



VF's Factory Audit Procedure

It is VF Corporation policy to monitor every facility that is involved in the manufacture of a VF branded product, and brands for which VF Corporation is licensed to produce. This will include all cutting facilities, sewing plants, screen printers, embroiderers, laundries, and packaging locations. This will also include raw material suppliers such as knit fabrics and woven fabrics where such facilities are located at the same address as the branded product manufacturer.

- Absolutely no production can be performed in a facility until a factory inspection has taken place. Production includes samples as well as bulk orders. Violation of this policy can result in the termination of any existing contracts or licensing agreements.
- Factory inspections will be conducted by a VF Compliance Auditor or by an accredited audit company.
- Each audit will include a thorough inspection of the building for health and safety issues. Factory records involving payroll, operating licenses, employee personnel records, etc. will be reviewed for legal compliance with local laws. In addition, a random sampling of employees will be interviewed to evaluate working conditions at the facility.
- At the end of the inspection, each facility will receive one of the following ratings:
 - ◆ **Accepted** –The factory has no serious safety, health, or labor issues and is certified to produce VF or related licensed products for 12 months, at which time an annual review is necessary to maintain an 'accepted' rating.
 - ◆ **Accepted to be upgraded** – The factory has some minor safety, health, or labor issues. While the factory is authorized to produce VF or related licensed products, VF requires that the problems will be corrected in a timely manner and a follow-up inspection will be scheduled within 8-12 weeks. If the problems are corrected to VF's satisfaction, then the status of the factory will be elevated to 'accepted'. If the factory has made no attempt to address the problems at the time of the second visit, the factory will be downgraded to a 'rejected' status.
 - ◆ **Rejected** – The factory has some major safety, health, or labor issues. This may include excessive working hours, incorrect overtime compensation, or locked emergency exits. In this situation the factory is not authorized to produce VF or related licensed products. If, at a later date, the factory feels that they have corrected these problems, a VF auditor may re-inspect the facility.

- If a rejected factory is used for VF or related licensed production, or if a factory fails to follow through on agreed facility upgrades, VF will cancel any outstanding contracts or licensing agreements.
- Due to political, environmental, and human rights issues there are certain countries that are deemed unacceptable for the manufacture of VF products. This is a continually changing situation, so the VF compliance office maintains an updated listing.

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. We will assist each supplier to reach VF's manufacturing standards in any way possible.