VF Corporation

Factory Compliance Audit Procedure

For Vendors, Facilities, Buyers, Agents and Licensees

It is VF Corporation’s policy to audit all facilities that are involved in the manufacture of a VF branded product, and brands for which VF Corporation is licensed to produce.

VF’s audit scope includes:

- **Tier 1** – Final product manufacturing, and assembly facilities, and value-added operations subcontracted by the Tier 1 Primary Facilities. Manufacturing process may include Cutting, Sewing, Finishing, Packing, and value-added operations such as Embroidery, Printing, Laundry, Lamination, Stock-fitting, decoration, etc.

- **Tier 2** – Facilities that supply Tier 1 facilities with raw materials (i.e., textiles, leather, polymers, trims, packaging, and hardware materials). Manufacturing process may include Weaving, Knitting, Dyeing, Printing, Brushing, Lamination, Coating, Down Sorting, Leather Finishing, Production of Rubber Soles, Production of Labels, hangtags, trims, etc.

A VF Factory Compliance Audit may be conducted at other Tier facilities as deemed necessary or upon request.

No Tier 1 production may commence until a Factory Compliance audit has taken place and VF’s Terms of Engagement have 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.

VF Audit Process:

- For all new facilities (Tier 1 and Tier 2), a VF Audit Request Form should be sent to the VF Factory Compliance contact at least four weeks before the expected start of production. Because of political, environmental, and human rights issues, certain countries are deemed unacceptable for manufacturing VF products. Please contact your VF Factory Compliance contact if there is a question when selecting a new country for sourcing.

- Factory Compliance audits will be conducted by a VF internal Auditor or by an accredited third-party audit company. The facility management and any associated agent will be notified before the audit. The majority of the audits are semi-announced (with a three-week audit window provided to the facility) and VF also reserves the right to conduct unannounced audits as deemed necessary.

- 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. Facilities producing goods for the collegiate market may be subject to unannounced audits by the Fair Labor Association (FLA).

- A typical audit will last between one to three days; larger facilities may require a three-day audit. Each audit will include a thorough review of the facility including: Health and Safety, Social Compliance, Forced Labor and Human Trafficking, Environment, Sub-contractors, Temporary workers, Attendance and Payroll records, Operating licenses, Employee personnel records, etc. Randomly sampled employees will be interviewed to assist in evaluating the working conditions at the facility. At the end of the audit, the facility management will be presented with a written onsite report detailing any findings determined during the audit.

- After the auditor's final report is prepared, the VF Sourcing Manager, any associated agent, vendor, and the facility management will receive a detailed audit report which will include all audit findings. Each facility will receive one of the following designations:

VF Audit Designation and Cadence:

VF Audit checklist has a severity level from Minor to Zero Tolerance (ZT) per question. The combination of violations identified during an audit culminates into an overall color designation for the facility. Facilities are rated from Green to Black. This methodology allows VF to identify and benchmark suppliers based on risk levels and promotes proactive risk monitoring, remediation, and collaborative, preventive and capacity building measures.

Designation	Criteria	Cadence
GREEN	Facilities that received a limited number of major non-compliances, and no critical or ZTVs.	Full-scope audit in 12 months
YELLOW	Facilities that receive a significant number of major non-compliances, and no critical or ZTVs.	Full-scope audit in 9 months
ORANGE	Facilities that received substantial number of major non-compliances, and no critical or ZTVs.	Full-scope audit in 6 months
RED	Facilities that received excessive number of major non-compliances and/or critical violations.	Follow-up audit in 6 months
BLACK	Facilities with **zero tolerance violations**. Facilities with **repeated critical violations.**	Follow-up audit in 3 months

Severity Framework:

Zero Tolerance
Zero tolerance issues refer to the most severe violations that can have significant and long-lasting impact on the health of people and the environment. Examples of such issues include child labor, forced labor, bribery or attempted bribery to auditors, physical and sexual harassment, and abuse.

Critical
Critical issues refer to recurrent, intentional and serious violations that pose potential imminent risks to people and the environment. Examples of such issues include lack of accurate or true payroll and time attendance records for review, workers paid below minimum wage standard, delay payment, involuntary overtime working.

Major
Major issues refer to violations that impose a negative impact on both human health and environment and require prompt attention and resolution. Examples of such violations include the absence of labor contracts, insufficient overtime premium, absence of legally required certificates or approvals for health and safety.

Minor
Minor issues refer to violations that have a noticeable impact on both human health and the environment and shall be remediated. Examples of such violations include housekeeping deficiencies, record-keeping errors, or minor non-compliance with regulations.

Green and **Yellow** facilities are approved to produce VF or related licensed products.

Orange facilities are approved to produce VF or related licensed products. A follow-up audit will be mandatory to upgrade the designation within 6 months.

Red facilities are approved to produce VF or related licensed products. A follow-up audit will be mandatory to upgrade the designation within 6 months. If the same Critical violation is repeated after the follow-up audit, the designation will be downgraded to Black.

Black facilities are not authorized to produce VF or related licensed products, they may complete any previously issued purchase orders. The facility may apply for a re-audit after 3 months. If the Black designation is repeated after the follow-up audit, the facility is not eligible to place another audit request for the next 12 months.

VF minimum requirement for new facilities: Orange or above.