

## **Kontoor Brands' Factory Compliance Audit Procedure for Vendors, Factories, Buyers, Agents, and Licensees**

It is Kontoor Brands, Inc.'s policy to monitor, by conducting Factory Compliance Audits, every facility that is involved in the manufacture of a Kontoor Brands branded product, and brands for which Kontoor Brands, Inc is licensed to produce. Our audit scope includes all cutting facilities, sewing plants, screen printers, embroiderers, laundries, and packaging locations. Kontoor Brands will also conduct Supply Chain Audits at all facilities contracted by Kontoor Brands 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 Kontoor Brands' Terms of Engagement has been signed. Production includes bulk orders and branded samples. Violation of this policy may result in the termination of any existing contracts or licensing agreements.

- For new suppliers, a Kontoor Brands Audit Request Form and a Kontoor Brands Audit – Factory Acknowledgement Form should be sent to your Kontoor Brands Factory Compliance Audit contact at least 4 - 6 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 Kontoor Brands products. Please contact your Kontoor Brands Factory Compliance contact if there is a question when selecting a new country for sourcing.
- Factory audits will be conducted by a Kontoor Brands 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. Kontoor Brands reserves the right to conduct unannounced audits.
- In situations where Kontoor Brands 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 one day; larger factories may require a two or three-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, 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 Kontoor Brands Sourcing Manager and any associated agent will be sent a Factory Compliance Findings Report. Each facility will receive one of the following designations:

- ◆ **Approved 18 Months** – These factories have no critical or major safety, health, or labor issues and are approved to produce Kontoor Brands or related licensed products. Audits for ‘Approved’ factories are conducted every 18 months. Factories achieving three consecutive ‘Approved’ designations will have designation validity extended to 30 months.
- ◆ **Pending Compliance 9 Months** – These factories have major safety, health, or labor issues. While these factories are authorized to produce Kontoor Brands or related licensed products, Kontoor Brands requires that the major issues be corrected in a timely manner and follow-up audits will be scheduled after nine months. A ‘Pending Compliance’ factory is required to make continuous improvement against the established Corrective Action Plan.

Factories having two consecutive Pending Compliance or Pending Rejection ratings with lingering major issues from initial audit upon third audit will be downgraded automatically by one level, with the risk of being rejected by Kontoor Brands for lack of resolve in addressing major issues.

- ◆ **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 after second audit.
  - An active factory is found to have a Critical issue.
  - The factory has exceeded the allowable follow-up audits to achieve an Approved 18 months designation.

These factories are authorized to produce Kontoor Brands 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 Kontoor Brands or related licensed production, Kontoor Brands may cancel any outstanding contracts or licensing agreements. Factories may apply for a re-audit after remediating their open issues according to Kontoor Brands’ audit cadence.
- ◆ **Supply Chain** – Kontoor Brands Supply Chain Audits may be conducted at facilities contracted by Kontoor Brands that are engaged in the production of Textiles, Leather, and Polymer (soles and foot beds). Supply Chain Audit scope covers basic human rights, environment and workplace safety components of Kontoor Brands’ guiding principles. Factory Compliance Audit designation and cadence are applicable to Supply Chain Audit. A ‘Supply Chain’ facility is required to make continuous improvement against the established Corrective Action Plan.

It is Kontoor Brands’ 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, Kontoor Brands will assist each supplier in achieving compliance with Kontoor Brands’ Terms of Engagement.