

SCHEDULE C

Standards of Manufacturing Practices

Overview

In order to maintain high standards for decent and humane working conditions in the manufacturing operations of LICENSEES, OWNER has established specific guidelines for its LICENSEES and their MANUFACTURERS around the world. Through a regularly monitored certification process, LICENSEE and all MANUFACTURERS shall operate in compliance with local laws, meet the specific *Standards of Manufacturing Practices* set forth below, and ensure no goods that comprise Air Force-branded items, to include the blanks on which the Air Force brand is affixed, are sourced through countries listed on the U.S. Department of Labor's List of Child Labor/Force Labor (<http://www.dol.gov/ilab/reports/child-labor/list-of-goods/>).

OWNER believes that the following set of standards will ensure that decent and humane working conditions are provided to the employees of the factories with which LICENSEE operates and/or contracts. Where a factory is found to be in violation of the *Standards* by OWNER or LICENSEE, corrective action will be initiated. Unless the violation is corrected within ten (10) business days of initial notification, OWNER may require the LICENSEE to cease to do business with the offending factory. OWNER believes that consumers can have confidence that products manufactured in compliance with these standards are not produced under exploitative or inhumane conditions.

Standards of Manufacturing Practice

Forced Labor

LICENSEE and its MANUFACTURERS shall not use any forced labor - prison, indentured, bonded or otherwise. Furthermore, no goods that comprise Air Force-branded items, to include the blanks on which the Air Force brand is affixed, may be sourced through countries listed on the U.S. Department of Labor's List of Child Labor/Force Labor.

Child Labor

LICENSEE and its MANUFACTURERS must only employ people who (a) meet the local minimum age for employment, (b) meet the age for completing compulsory education in the country of manufacture, or (c) are at least 15 years old, whichever is higher. Furthermore, no goods that comprise Air Force-branded items, to include the blanks on which the Air Force brand is affixed, may be sourced through countries listed on the U.S. Department of Labor's List of Child Labor/Force Labor.

Harassment or Abuse

LICENSEE and its MANUFACTURERS must treat every employee with respect and dignity. No employee shall be subject to any physical, sexual, psychological or verbal harassment or abuse, retribution for grievances, or corporal punishment.

Nondiscrimination

LICENSEE and its MANUFACTURERS shall not subject any person to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or

retirement, on the basis of race, religion, gender, marital status, capacity to bear children, age, disability, sexual orientation, nationality, political opinion, social or ethnic origin, or other status of the individual unrelated to the ability to perform the job.

Health and Safety

LICENSEE and its MANUFACTURERS shall provide workers with a safe and healthy working environment to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of manufacturing facilities. The following minimum *Standards* are included in this requirement:

- (A) All manufacturing facilities shall comply with or exceed all applicable local laws concerning sanitation and risk protection.
- (B) All facilities shall be properly lighted and ventilated and aisles and exits shall be accessible at all times.
- (C) There is adequate medical assistance available in emergencies and designated employees are trained in first aid procedures.
- (D) There are adequate and well-identified emergency exits and all employees are trained in emergency evacuation.
- (E) Protective safety equipment is available and employees are trained in its use.
- (F) Safeguards on machinery meet or exceed local laws.
- (G) There are adequate toilet facilities which meet local hygiene requirements and they are properly maintained.
- (H) There are facilities or appropriate provisions for meals and other breaks.
- (I) When a factory provides housing for its employees, dormitory rooms and sanitary facilities will meet basic needs, be adequately ventilated, and meet fire safety and other local laws.

Freedom of Association and Collective Bargaining

LICENSEE and its MANUFACTURERS shall recognize and respect the right of employees to associate, organize, and bargain collectively in a lawful and peaceful manner without penalty or interference.

Wages and Benefits

LICENSEE and its MANUFACTURERS must pay each employees at least the minimum wage required by local law, or the prevailing industry wage, whichever is higher. LICENSEE and its MANUFACTURERS must also provide employees with a clear written accounting for every pay period and must not deduct or withhold wages or benefits for disciplinary infractions.

Hours of Work/Overtime

LICENSEE and its MANUFACTURERS must comply with regulations concerning work hours

mandated by local laws and use overtime only when employees are compensated according to local law. LICENSEE and its MANUFACTURERS must not allow employees to exceed the maximum number of overtime hours provided by local law.

Benefits

LICENSEE and its MANUFACTURERS must comply with all provisions for legally-mandated benefits, including but not limited to health care, child care, sick leave, contributions for social security, and life, health, worker's compensation, and other insurance mandated by local law.

Environment

LICENSEE and its MANUFACTURERS must comply with applicable country environmental regulations, maintain a written environmental policy, and have a system to minimize or eliminate negative impacts of its practices on the environment.

Ethical Conduct

LICENSEE and its MANUFACTURERS must conduct business in a legal and ethical manner. They must refrain from offering or accepting bribes and kickbacks in any form directly or indirectly to or from government officials or third parties in connection with Air Force products.

Sourcing Goods for Production/Assembly

LICENSEE and its MANUFACTURERS shall not source goods from providers that do not meet the *Standards* above.

Documentation and Inspection

LICENSEE and its MANUFACTURERS agrees to:

- (A) Certify to OWNER on an annual basis in writing that each of the above-listed *Standards* is being met.
- (B) Consent to and permit two (2) inspections of each factory by OWNER's or LICENSEE's representatives each year, provided OWNER gives LICENSEE and MANUFACTURER 48 hours prior notification for each inspection.
- (C) Maintain on file such documentation as may be needed to demonstrate compliance with OWNER's *Standards of Manufacturing Practices*
- (D) Make these documents available in the English language to OWNER or LICENSEE for audit inspection upon request.
- (E) Provide employees with the opportunity to report noncompliance with workplace standards outlined herein, free from punishment or prejudice for so doing.
- (F) Post the *Standards* in the language of the country of manufacture in a common area accessible by all employees.

SCHEDULE D

MANUFACTURER'S AGREEMENT

This Manufacturer's Agreement is made by and between _____
("Licensee") and _____ ("Manufacturer") located at
_____.

WHEREAS, Licensee has entered into a License Agreement with the Department of the Air Force ("Owner") effective _____ for the manufacture, distribution and sale of certain products bearing certain trademarks of Owner that are identified on the attached Schedule A ("Property");

WHEREAS, Licensee desires Manufacturer to manufacture or supply materials for the manufacture of certain products bearing the Property ("Licensed Articles"), which are subject to such License Agreement;

WHEREAS, pursuant to said License Agreement, all suppliers and manufacturers utilized by Licensee in the manufacture of Licensed Articles must agree to certain conditions;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Manufacturer agrees as follows:

1. Manufacturer acknowledges that all elements of the Property are the sole property of Owner and that Manufacturer's right to manufacture the Licensed Articles with the Property thereon is in all respects subject to the terms and conditions of the License Agreement. Manufacturer shall not subcontract work to a third party without the prior written approval by the Owner. All manufacturing rights to the Licensed Articles are subject to the restrictions on the use of the Property and the termination provisions of the License Agreement. The manufacture of the Licensed Articles shall give Manufacturer no right to use the Property or to sell Licensed Articles bearing the Property beyond the term of the License Agreement. Manufacturer agrees that all uses of the Property hereunder inures solely and exclusively to the benefit of Owner and that only Owner shall have the right to apply for and obtain any intellectual property registration in the Property. Manufacturer shall not register or attempt to register any of the Property, or any name, logo, design or symbol confusingly similar thereto, in any country, or aid or abet anyone else in doing so. If Owner terminates the License Agreement, Manufacturer shall have no claim against Owner for any reason whatsoever.
2. Manufacturer shall not sell the Licensed Articles to any person or entity except Licensee. Manufacturer shall look solely to Licensee (and not to Owner) for all payments in connection with or relating to this Agreement.
3. Manufacturer will conform to all local laws and customs regarding hiring practices, wage and working conditions. Manufacturer will comply with all of the provisions of the *Standards of Manufacturing Practices* (a copy of which shall be provided to Manufacturer by Licensee upon signing hereof), including, without limitation, Owner's right to inspect Manufacturer's facilities. Under no circumstances will Manufacturer involve the production of Licensed Articles in an environment where underage labor is employed. Manufacturer will not utilize factories or production facilities that force work to be performed by unpaid laborers or those who must otherwise work

against their will. Manufacturer will include no goods in Air Force-branded items, to include the blanks on which the Air Force brand is affixed, that are sourced from countries listed on the U.S. Department of Labor's List of Child Labor/Force Labor. Licensee will monitor Manufacturer's factories and work environment to ensure compliance with these policies and obtain verification of compliance. If Manufacturer is found not to be in compliance with the above requirements, it will no longer be permitted to be a manufacturer of Licensed Articles.

4. Owner shall be deemed an intended third party beneficiary of this Agreement and shall have the right, in its sole discretion, to enforce its provisions against Manufacturer.
5. A copy of this Manufacturer's Agreement shall be provided to Owner by Licensee.

MANUFACTURER:

LICENSEE:

BY: _____
Signature

BY: _____
Signature

Printed Name

Printed Name

Title

Title

Date

Date