

Supplier Accountability and Supplier Consequences

Primary responsibility for compliance at facilities producing product for sale at Walmart rests with the supplier. In addition to reserving the right to audit and take action against a supplier or supplier's facility at any time for non-compliance with Walmart's Standards for Suppliers, we administer the Supplier Strike program to enforce supplier accountability for compliance at their facilities.

A supplier may receive a 'Strike' for certain findings of noncompliance in the factories they use to produce the products we sell. The Strike program creates an escalating set of pressures and consequences for suppliers that can lead to termination of their business with Walmart.

Strikes may be given to suppliers at the discretion of Responsible Sourcing in consultation with Walmart buyers and other stakeholders, but are typically recommended for:

- Any supplier sourcing from a facility that receives a Red-Failed assessment, the most serious facility audit assessment rating. These ratings are given for serious violations, including forced labor, child labor or worker abuse.
- Any supplier who has a pattern of violations in its supply chain that suggest a systemic failure to effectively manage compliance in the supply chain.

The final consequences for a given strike are decided between Responsible Sourcing and the relevant Walmart merchandising leadership. These may include:

First Strike:

The strike will be recorded in the supplier's record, and the supplier and all relevant buyers will be notified of increased risk associated with the supplier. The strike will remain on the supplier's record for 2 years. As a consequence, all current and future orders with any offending facility may be cancelled. Any non-compliant product in production or unshipped from any offending facility may be rejected.

Second Strike:

The second strike will be recorded in the supplier's record, and the supplier and all relevant buyers will be notified of increased risk associated with the supplier. The strike will remain on the supplier's record for 2 years. At the supplier's expense, all or a subset of facilities used by the supplier may require immediate audit. All current and future orders with any offending facility may be cancelled and all products may be rejected. Business volumes may be reduced.

Third Strike:

In the event of a third strike in one of the supplier's facilities within a two-year period, the supplier's business relationship with Walmart may be terminated, suspended for a period of time or materially reduced. All current and future orders for the supplier determined to be repeatedly non-compliant may be cancelled. Non-compliant merchandise in production or unshipped may be rejected.