



VF's Factory Compliance Audit Procedure for Vendors, Factories, Buyers, Agents, and Licensees

It is VF Corporation's policy to monitor, by conducting Factory Compliance Audits, every facility that is involved in the manufacture of a VF branded product, and brands for which VF Corporation is licensed to produce. Our audit scope includes all cutting facilities, sewing plants, screen printers, embroiderers, laundries, and packaging locations. VF will also conduct Life Safety Audits at all facilities contracted by VF that are engaged in the production of Textiles, Leather, and Polymer (soles and foot beds).

Absolutely no production can commence until a factory audit has taken place with a positive result and VF's Terms of Engagement has been signed. Production includes bulk orders and samples that are regularly produced at the same location. Violation of this policy may result in the termination of any existing contracts or licensing agreements.

- For new suppliers, a VF Audit Request Form and a VF Audit – Factory Acknowledgement Form should be sent to your VF Factory Compliance Audit contact at least 4 weeks prior to the anticipated start of production. Due to political, environmental, and human rights issues, there are certain countries that are deemed unacceptable for the manufacture of VF products. Please contact your VF Factory Compliance contact if there is a question when selecting a new country for sourcing.
- Factory audits will be conducted by a VF Factory Compliance Auditor or by an accredited third party audit company. The facility manager and any associated agent will be notified prior to the audit. VF reserves the right to conduct unannounced audits.
- In situations where VF produces goods under license for another brand, the licensor may require that an independent monitor of their choice conduct the audit. Factories producing goods for the U.S. Collegiate market may be subject to unannounced audits by the Fair Labor Association (FLA).
- A typical audit will last between 6-8 hours; larger factories may require a two day audit. Each audit will include a thorough review of the facility for Health and Safety, Social Compliance, Forced Labor and Human Trafficking, Environmental issues, sub-contractors, temporary workers, etc. Factory payroll records, operating licenses, employee personnel records, etc. will be reviewed for compliance with local laws. A random sampling of employees will be interviewed to assist in evaluating the working conditions at the facility. At the end of the audit, the factory manager will be presented with a written Corrective Action Plan detailing any findings determined during the audit.
- After the auditor's report is reviewed, the VF Sourcing Manager and any associated agent will be sent a Factory Compliance Findings Report. Each facility will receive one of the following designations:
 - ◆ **Accepted** – These factories have no critical or major safety, health, or labor issues and are approved to produce VF or related licensed products. Audits for

'Accepted' factories are conducted every 12 months. Factories receiving three consecutive 'Accepted' designations will be audited every 24 months.

- ◆ **Developmental** – These factories have major safety, health, or labor issues. While these factories are authorized to produce VF or related licensed products, VF requires that the major issues be corrected in a timely manner and follow-up audits will be scheduled every six months. A 'Developmental' factory is required to make continuous improvement against the established Corrective Action Plan.

If the factory has made no attempt to remediate the major issues at the time of the follow-up audit, the factory will be downgraded. Strategic factories are allowed three follow-up audits of 'Developmental' status to receive an 'Accepted' designation; Non-Strategic factories are allowed five follow-up audits of 'Developmental' status to receive an 'Accepted' designation

Pending Rejection – 180 Days – This designation is utilized in the following situations:

- A factory has failed to demonstrate continuous improvement (closure of major issues) against their Corrective Action Plan.
- An active factory is found to have a Critical issue.
- The factory has exceeded the allowable follow-up audits to achieve an Accepted designation.

These factories are authorized to produce VF or related licensed products but must substantially demonstrate continuous improvement, or achieve an Accepted designation, or the designation will be dropped to 'Rejected.'

- ◆ **Rejected** – The factory has critical issues, on an initial audit, or persistent major safety, health, or labor issues and has failed to remediate these issues over the course of the follow-up audits. A 'Rejected' factory may complete any issued purchase orders, but additional purchase orders may not be issued. If a 'Rejected' factory is used for VF or related licensed production, VF may cancel any outstanding contracts or licensing agreements. Factories may apply for a re-audit after remediating their open issues.
- ◆ **Supply Chain** – VF Life Safety Audits will be conducted at facilities contracted by VF that are engaged in the production of Textiles, Leather, and Polymer (soles and foot beds). These audits will take place every 24 months. A 'Supply Chain' facility is required to make continuous improvement against the established Corrective Action Plan.

It is VF's intent to treat all suppliers in a fair and honest manner and to build a foundation for a long-term relationship. Within a practical means, VF will assist each supplier in achieving compliance with VF's Terms of Engagement.