



## VF's Factory Compliance Audit Procedure

**For Vendors, Factories, Buyers, Agents, and Licensees.**





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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 Factories.  
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 factories 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 six to eight hours; larger facilities may require a two-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:



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## **AUDIT DESIGNATION:**

**Accepted:** This designation is assigned for

- Facilities that have no High or Moderate issues on their initial audit.
- Facilities with currently accepted designation, that report a New Moderate issue during the annual audit.

Accepted facilities are approved to produce VF or related licensed products.

If the Moderate issue remains unremediated during the next annual audit, the designation will be downgraded.

**Developmental:** This designation is assigned for

- Facilities that report moderate issues.

Developmental facilities are approved to produce VF or related licensed products.

A facility that has failed to remediate Moderate issues by the third follow-up audit (for Tier 1) and second follow-up audit (for Tier 2) will be further downgraded.

**Pending Rejection:** This designation is assigned for

- Any existing facilities that have reported a High issue.
- Tier 1- facilities that have failed to remediate repeat Moderate issues by the third follow-up audit.
- Tier 2- Facilities that have failed to remediate repeat Moderate issues by the second follow-up audit.

Pending Rejection facilities are authorized to produce VF or related licensed products for not more than 180 Days and must fully remediate the repeated Moderate or High issues during the follow-up audit, or the designation will be downgraded to Rejected.

**Rejected:** This designation is assigned for

- Facilities that reported High issue/s during an initial audit.
- Facilities that reported repeated moderate safety, health, or labor issues, and have failed to remediate these issues throughout the follow-up audits.

Rejected facilities are not authorized to produce VF or related licensed products, they may complete any previously issued purchase orders, but additional purchase orders should not be issued.

If a Rejected facility is used for VF or related licensed production, VF may deny to accept the goods, impose financial chargebacks, and cancel any outstanding contracts or licensing agreements.

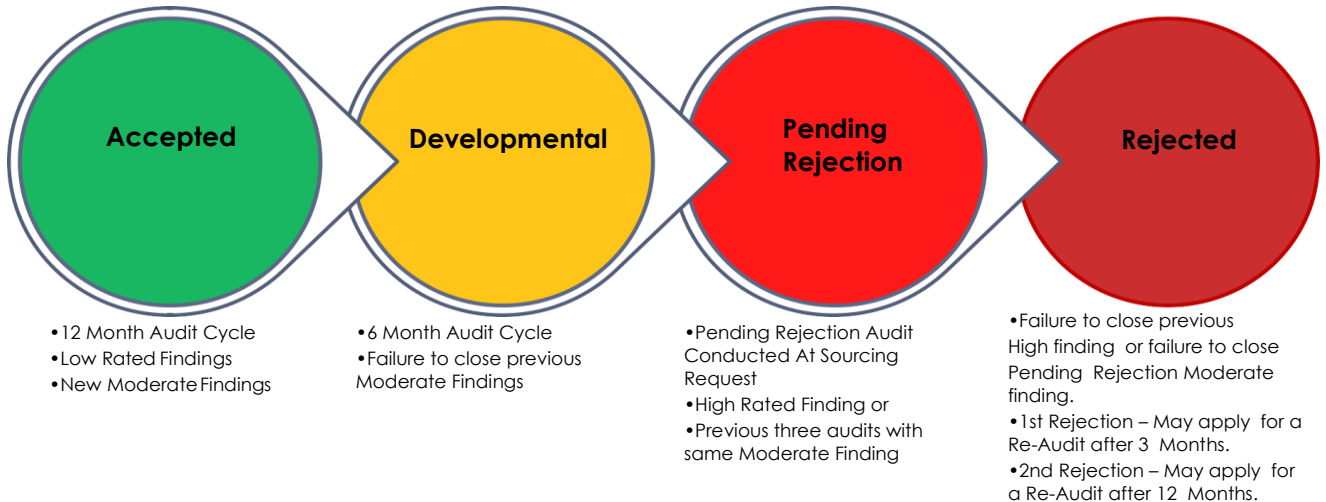
The facility may apply for a re-audit after remediating the open issues. If the Rejected facility has any High issues in the re-audit and receives a second Rejected designation, it is not eligible to place another audit request for the next 12 months.



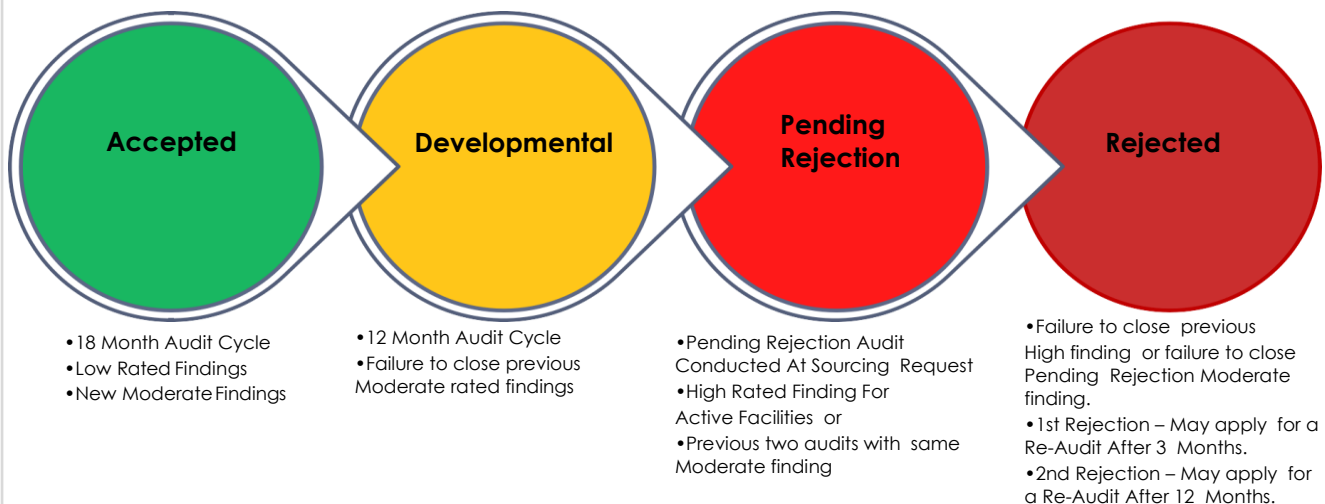
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## AUDIT CADENCE:

### For Tier 1 Facilities and Subcontractors



### For Tier 2 Facilities





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## **VF's Participation in Global Labor Initiatives:**

**Social Labour Convergence Program (SLCP)** - VF will accept an SLCP verification assessment in lieu of an internal Compliance Audit provided the facility meets the defined eligibility criteria.

To know more about the eligibility criteria reach out to the VF Factory Compliance Team.

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

**Better Work-ILO** - VF is partnering with Better Work-ILO in their operating countries which include Cambodia, Haiti, Jordan, Lesotho, Indonesia, Vietnam, Bangladesh, Egypt, and Nicaragua. VF will accept a Better Work assessment in lieu of a VF audit in some Better Work countries. The facility must be an active participant in the Better Work program and take part in all required training and assessments. The following conditions will be applicable for Better Work facilities.

- Better Work assessment will not be accepted for new facilities.
- VF reserves the right to audit the facility for any VF compliance standards not covered in the Better Work assessment.
- The facility shall add VF additional review findings in the improvement plan as 'self-diagnosed' issues for further follow-up by the VF team.

**\*\*VF reserves the right to spot checks of any facilities that are part of the Global Labor Initiative programs.**

**\*\*The Designation and Cadence for Global Labor Initiatives may depend on VF's evaluation of the facility's assessment report.**