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**Vendor compliance program**

All vendors are required to comply with each section of the Vendor Standards Manual unless instructed otherwise by a FLE Purchase Order.

This section includes:

1. A service center Freight Inspection Report (FIR report) which is used by our Receiving and Quality Control department for detailed listing of all vendor violations
2. Non-compliance charge back procedure
3. A complete listing of all violations and assessment amounts
4. Policies

It is our goal to assist you in understanding these requirements to avoid chargeback's and to help you achieve full compliance.

All orders received at the ESC will be monitored for compliance and all deviations from these guidelines will be reported to you so that you can change processes to achieve compliance.

Please direct all questions to the vendor relations department listed in page 1-2.

**Non-compliance charge back procedure**

The below process for managing the charge backs is effective since January 1<sup>st</sup> 2008.

**Process:****Step 1:**

In case Foot Locker Europe faces a non-compliance issue during receipt of the merchandise, the appropriate vendor will be notified with an email on the day of the event. This email will include the description of the non-compliance and the estimated costs of rework or return to the Vendor. In case of rework, the estimated costs of rework will be provided and the vendor will be requested to reply to the rework costs ("X-Charge") before EOBD.

**Step 2:**

In case vendor does not contest the X-charge before EOBD the amount of the rework will be booked as a claim against vendor.

**Step 3:**

Every month, Foot Locker Europe's Finance Department shall prepare a debit invoice and send it to the vendors concerned. Such a debit invoice shall be paid by the vendor within 30 days following invoice date.

Unfortunately it is not possible to accept a credit note to deduct the x-charge against the merchandise amount.

**Step 4:**

Payment terms of the x-charge invoice is 30 days. During operational meetings with the vendors the outstanding invoices will be an item on the agenda

**FIR report**

This chart lists violations for which a chargeback will be invoiced.

Ranking	Code	Violation description	Charge costs per unit
<b>Ticketing / Re-ticketing</b>			
<b>A</b>	101	Wrong SKU, Description or Size on hangtag	€ 1.00 per handling unit (minimum charge € 150.00)
	104	Hangtag barcode and Polybag barcode on same side	€ 1.00 per handling unit (minimum charge € 150.00)
	105	Polybag Barcode is rejected (grade C/D/F, wrong barcode type, height too small)	€ 1.00 per handling unit (minimum charge € 150.00)
	108	Wrong position or poor quality vendor case LPN (UCC-128 label)	€ 1.00 per handling unit (minimum charge € 150.00)
	109	No wash & Care, Composition or COO label	€ 5.00 per handling unit (minimum charge € 150.00)
	201	No Bin or Multilot barcodesticker on polybag	€ 1.00 per handling unit (minimum charge € 150.00)
	202	No hangtag / priceticket on retail unit	€ 2.00 per handling unit (minimum charge € 150.00)
<b>Pack Type</b>			
<b>B</b>	401	PO delivered in non-sortable Multilot instead of Caselot	€ 1.00 per handling unit (minimum charge € 150.00)
	402	PO delivered in Caselot / Multilot instead of Bin	€ 1.50 per handling unit (minimum charge € 150.00)
	403	PO delivered in Bin instead of Caselot / Multilot	€ 0.75 per handling unit (minimum charge € 150.00)
	404	PO delivered in Caselot instead of sortable Multilot	€ 2.00 per multilot (minimum charge € 150.00)
	405	Wrong size breakdown in BIN, Case- or Multilot	€ 1.25 per unit (minimum charge € 150.00)
	406	Footwear BIN orders in cartons of 6 pairs	€ 5.00 per carton (minimum charge € 150.00)
<b>Extra handling / Carton problems</b>			
<b>C</b>	501	> 5% poor carton quality	€ 3.00 per carton (minimum charge € 150.00)
	502	Incorrect / missing PO specification on carton	€ 25.00 per PO
	503	Carton dimensions outside specs, not caused by shape of product	€ 5.00 per carton (minimum charge € 150.00)
	504	Carton contains too much air, or filling material	€ 1.00 per carton (minimum charge € 150.00)
	505	Carton weight exceeds maximum allowed weight (>17 kgs)	€ 2.50 per carton (minimum charge € 150.00)
	506	Plastic bands / staples / glue closed cartons	€ 2.50 per carton (minimum charge € 150.00)
	507	Product not packed in Polybags (product)	€ 3.00 per handling unit (minimum charge € 150.00)
	508	Inferior or open Polybags / loose ends	€ 1.50 per handling unit (minimum charge € 150.00)
	509	Open cartons, broken security tape, missing units, possible theft	Actual cost to re-cover damage (minimum charge € 150.00)
	510	Product not sortable due to dimension/weight (not caused by shape of product)	€ 1.00 per handling unit (minimum charge € 150.00)
	511	Mixed carton contents: SKU / Size	€ 3.00 per carton (minimum charge € 150.00)
	512	Bad carton quality / Bulging cartons	€ 5.00 per carton (minimum charge € 150.00)
	513	Quality issue: spots / glue / color on merchandise or damaged (wet) merchandise	€ 2.00 per handling unit (minimum charge € 150.00)
	515	No security tape / open cartons - no theft, 100% check	€ 1.00 per carton (minimum charge € 150.00)
	518	Gilica Gel included in product, no DMF indication	€ 2.50 per unit (minimum charge € 150.00)
	519	Extended Quality Check due to error rate in standard check	€ 1.00 per unit (minimum charge € 150.00)
<b>PO / Documentation violations</b>			
<b>E</b>	601	Over delivery (2% variance allowed / 5% private label)	no charge, unless refused by buyer
	602	Wrong Style delivered (complete PO)	€ 150.00 per PO
	603	Missing or incomplete packinglist / incorrect information	€ 50.00 per occurrence
	604	Discrepancy with packinglist (2% variance is allowed)	no charge
	605	Missing CMR or missing/incorrect information on CMR	€ 25.00 per shipment
<b>Load / Tender violations</b>			
<b>D</b>	701	Shipment arrives more than ½ hour late without 2 hours notification before ETA trailer to Planning	€ 75.00 per hour, minimum € 100.00, max € 400.00
	702	No show shipment, unless Planning notified 1 day in advance	€ 400.00 per shipment
	703	Delivery of cancelled or unscheduled PO	€ 150.00 per PO
	704	Shipment or PO not announced	€ 150.00 per PO
	705	Shipment incomplete (missing PO's)	€ 100.00 per PO
	706	PO incomplete, missing SKU's, CL schedule, cartons	€ 100.00 per PO
	801	FL Shipment instead of PL shipment or vice versa	€ 200.00 per shipment
	802	Trailer or container not loaded by FLE PO / SKU	€ 250.00 per shipment
	803	FLE freight blocked by other cargo	€ 250.00 per shipment
	804	Pallets not properly stacked / poor pallet quality / fallen	€ 250.00 per shipment
	805	Multiple PO's mixed on pallets unless announced	€ 100.00 per PO
	806	Gassed containers	€ 500.00 + all cost which arise

Below an example of a chargeback invoice which will be issued by FLE. Each invoice will be accompanied with a details list of the violations charged.

## Foot Locker Europe BV

De Grens 27  
Heijen, Limburg 6598 DK  
Phone: +31-(0)485-550700 fax +31-(0)485-550701

Invoice nbr:

### Invoice

<b>To:</b> Vendor Name Vendor Address   		Date 05/19/2008 Order No. Rep VAT Footlocker NL.8005.36.253.B01	
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Quantity	Description	Price/unit	Total
300	PO NBR Date email: Description violation   Foot Locker Europe BV Bank of America; account: 0266523471 Herengracht 469 1017 BS Amsterdam; Netherlands Iban: NL62BOFA0266523471 Swift: BOFANLNX	€1.00	€300.00
		SubTotal	€300.00
		VAT	€57.00
			€357.00

**Payment**  
☒ Bank Account 026.65.23.471 (Bank Of America)  
☐ Tel. On account 26.65.23.471 (Bank Of America)  
☐ Credit Card  
  
 Name  
 CC #  
 Expires

VAT nbr: NL800536253 B01, KvK Utrecht: 23067735

## **Policies**

### **Over shipment policy**

The ESC is authorized only to receive the amount of product contracted for in the purchase order.

Any deviation in the sizes or excess over the purchase order agreement will be returned to the vendor at their expense.

Only the buyer, department planner or director planning may authorize an over shipment.

### **Cancellation policy**

All orders are considered cancelled if not shipped by the ship end date.

We will not accept any product beyond the cancellation date without authorization from the buyer, department planner or director planning.

### **Right to reject non-conforming merchandise**

Delivery of merchandise, which does not conform to the terms of our purchase order as to quality, quantity, assortment, packing, packaging or in any other respect, will be deemed to materially impair the value of the merchandise and constitutes a breach of the terms of our purchase order.

We shall have the right to cancel the purchase order and/or reject and return to the vendor, at the vendor's expense, all or any part of the merchandise. Such returns will not require prior notice to the vendor and the return itself shall be adequate notice of rejection of the merchandise.

Please consult the full version of Foot Locker's purchasing terms and conditions which are printed on the hard copy of the purchase orders and are available via our website, see also Section 2, page 2-1.

### **Rejection by our quality control department**

Samples of all merchandise (existing and new product) are checked as they are received at the service center. This includes footwear, apparel and accessories.

We inspect materials, construction and overall cosmetic appearance.

If the merchandise is of inferior quality, the following procedures are exercised:

- The merchandise is put on "quality control hold".
- The buyer is notified and samples are sent to the EHQ.
- The vendor is contacted by the buyer to discuss resolution, return authorizations and/or other terms and conditions.