecaster can adjust Sales history due to a past unusual event (i.e. hurricane, ship movement, store opening, etc.)
- Includes "Like Item" and "Like Store" capabilities
- Batches run every weekend, to update the previous week's sales/issues; run preprocessing; and produce a new 16 week forecast.

Key Terms and Definitions in RMS (Retek Merchandising System) –

- **Time Supply:** A stock-oriented replenishment method used with forecasting . You control stock levels through days of supply in the store rather than specifying an exact amount. Based on forecasted sales data from the Retek Demand Forecasting System, the minimum time supply number of days is used to determine the minimum stock level, while the maximum time supply number of days determines the maximum stock level. These min/max levels change based on the current forecasted sales data. The time supply horizon number of days is an optional field used to calculate an average daily sales rate that is multiplied against the minimum time supply days and maximum time supply days to determine a min/max. This field is useful if the time supply days extends past the number of days with forecasted data. A replenishment order is made when the net available inventory reaches the minimum days of supply and the order quantity placed is based on the rate of sale from forecasted sales over the specified period (time supply horizon) and the maximum days of supply value.
- **Time Supply - Issues:** A stock-oriented replenishment method used with forecasting used exclusively for warehouses. Replenishment calculations function just as they do for stores except that the warehouse issues forecasts are used. All other calculations are consistent with store Time Supply replenishment.
- **Time Supply Horizon**: The time supply horizon is an optional parameter that allows the user to specify the period of time to be used to calculate a rate of sales or issues. This is useful since our forecasts are generating 16 weeks ahead of time (updated and refreshed weekly). The time supply horizon can then be used to calculate a rate of sale over that horizon, and to use that rate of sale in the calculations to figure out the required quantity. (For example, a DC to Store item ships at least weekly to a Store. We only need to forecast about 4 weeks out to calculate a current rate of sale.) If we set the horizon to 28 days it will only take the first 4 weeks of the Item Forecast to calculate a days of supply. If left blank this parameter will use the total 16 weeks forecast to determine an avg. days of supply. This parameter is maintained at the item/location level.
- **Presentation Stock:** It is the minimum stock needed for in-store display, such as on shelves or peghooks. It is not a value to satisfy consumer demand, only to cover the minimum needs of fixture presentation. (it should <u>not</u> be a value of <u>filling</u> the shelves or peghooks) Number of facing per POG should be considered when setting Presentation stock as well as any additional outposts being used at a location. Presentation stocks are managed by the Department planner. Presentation stock is also considered safety stock. As such, if the presentation stock is higher than either the min or the max, the presentation stock number will be used as the minimum or maximum. (Examples: (a) min=6, max=24, pres.stock=12; will reorder when on hand falls below 12 (b) min=6, max=9, pres.stock=12; will reorder up to 12, not 9.)

Weekly Reports

- Weekly In-stock Forecast Scorecard - monitors in-stock %'s; weeks of supply; and forecast variance (sales vs. forecast by Dept/Location in dollars and units)
- Forecaster has Access to run ad-hoc reports out of RMS so Planner's can view their business - such as Calculated min/max

Forecasting demand for new products and locations

Retek Demand Forecasting can also forecast demand for new products and locations for which no sales history exists. You can model a new product's demand behavior based on that of an existing similar product for which you do have a history. Forecasts can thus be generated for the new product based on the history and demand behavior of the existing one. Likewise, the sales histories of existing store locations can be used as the forecast foundation for new locations in the chain.

Approving Forecasts through Alerts (Exception Management)

Retek Demand Forecasting provides the user with ability to manually approve every single product/location forecast value. However, due to the extremely large volume of product/location forecast values that will be generated each forecast cycle, RDF also provides additional functionality that enhances a user's ability to evaluate and approve a forecast.

Specific Forecast Approval Alerts and alert parameters are defined and applied during the batch process and are also inserted into the Forecast Approval Workbook. In effect, alerts act as watchdogs and report product/location forecast values that exceed expected thresholds. If a specific product/location forecast value exceeds a threshold, the alert measure is flagged as "on" and visible to the user as a check mark in the appropriate product/location intersection on the interface.

Alerts – Nexcom has 11 alerts that it utilizes to assist the Forecaster by Managing by Exception. Those alerts are:

- Adjusted Forecast vs. Last Year Sales Alert (Item/Location)
- Adjusted Forecast vs. LY Issues Alert – Item/Location
- Sales Forecast Error Alert – Item/Location
- Issues Forecast Error Alert – Item/Location
- Forecast Error Alert – Item/Chain
- Runaway Sales Forecast Alert – Item/Location
- Runaway Issues Forecast Alert – Item/Location
- Sales Forecast Delta Alert – Item/Location
- Issues Forecast Delta Alert – Item/Location
- New Promo Alert – Item/Location
- New Item Alert

Automated preprocessing of data

Preprocessing, as the name implies, is an optional process that may occur prior to data being used in any RDF solution. The process corrects past data points that represent unusual sales values not representative of a general demand pattern. Such correction may be necessary either when an item is out of stock and cannot be sold, resulting in unusually low sales. Conversely, correction of data may also be necessary in a period when demand is unusually high. Preprocessing allows the system to automatically make adjustments to raw POS (Point of Sales) data, so that subsequent demand forecasts do not replicate undesired patterns caused by lost sales or unusually high demand.

- RDF Preprocessing Methods and Calculations – Nexcom utilizes “Retek Median” preprocessing for Issue Forecasting (DC’s), and utilizes “Lost Sales – Std ES” for Sales Forecasting (Stores).

NEXCOM’s Forecast Score Card – How do we monitor results?

- Annual MBO Goals – Each Forecaster has Instock % and Weeks of Supply goals for their departments that are higher than the Company Baseline
- Weekly Forecast Variance Reports – Each week we report the Variance of the Forecast for the week previous, vs. the sales for that week (by dept/location). It currently has been tracking well over a 95% forecast accuracy.
- Weekly Forecasted instock reports, both Warehouse and Stores. A scorecard of the instock% and weeks of supply by dept is monitored
- RDF Scorecard – When we convert a dept to Forecasting, the Supply Chain Director sets target goals of instock %’s and weeks of supply, dependent on the startup baseline. These are updated weekly to get a year-to-date report card for each Forecaster.
- The Supply Chain Director, Forecast Manager, and the Forecast Analysts hold monthly meetings to review their numbers; identify problems and successes; and share issues to resolve as a team.

Logistics

Shipping Instructions

The Navy Exchange requires all vendors to obtain purchase order and ship-to address verification prior to shipping regardless of FOB terms on the purchase order. It is possible the ship-to address that was transmitted on the purchase order is different than the final ship-to address received during the ship-to address verification process. **The vendor is to follow the ship-to address received during this ship-to address verification process and disregard the ship-to address provided on the purchase order.**

Our current ERP solution only allows one ship-to per purchase order; therefore, the address transmitted on the purchase order is our default address. It is possible due to different processing requirements for a particular purchase order that the final ship-to received during the verification process might vary from the default ship-to transmitted in the purchase order. It is the responsibility of the vendor to obtain the verification prior to shipping.

Any questions related to these instructions should be directed to the NEXCOM Transportation Office at NEX _Traffic_Management_Group@nexweb.org Please allow 48 hours for a return call during peak routing periods or after national holidays. Any questions related to the address on the purchase order should be directed to mailto:EDI Business Team@nexweb.org.

Failure to comply with this verification will result in charge-backs for excessive freight costs and a processing fee of $300 for each offense.

Purchase Order and Ship-To Address Verification

NEX vendors are to obtain purchase order and ship-to address verification. To ensure routing before the end of the purchase order ship window, begin the routing process no later than 48 hours before the purchase order ‘ship not after date’.

Cross Dock ASN Program

NEX has implemented a Cross Dock ASN program at our distribution centers to speed merchandise to the selling floor. To eliminate manual data entry and reduce handling, NEX’s cross dock programs utilize the EDI 850 PO SDQ segments (see EDI 850 mapping for further details), the EDI 856 ASN, the UCC-128 labels and floor ready merchandise standards (applies to softline clothing products). Merchandise is moved from the inbound truck via our sortation system and on to the outbound store delivery truck, but only if the EDI 856 ASN is consistently accurate. During our implementation of the Cross Dock ASN program we have experienced a 75-90% reduction in processing time which gets the product to our store faster and streamlines the order to pay cycle.

Store ASN Receiving Program

NEX has implemented a Store ASN Receiving programs to increase the efficiency of the receiving process. Merchandise is received against the ASN without an item-by-item verification of quantity but only if the EDI 856 is consistently accurate. During our implementation of the Store ASN Receiving program we have experienced a 75-90% reduction in processing time which gets the product to our store faster and streamlines the order to pay cycle.

Vendor Audit Program

NEX is committed to using technology to move merchandise through our supply chain as efficiently as possible, including our Cross Dock and Store ASN Receiving programs that book the receipt without performing an audit. This is possible only when the accuracy of shipments is consistently high. NEX requires that the EDI 856 ASNs are 100% accurate and that the vendor has instituted an accuracy program to ensure compliance.

The NEX audit looks at piece count accuracy. A vendor will not be eligible for our Cross Dock ASN program or ASN Store Receiving program until the audit shows consistently high accuracy. The vendor's goal must be 100% accuracy on all shipments. The U.P.C. codes on your physical merchandise must match the U.P.C.s transmitted on the EDI 856 ASN.

Every vendor is subject to the following audits:

- EDI 856 ASN Qualification audit - As we move a vendor onto our Cross Dock ASN program or our ASN Receiving at the stores program, an audit will be performed to ensure the EDI 856 ASN is accurate enough to move on to these programs
- Ongoing audits – Once a vendor is moved to the Cross Dock or ASN Store Receiving program, random shipments will be audited to verify the accuracy continues to be acceptable.
- Integrity audit – If a vendor's audit results indicate frequent errors and accuracy percentages fall below 99.9%, the vendor will be removed from the Cross Dock or Store ASN Receiving program and NEX will discontinue the use of the EDI 856 ASN. Vendors that remain in integrity audit for more than 6 months will be subject to additional charges.

Carton and Packing Requirements

1. Seal cartons securely with security/reinforced tape. All openings on all sides of the carton, including edges must be sealed using the "H" method. Do not use material on cartons that may damage the sortation equipment. Do not use bands, straps, staples or string permitted around exterior of shipping container/carton.
2. No shrink-wrapping or plastic covering is permitted on exterior of carton because it may adversely affect scanability of the UCC-128 label
3. No metal or tape may be used
4. No metal or tape may be used to bundle hangers within cartons
5. No excessive tissue or paper as filler to "cube" or "fill-up" under packed cartons. Cardboards or chipboard is permitted to protect goods. Tissue may be used only as necessary to protect packaging from sticking and damage during transit.
6. Small items must be packed so that items are not concealed within a carton.

7. Breakable products must be packed to prevent breakage during normal shipping and handling
8. Carton width must allow hangers to fit squarely in the carton, not at an angle.
9. Use a shipping carton that fits the garment. Ideally, merchandise should be packed ¼ inch below the top of the carton, and 1/8 inch from the sides of the carton.
10. Do not over or under pack the carton, which impairs the integrity of contents and may impair ability to scan the UCC128 label.
11. Carton strength should be a minimum of 32 ETC (edge test crush) = 150 mullen to prevent crushing during transit. Large or heavy cartons may require a higher ETC.
12. NEX encourages the use of environmentally friendly (recyclable and/or biodegradable) packaging whenever possible.

Masterpack

A vendor that wants to use a carton size that does not meet NEX's carton size requirements by store must masterpack by using one carton to package merchandise for multiple stores that was ordered under one PO, by following these steps:

1. Write "Masterpack" on the outside of the master carton on all six sides
2. Do not place a UCC-128 on the outside of the masterpack.
3. Use a separate inner carton for each store location, each with one UCC-128 shipping container lable.
4. Provide one EDI 856 ASN which represents the entire shipment, with one 'Man-GM" segment per inner carton.

Transportation

NEX's Transportation Office manages transportation arrangements for vendor shipments. Vendors must comply with all requirements because our agreement to pay freight expense is conditioned on vendor compliance with NEX requirements. A vendor's failure to follow NEX's requirements constitutes the vendor's agreement to pay such freight expenses and any administrative fee for non-compliance. Contact our transportation office at NEX_Traffic_Management_Group@nexweb.org with any questions, problems or concerns before initiating any shipment of goods.

Working with NEX's Transportation Office

1. Vendors must be registered users of Vendor Web Routing. NEX requires that vendors provide ONE valid email address per shipping location to use for routing notifications. Accurate, current and specific vendor information is required to avoid problems and permit a shipment to be traced.
2. Vendors must prepare and provide weight/cube measurements per shipment. Calculations for cubic feet should be based upon actual amount of spaced that would be occupied by the shipment. It is imperative that vendors provide accurate weight/cube information to NEX.
3. Vendors must maximize truckloads to reduce LTL and small-package shipments by combining shipments from a single shipping location to a single NEX's destination. In order to meet NEX's weight-cube minimums, LTL or small package shipments should not be shipped on consecutive days to a single NEX destination unless specifically authorized by NEX.
4. In order to ship FOB origin (collect) you must obtain routing and are responsible for ensuring that the carrier picks up the shipment no later than 48 hours after you receive the authorization number from NEX. It is the vendor's responsibility to contact the carriers for pick-up. Pick-up must be made prior to the applicable PO ship not after date. It is the vendor's responsibility to contact the buyer to request a shipping date extension.

5. All FOB origin (collect) shipments must be routed through NEX's transportation office.
6. Deviations from NEX's routing instructions must be authorized by transportation office prior to shipment. NEX's authorization that affect routing, routing instructions or otherwise modify transportation instructions must be issued by NEX transportation office in order to be valid. Requesting a delivery appointment on the ship not after date does not constitute on-time delivery. Vendors bear all detention or demurrage charges resulting from shipping outside the applicable PO shipping window.
7. Merchandise should not be shipped before the ship not before date on the PO or after the ship not after date. The request for routing must be made sufficiently in advance of the cancel date to provide adequate time for delivery to NEX facility.
8. Carriers for vendors shipping under FOB destination must allow a minimum of 4 hours for a live unload or a minimum of 48 hours to unload a drop trailer.

Accounts Payable

EDI Invoices

1. NEX utilizes paperless EDI technology to pay invoices, including EDI 810 invoice and EDI 820 Remittance Advice documents. All merchandise (with the exception of approved QOE vendor's shipments) shipped to NEX requires EDI invoices. Use of paper invoices violates our standards.
2. Vendors not yet using EDI technology must become EDI capable. Contact the EDI Business Team at EDI Business Team@nexweb.org.

EDI 820 Remittance Advice/Electronic Funds Transfer

NEX has two methods of communicating remittance advice, the EDI 820 or notification via one e-Mail address per vendor. Choose a method when filling out the Trading Partner Agreement Form.

Inquiries

Accounts payable questions regarding shipments to the west coast, Hawaii, Guam and Japan can be directed to the A/P Manager in our San Diego Office Cathy Holmes at 619 237-5792. Questions regarding shipments to the east coast and Europe can be directed to our A/P manager in our Chesapeake Virginia office, Pat Abbott 757 819-7331.

Proof of Delivery (POD) Request on unpaid invoices

1. Accounts Payable will request proof of delivery (POD) on invoices for which no record of merchandise receipt can be found. Vendors will receive notification of a POD request and that payment will not be made prior to receipt of applicable POD.
2. A valid POD is defined as a freight bill stamped and signed by a representative of a NEX distribution center or store. The freight bill must include the purchase order number, carton count, and the name of the NEX location for which the shipment was designated. If there are multiple PO(s) on the shipment, the carton count must be provided by PO.

Vendor Address Information

Any changes to a vendor's address file, shipping information, shipping location, change due to a merger, acquisition, Chapter 11 filing, company closings, or change in licensee agreement, must be communicated to NEX as promptly as possible and in all events, within 48 hours of occurrence via e-mail to EDI Business Team@nexweb.org. Include the following information in the email:

- Vendor company name and DUNS number.
- Parent company name (old and new) if there has been a change.

- Company address (old and new if there has been any change).
- Description of event or other cause of change being reported, with effective date of events.

Floor Ready

Electronic Article Surveillance (EAS)

NEX has implemented the Sensormatic Ultra-Max Electronic Article Surveillance System (EAS) in our Exchanges. NEX now requires that our supplier partners apply onto or into the products packaging Sensormatic's Ultra-Strip III labels on any product with a retail value greater than $19.

Ticketing Requirements

General Standards

1. All merchandise shipped to NEX must include a proper U.P.C. or EAN ticket with correct industry standard U.P.C. or EAN barcode.
2. Use only U.P.C. or EAN tickets that meet GS1 specifications.
3. The quality of vendor barcodes must support and not impair NEX's scanning requirements. To ensure such quality, vendors should institute an ongoing U.P.C. or EAN barcode quality control program.
4. Do not use secondary barcodes. Use only one U.P.C. or EAN barcode and only one ticket for any single item.
5. Refer to requirements and placements of tickets

Retail Price Ticketing (clothing)

1. Include NEX's retail on U.P.C. or EAN ticket unless you receive prior approval in writing from the softlines General Merchandise Manager (GMM).
2. Ticket retail must match retail on PO.
3. No piggyback tickets or ticket seeding.
4. Use only one retail per ticket.
5. Print retail price clearly using at least 18-point bold font.

Size requirements

NEX requires color and size coding and follows VICS industry standardized color-coding guidelines. Vendors must ensure that all sized merchandise has clearly visible size on the ticket. Visit VICS at www.vics.org for color detail requirements.

Ticket Attachment and Placement

1. U.P.C. or EAN tickets must be securely affixed to merchandise so as to be clearly visible to customers and sales associates.

2. Do not use safety pins, straight pins, or other pins of any kind. NEX prohibits pins for all FOBs except folded dress shirts and folded woven sport shirts.
3. Do not loop strings around buttons or attach with pins or strings looped through buttonhole. Fused string, which is securely attached, is permitted.
4. Where fabric damage is a concern, swift-attach ticket through sewn-in label in the neck or in the waistband. On merchandise with sizes imprinted in neck, insert in nearest neck seam allowance.
5. All labels that are applied directly to products must use a removable adhesive.
6. Ticket both the item and the package for boxed/packaged merchandise that can be displayed out of packaging.
7. Merchandise that is packaged in multi-packs but is sold only as eaches must have each unit marked with a U.P.C. or EAN and the outer carton marked with the “each” U.P.C. or EAN. For example, wine glasses that are packed 4 to a carton but sold only by step would require one U.P.C. or EAN per stem and carton marked on the outside four times with the same U.P.C. or EAN.
8. Merchandise that is packaged in multi-packs and is sold in either must have U.P.C. or EAN tickets for the set as well as separately for each component of the set. For example wine glasses packaged in a set of 4 and sold either as a set of 4 or by the stem, requires one U.P.C. or EAN on the outside of the package to represent the set and a different, unique U.P.C. or EAN on each stem to represent the single stem as a selling unit.
9. If merchandise is to be sold only as a set, affix only one U.P.C. or EAN ticket to the outside of the package.

U.P.C. Ticket Placement and Attachment Requirements

Item Requirement	Ticket Placement	Attachment
Belts	Through buckle or on belt	'Loop-lock' or sewn in
Bottoms folded/hanging all FOB's (shorts,pants, jeans, skirts)	Left side or on joke	Swift attached or sewn on joker
Bras	Left side seam/around front left strap	Swift attached or loop-lock
Dresses with sleeve/sleeveless	Left sleeve/through vendor care label	Swift attached
Gloves – not boxed	Through vendor care label/connected string	Swift attached
Hair accessories on cards	Bottom of card	Stocker or printed on card
Hair accessories loose	Around or on item	Rat-tail, dumbbell or sticker
Handbags/Backpacks	Around handle, zipper, strap of frame joint	Loop-lock
Handbags – clutch, hinged	Through inner label or zipper or through outside hinged joint	Loop-lock or sewn in
Hats/Caps	Through headband or vendor care label	Swift attached
Intimate Apparel (excluding bras)	Left side/through vendor care label	Swift attached
Jewelry on cards	Bottom of card/bottom of box	Sticker or printed on card
Jewelry loose/Watches	Around the item	Non-removable rat-tail or dumbbell
Ladies suits	Left sleeve, cuff or seam	Swift attached or sewn on

		joker
Luggage/Briefcases	Around handle	Loop-lock
Men’s, women’s dress & woven shirts folded/packaged	Through placket on shirt	Swift attached through garment, do not ticket package
Men’s, boy’s suits, sport coats and Blazers All FOB’s	Left sleeve, cuff or seam	Swift attached or sewn on joker
Outerwear all FOB’s (Coats)	Left sleeve or left cuff	Swift attached
Robes	Left sleeve/through vendor care label	Swift attached
Scarves/shawls	Through vendor care label	Swift attached
Shoes	Front of box, next to size identification	Sticker or printed on box
Socks	On band or card	Sticker or printed on band
Sold IN box/pkg (Cosmetics/Housewares/Tabletop/Gloves/Umbrellas/Candles/Bath Acc.)	On back of the box/package	Sticker or preprinted on box
Sold OUT of box/pkg (Frames/Housewares/Tabletop/Gifts/Watches/Candles/Bath Acc.)	On back of the box AND on the mdse	Removable sticker on item & mdse.
Sweaters	Through vendor care label/left sleeve seam	Swift attached
Swimwear/Bodywear – one piece	Left side/through vendor care label	Swift attached
Swimwear/Bodywear – two piece	Left side/through back of top /care label	Swift attached
Ties	Through vendor care label	Swift attached
Tops hanging - all FOB’s	Left side seam/through vndr care label in neck	Swift attached
Tops folded – all FOB’s	Through vendor care label in neck	Swift attached

Towels	Corner	Swift attached or sewn on
Umbrellas - not boxed	Around the handle	Loop-lock
Vest	Left armhole seam/ lower left panel of vest	Swift attached or sewn on
Wallets	Securely attached to product	Sewn in or Loop-lock

Miscellaneous Tickets

For items too small for a standard U.P.C. or EAN hangtag ticket, such as jewelry or watches, properly affix small specialty tags

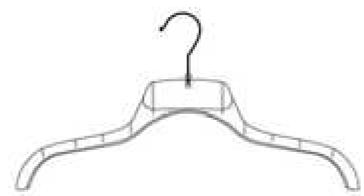
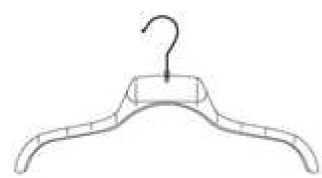
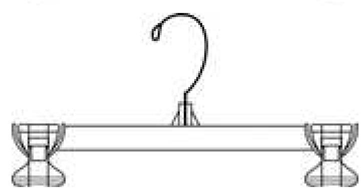
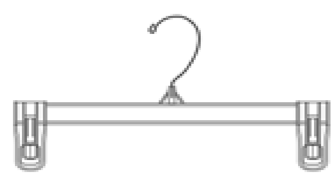
Retail Price Marking Requirements by Family of Business

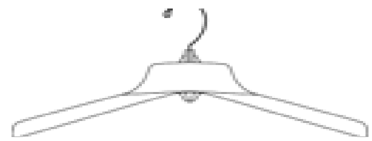
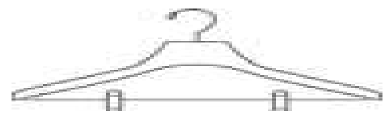
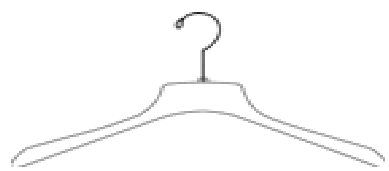
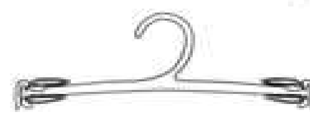
Requests for waiver of this requirement must be sent to Support Tech Action Response Team@nexweb.org

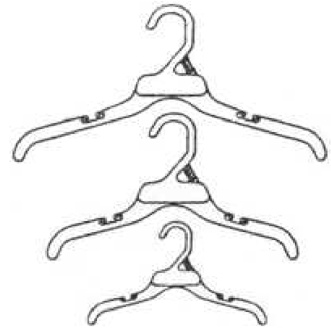
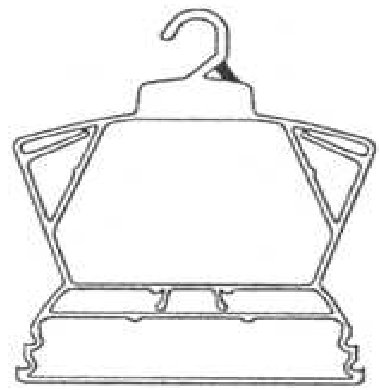
Does Not Require Retail Price		Requires A Retail Price	
GROUP_NO	GROUP_NAME	GROUP_NO	GROUP_NAME
201	CANDY	232	JEWELRY
202	TOBACCO	234	WATCH/SUNGLS/CJWLRY
204	FOOD & PETS	235	COSMETICS
206	BEVERAGES	237	JEWELRY CONSIGNMENT
209	WINE & SPIRITS	240	YOUNG MENS ACTIVE
213	SPORTING GOODS	242	MENS FURNISHINGS
222	STATIONERY	243	INTIMATE/ HOSIERY
223	GREETING CARDS	245	INFANTS
224	HARDWARE	247	MEN WOM ATHLTC SHOE
225	TOYS/ SEASONAL	248	JUNIORS
227	BOOKS & MAGAZINES	250	MENS COLLECTIONS
228	AUTOMOTIVE	251	MENS CLASSIFICATIONS
229	LAWN & GARDENING	253	MENS/CHILDRENS SHOES
231	HEALTH/PERSONAL CARE	254	LDS DRSS CASU SHOES
233	HOUSEHOLD CLEANING	256	MSSY SPCL SIZE SEPAR
238	MASS BEAUTY AIDS	258	MSSY SPCL SIZE COLLC
239	PERSONAL CARE	259	MSSY DRESS ACTV SEAS
252	POWER BUYS	261	GIRLS
205	VIDEO GAMES	262	BOYS
207	TELECOMMUNICATIONS	263	HNDBGS/ ACCESSORIES
208	PRE-RECORDED A/V	241	UNIFORMS ACCESSORIES
210	MAJOR APPLIANCES	264	UNIFORMS CLOTHING
211	CAMERAS	999	GI UNIFORMS
212	HOUSEWARES		
214	SMALL APPLIANCES		
215	TV & VIDEO		
216	DIGITAL DOWNLOADS		
217	HOME OFFICE		
218	HOME ACCESSORIES		
219	FURNITURE		
244	DOMESTICS		
255	AUDIO & ELEC ACCESS		
257	COMPUTER&PERIPHERALS		
270	NAVY PRIDE		
221	LUGGAGE		

Hanger Requirements

(All merchandise displayed hanging in our stores, including sweaters, must be shipped on a Floor Ready Hanger.) Hangers are expected to be in full compliance with all VICS hanger standards. (No Logos). The use of any hangers that fail to comply with these standards are subject to expense offsets from the receiving locations. This list is intended to be used as a general guide. If you have any questions regarding hanger requirements, contact your buyer.

Family of Business / Examples	Hanger Description	Style Number	Hanger Style
TOP (use hanger size appropriate for product) Tops, Blouses, Dresses, Robes, Sleepwear Women's jackets, 2-piece Pajamas (w/ slip tape), Intimate Apparel Daywear 12" Top Robes / Heavy Tops, such as Streetwear should use the Jacket Hanger – 3328	19" Top 17" Top 15" Top 12" Top	479 484 485 498	
TOP Optional for Knitwear/ Sweaters / Robes (alternate styles 888 & 999)	10" Top 19" 17" 15"	497 579 584 585	
BOTTOM (use hanger size appropriate for product) Bottoms, Pants, Skirts, Shorts, 2-piece & Strapless Swimwear, Men's Swimwear Bottom hangers are available with clear "rubberized" / crease-free padding to prevent garment damage if necessary. (Style 6208, 6210, 6212, 6214) Heavy Bottoms,	14" Bottom 12" Bottom 10" Bottom 8" Bottom	6014 6012 6010 6008	  7012

such as Streetwear should use style 7008, 7010, 7012, 7014			
JACKETS (optional alternate to style #484) Women's Jacket, Streetwear Tops, and all other heavy Tops	19" Top 17" Top 15" Top	3319 3328 3315	
WOMEN'S SUITS Women's, Juniors, Missy Suits	17" Suits	494	
COATS (use hanger size appropriate for product) Outerwear Coats and Jackets	19" Coat 17" Coat 15" Coat	3320 3329 3316	
LEATHER COATS (designed to prevent product damage, optional alternate to style #3329, 3316 & 3320) Men's & Women's Leather Coats	19" Leather 17" Leather 15" Leather	3969 3937 3945	
SWIMWEAR HANGER (with or without soft pad)	10" 12" 14"	8010 8012 8014	
INTIMATE APPAREL Intimate Apparel (Bras / Pants / Slips) Clear, No Logos	GS-11 GS-19 CW-87		
Men's / Young Men's Sportcoats and Suits		Use wishbone style wood hanger or black plastic hanger (pant bar if needed)	
Women's Designers		Black velvet	

Infants / Children's Infants Children's through Girls 6x Boys 7 separates Use white plastic molded hook hanger in common use today, with color sizer as outlined in VICS standard. No logos. All other children's sizes use appropriate clear hangers noted in top & bottom sections.	12" 9412 10" 9410 8" 9408 10" 6110 8" 6108	 	472 467 496 12" 495 10" 951 959	 

Use a combination of the top and bottom hangers for all 2 piece Men's, Women's, and Children's (over Girls 6x / Boys 7)
coordinates / sets, except suits. Clear plastic extenders may be used.
Use mini-gards or foam strips on top hangers to prevent garment slippage or damage to fine fabrics if necessary or as directed by buyer.
DO NOT USE SIZE INDICATORS ON HANGERS (except Infants / Children's, Men's Suits and Sportcoats)

Presentation Standards

1. All merchandise must be received in "floor ready" condition ready for immediate placement on selling floor. Any exceptions to this rule must be approved in writing by the softlines General Merchandise Manager (GMM).

2. All garments to be displayed folded require a size strip unless requirement is waived in writing by the softlines General Merchandise Manager (GMM). Size strips are recommended, but not required for folded dress shirts and folded woven sports shirts or tailored dress slacks.
3. Sized non-garment products such as comforters, blankets, “Bed in a Bag” must clearly state the size on the product using print not smaller than 18-point bold font. The size indicators must be clearly visible on at least 2 sides (front and side) of the product.

Wrinkle Prevention

1. Cover each hanging or folded garment with a clear, dry cleaning style plastic bag only if necessary to prevent wrinkling or soiling. Bags are not otherwise required.
2. Pack merchandise flat in cartons. If merchandise must be folded, use only one fold at the bottom of the garment.
3. Lay garments front side facing up.
4. Close all buttons, zippers, and hooks to prevent wrinkling or damage.
5. Delicate items should be placed on top to prevent crushing.
6. Do not over pack or under pack cartons.

Vendor Compliance

The NEX continues to make significant investment and commitment to technology and systems described in this document. This document describes our requirements and standards in considerable detail and provides instructions for obtaining assistance. Vendor noncompliance to these requirements causes disruptions to NEX’s mission of serving the best customers in the world. NEX expects vendors to comply with the standard and requirements detailed in this manual and listed blow. Our vendor compliance policy is intended to recover additional cost incurred by NEX due to vendor noncompliance. NEX regards a vendor’s noncompliance as consent to NEX assessing vendor non-compliance offsets.

The basic requirements are:

- Shipments against the purchase order must be an exact match for item, UPC, case pack and cost.
- The purchase order must specifically line list the merchandise you wish to deliver. No substitutions or additions will be accepted. These unauthorized items may be kept or destroyed at our option without payment to the vendor.
- A purchase order modification must exist within the merchandising system prior to shipment for any items not in compliance with the original purchase order.
- All case pack changes must be communicated to the buying office well in advance of any shipments against the new configuration.

- NEXCOM Buyer must be provided with the correct product cost (purchase order cost must match the billed cost). NEXCOM will pay the lower of the invoice and purchase order cost in cases of a discrepancy.
- Following NEXCOM Vendor Shipping Instructions

The following chart lists the vendor compliance issues and fee.

#	Vendor Compliance Issue	Fee
1	Overages, substitution, incorrect merchandise	$ 300
2	Clearly annotate on the Bill of Lading (BOL) the correct ship to location and address as provided by Nexcom at time of routing	$ 300
3	Mark all cartons with the Ship To Location, Address and the Nexcom Purchase Order #	$ 300
4	Place packing slip on the outside of one of the cartons in a clear envelope that states in ½' lettering - 'packing slip enclosed'	$ 300
5	Shelf life of dated product upon receipt is insufficient for NEX to sell through the product before expiry.	$ 300
6	Multiple purchase orders in one carton	$ 300
7	Ticket merchandise according to terms of the purchase order and ensure correct UPC number is utilized on the merchandise	$ 300
8	VMI Vendors only - Inbound (855) Purchase Order Errors (Bad S units sent /Invalid purchase order number sent)	$ 300
9	Failure to respond to outbound transactions with accurate 997 Acknowledgement.	$ 75
10	Removed from 856 ASN cross dock program due to inaccurate ASNs	$ 300
11	Inaccurate ASN / Carton contents do not match ASN	$ 300
12	No ASN or late ASN at time of receipt	$ 300

Transportation Compliance

Our transportation requirements will not change as a result of this new program. These requirements are listed below.

1. Failure to follow instructions as provided at time of routing, regardless of the FOB terms (i.e. ship-to address, mark-for information, proper completion of BOL and failure to provide carrier tracking information) will result in a per occurrence administration fee of $300 in addition to any transportation expenses incurred due to failure to ship as directed.
2. Failure to adhere to NEX policy outlined in the Vendor Shipping Instructions will result in a per occurrence administration fee of $300. If merchandise is to be sold only as a set, affix only one U.P.C. or EAN ticket to the outside of the package.

Return to Vendor

Unordered Merchandise

1. Unordered merchandise includes unauthorized substitutions, invalid orders, cancelled orders, early shipments, late shipment, over-shipments and duplicate shipments. NEX reserves the right to reject or accept unordered merchandise and, in either case, to assess charges.
2. If NEX elects not to accept unordered merchandise, we may re-consign the merchandise to a carrier of our choice to be delivered to the vendor for disposition, all at vendor's cost plus additional charges.

Social Responsibility

The Exchange Services have a rich, proud heritage of serving the men and women of the uniformed services and their families. Our global mission makes us citizens of worldwide communities and is rooted in the tenets of integrity, accountability and compassion, which are embodied in our core values. Consistent with those values, we seek to do business with contractors, vendors, suppliers and partners who share our enduring values and consistently hold themselves and their agents to our Joint Letter Regarding Social Responsibility and Labor Standards.

2 7 SEP 2002

DEPARTMENT OF DEFENSE
ARMY AND AIR FORCE EXCHANGE SERVICE
DALLAS, TX 75236-1598
DEPARTMENT OF THE NAVY
NAVY EXCHANGE SERVICE COMMAND
VIRGINIA BEACH, VA 23452-5724
DEPARTMENT OF THE NAVY
UNITED STATES MARINE CORPS
QUANTICO, VA 22134

POLICY OF SOCIAL RESPONSIBILITY AND LABOR STANDARDS FOR PRIVATE LABEL MERCHANDISE

The Army and Air Force Exchange Service (AAFES), Navy Exchange Service Command (NEXCOM) and Marine Corps Exchange (MCX) have a very rich and proud heritage of serving the men and women of the uniformed services and their families. Our mission is global; we are citizens of many worldwide communities, supported by a very diverse workforce. Our endeavor is deeply rooted in the tenets of integrity, accountability, and compassion, which are embodied in our core values. Consistent with those values, AAFES, NEXCOM and MCX require their suppliers and/or manufacturers of private label merchandise, or manufacturers of merchandise imported directly by AAFES, NEXCOM and MCX, to assess their practices, as well as those of their subcontractors, for compliance with these Social Responsibility and Labor Standards.

AAFES, NEXCOM and MCX shall each implement a program that assures that private label exchange or direct imported merchandise is not produced by child or forced labor. This program shall be based on the Standards of Social Responsibility and Labor Standards outlined below.

AAFES, NEXCOM and MCX shall continue to expect that all brand name merchandise suppliers comply with all applicable federal or international laws and regulations concerning Social Responsibility and Labor Standards, and shall take appropriate contractual or other action if this expectation is not met.

KATHRYN G. FROST	**WILLIAM J. MAGUIRE**	**MICHAEL P. DOWNS**
Major General, U.S. Army	Rear Admiral, Supply Corps	Director, Personal & Family
Commander, AAFES	U.S. Navy, NEXCOM	Readiness Division, MCX

Standards of Social Responsibility and Labor Standards

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

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

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

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

Freedom of Association & Right to Collective Bargaining: Suppliers 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 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 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 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 production facilities that manufacture goods and merchandise for AAFES/NEXCOM/MCX.

Any persons having knowledge of any violation of these standards are encouraged to contact:

Army & Air Force Exchange Service
Chief, Quality Assurance
3911 S. Walton Walker Blvd.
Dallas, TX 75236 U.S.A.

Marine Corps Exchange
Retail Operations
3044 Catlin Ave
Quantico, VA 22134 U.S.A.

Navy Exchange Service Command
Chief Merchandising Officer
3280 Virginia Beach Blvd.
Virginia Beach, VA 23452 U.S.A.

DEPARTMENT OF THE NAVY
NAVY EXCHANGE SERVICE COMMAND
3280 VIRGINIA BEACH BOULEVARD
VIRGINIA BEACH, VA 23452-5724

IN REPLY REFER TO:
Ser M/0646
July 6, 2005

Dear Navy Exchange Service Command Supplier:

The Navy Exchange Service Command (NEXCOM) is committed to purchasing merchandise produced in compliance with applicable laws and regulations and to assuring that private label exchange merchandise and directly imported merchandise is not produced by child or forced labor. On September 27, 2002 our "Policy of Social Responsibility and Labor Standards for Private Label Merchandise" was implemented. A copy of the Policy letter and Standards are provided as enclosures (1) and (2).

Effective immediately, NEXCOM requires all current and prospective contractors that supply private label goods to comply with the requirements of our "General Provisions" Addendum, enclosure (3). This provision contains a number of requirements that must be adhered to by all private label suppliers. To assist your firm in providing the information necessary to demonstrate compliance with this provision, we are also providing a "Vendor Profile Addendum", enclosure (4). Each supplier of private label goods is to complete a separate form for each production facility to include for all subcontractors facilities (domestic and foreign), provide certification in writing that each facility will operate in compliance with all applicable labor laws and provide evidence to prove that each production facility that is (or will be) producing such goods, is in compliance with NEXCOM's Standards.

The required information mentioned above is to be mailed to the following address:

NEXCOM
3280 Virginia Beach Blvd.
Virginia Beach, VA 23452-5724
Attn. Eileen Andrews, Merchandising Support Manager

As stated in our General Provisions Addendum, NEXCOM may terminate, for default, any contract in existence, on September 1, 2003, wherein the contractor has not demonstrated compliance with the requirements of this clause.

NEXCOM values its business relationship with all of its vendors and appreciates your continued commitment to providing goods manufactured in accordance with our Social Responsibility and Labor Standards.

Sincerely,

TESS PAQUETTE
Chief Merchandising Officer

Enclosures:
(1) Policy of Social Responsibility and Labor Standards for Private Label Merchandise, dated September 27, 2002
(2) Standards of Social Responsibility and Labor Standards
(3) NEXCOM "General Provisions" (Publication Number 61) Addendum, dated October 4, 2002
(4) NEXCOM Private Label Vendor Profile Addendum

NEXCOM PRIVATE LABEL VENDOR PROFILE ADDENDUM

INSTRUCTIONS:

Vendors that supply private label merchandise must complete this vendor profile addendum for each production facility (both its own and for all subcontracted facilities) that will be used to produce private label merchandise for NEXCOM.

Vendor shall not produce any private label merchandise in any facility that has not been approved in advance by NEXCOM, after 9/1/03.

No facility will be approved until this fully completed addendum is submitted, along with all required supporting documentation.

Submit via email to Social.Responsibility.Manager@nexweb.org Incomplete submissions will NOT be acted upon. Should you have any questions regarding this form, please contact the appropriate NEXCOM Buyer.

A separate form is required for each facility that will be producing private label merchandise (whether owned or subcontracted); however, after Part A. has been completed, copies may be made before Part B. is completed.

A. Vendor (Contractor)

1. General Contact Information:

Name ____

Dun & Bradstreet (D&B) Number ____

Mailing Address ____

City ___________________________ State _______ Zip Code ______________ Country _______________

Primary Point of Contact (POC) _______________________ Title ___________________________________

Primary POC Phone ______________________ Primary POC Fax ___________________________________

Primary POC Email address ____

Alternate POC(s)____________________________________ Title(s) _______________________________

Alternate POC Phone _____________________ Alternate POC Fax _________________________________

Alternate POC Email address ____

2. Compliance Submission Requirements:

a. Has vendor provided written certification of compliance to NEXCOM (written statement, on company's official letterhead, signed by an officer of the company, and certifying that each facility (both owned and contracted) that produces private label merchandise for NEXCOM, operates in compliance with all applicable labor laws?... Yes __ No __
(If not, such a certification <u>must</u> be provided <u>with this form</u>!)

b. For each facility that makes NEXCOM private label merchandise, has vendor ensured that each non-domestic facility has submitted all necessary evidence of compliance?..................... Yes __ No __

c. Is vendor maintaining records of compliance for each non-domestic facility?................................. Yes __ No __

Email Form to: **Social.Responsibility.Manager@nexweb.org**

NEXCOM PRIVATE LABEL VENDOR PROFILE ADDENDUM

B. Private Label Production Facility Information:

1. General Contact Information:

Name of Facility ____ Facility Number ____________________

Mailing Address ____

City ____ State ____________ Zip/Mail Code _____________

Country ____

Product Classification(s) Manufactured ____

Total Number of Employees at this Facility (average on annual basis) _______________________

Primary POC at Production Facility ___________________________ Title _______________________

Primary POC Phone _____________________________ Primary POC Fax ______________________________

Primary POC Email address ____

Alternate POC(s)____ Title(s) ___________________________

Alternate POC Phone ___________________________ Alternate POC Fax ____________________________

Alternate POC Email address ____

2. Production Facility Information:

a. Self Assessment:

(1) Is copy of AAFES/NEXCOM/MCX Joint "Standards of Social Responsibility and Labor Standards" posted in a location accessible by production facility workers that make NEXCOM private label merchandise, in the appropriate local language(s)? ....Yes ___ No ___

(2) Are employee and payroll records (including those related to age and compensation) maintained, and are they in a safe and secure location?.. Yes ___ No ___

(3) Are all employees at least 14 years of age / or minimum age required by local laws?................. Yes ___ No ___

(4) Are employees required to lodge "deposits or identity papers when they begin employment?..... Yes ___ No ___

(5) Are local laws governing working hours complied with?... Yes ___ No ___

(6) Are wages paid for a standard work week as required by local laws?.. Yes ___ No ___

(7) Do disciplinary practices include corporal punishment, coercion, and/or abuse of any kind?...... Yes ___ No ___

(8) May employees form/join trade unions of their choice and collectively bargain (to extent permitted by local law), free from activities that may impede or suppress union activity, and are representatives permitted access to members in facility without discrimination?............ Yes ___ No ___

(9) Is facility in compliance with applicable local laws regarding discrimination in hiring, compensation, access to training, promotion, termination, and retirement based upon race, caste, national origin, religion, disability, gender, sexual orientation, maternity status, union membership or political affiliation?.. Yes ___ No ___

(10) Is facility workplace safe and healthy as required by applicable local laws?.............................. Yes ___ No ___

Email Form to: **Social.Responsibility.Manager@nexweb.org**

NEXCOM PRIVATE LABEL VENDOR PROFILE ADDENDUM

b. Evidence of Policy Compliance for Non-domestic Facilities:

(1) If facility has been certified/approved by:

Social Accountability International (SAI),

Worldwide Responsible Apparel Production (WRAP),

and/or Amana Ltd. (“Link Label”),

and if certification/approval is current, **submit copy along with this vendor profile addendum**.

(2) If facility is a current active participant in the social responsibility program of:

Clean Clothes Campaign (CCC),

Fair Labor Association (FLA),

and/or Fair Wear Foundation (FWF),

along with this vendor profile addendum. submit evidence of level of participation and any other supporting information that demonstrates compliance with the NEXCOM Social Responsibility clause (addendum to NEXCOM General Provisions (P-61).

(3) If facility has been certified/approved by:

a nationally recognized private sector U.S. retailer,

or a nationally recognized U.S. brand name company,

along with this vendor profile addendum, submit evidence of certification/approval, and any other supporting information that demonstrates compliance with the NEXCOM Social Responsibility clause (addendum to NEXCOM General Provisions (P-61). .

(4) If facility has been certified/approved by one of the U.S. Military Exchanges:

Army and Air Force Exchange Service (AAFES),

Navy Exchange Service Command (NEXCOM);

or Marine Corps Community Services (MCCS),

submit copy along with this vendor profile addendum.

(5) If facility has no evidence of the types described previously, NEXCOM may consider any other evidence of compliance that are provided (for example, certification/approval by or participation in a program of an organization(s) not specifically listed above).

Email Form to: **Social.Responsibility.Manager@nexweb.org**