



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 footbeds).

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 should be sent to your VF Factory Compliance contact at least four weeks before the anticipated start of production. Due to political, environmental, and human rights issues, certain countries 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 before 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 prepared, 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 High or Moderate safety, health, or labor issues on their initial audit and are approved to produce VF or related licensed products. Audits

for 'Approved' factories are conducted every 12 months. If an Accepted factory has a Moderate issue found during their annual audit, their designation will remain as Accepted. VF requires that Moderate issues be remediated before the next audit; if the Moderate issue is found to be open during the next annual audit, the factory will be downgraded.

- ◆ **Developmental:** These factories have Moderate safety, health, or labor issues on their initial audit and are approved to produce VF or related licensed products. Follow-up audits will be scheduled every six months. A factory is expected to remediate all Moderate issues as noted in the Corrective Action Plan. A factory that has failed to meet their commitments to remediate Moderate issues by the second follow-up audit will be downgraded.

Pending Rejection: This designation is utilized in the following situations:

- A factory has failed to meet their commitments to remediate Moderate issues as noted in the Corrective Action Plan by the second follow-up audit.
- A factory is found to have a High issue.

These factories are authorized to produce VF or related licensed products but must fully remediate the Moderate or High issues, as determined by a follow-up audit, or the designation will be downgraded to 'Rejected.'

- ◆ **Rejected:** These factories have High issues, on an initial audit, or persistent Moderate safety, health, or labor issues, and have failed to remediate these issues throughout 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 T2: 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 footbeds). These audits will take place every 24 months. A 'Supply Chain' facility is required to make continuous improvement against the established Corrective Action Plan.

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

VF will Accept a Social Labor Convergence (SLCP) Verification audit, along with the Factory's Corrective Action Plan, in lieu of a VF Factory Compliance Audit

- The Designation will be based upon the Severity Level of the findings (SLCP and Factory CAP)
- With a Developmental Designation – a six month CAP review will be conducted

More information on the SLCP can be found at – <https://slconvergence.org/>

