

## KnowTheChain Apparel & Footwear Benchmark Methodology Version 2 (January 2018)

### SCORED DISCLOSURE

#### THEME 1 COMMITMENT AND GOVERNANCE

##### 1.1 Commitment

The company:

(1) has publicly demonstrated its commitment to addressing human trafficking and forced labor.

##### 1.2 Supply Chain Standards

The company's supply chain standard:

(1) requires suppliers to uphold workers' fundamental rights and freedoms (those articulated in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work), including the elimination of forced labor;

(2) has been approved by a senior executive;

(3) is easily accessible from the company's website;

**(4) is updated regularly, following internal review and input from external stakeholders;**

Updated Terms of engagement are coming out in September 2018.

We updated our Facility Guidelines in February 2018 which discusses our uniform facility compliance audit program. This update includes robust policy guidelines regarding worker's fundamental rights and freedoms. We reviewed policy and principles with outside stakeholders.

<https://s3.amazonaws.com/content.stockpr.com/vfcsustainability/files/pages/resources/policies-standards/VF+Facility+Guidelines+Feb+1+2018+-+Final.pdf>

(5) is communicated to the company's suppliers.

##### 1.3 Management and Accountability

The company:

(1) has a committee, team, program, or officer responsible for the implementation of its supply chain policies and standards that addresses human trafficking and forced labor; and

(2) has tasked a board member or board committee with oversight of its supply chain policies and standards that address human trafficking and forced labor.

##### 1.4 Training

The company undertakes programs which include:

(1) the training of all relevant decision-makers within the company on risks, policies, and standards related to human trafficking and forced labor; and

**(2) the training and capacity-building of suppliers on risks, policies, and standards related to human trafficking and forced labor, covering key supply chain contexts.**

<https://www.vfc.com/california-transparency-in-supply-chains-act>

#### ACCOUNTABILITY

All VF associates must comply with our Code of Business Conduct, which includes principles relating to human trafficking and forced labor. Violation of our Code of Business Conduct by one of our associates can result in disciplinary action, including termination of employment. Consistent with internationally recognized labor standards, our Global Compliance Principles specify minimum working conditions for employees of our suppliers, helping to ensure that wherever our products are produced, each and every product reflects our values. A contracted factory's breach of the Terms of Engagement can result in VF taking corrective action, including termination as an approved contracted factory.

All VF-owned and operated factories also undergo independent certification by Worldwide Responsible Accredited Production ("WRAP"), a non-profit organization that promotes global ethics in manufacturing.

#### TRAINING

VF associates complete online and facilitator-led training on our Code of Business Conduct and sign an agreement to abide by its principles, including those related to human trafficking and forced labor. For our associates and management who have direct responsibility for monitoring, auditing and enforcing our Global Compliance Principles, we provide additional training conducted by our staff or a third-party. Training includes topics such as identifying child labor, involuntary or forced labor and preventing human trafficking.

For additional information on VF, download our Annual Report. Find out more about our supply chain platform in the Supply Chain section of our website."

"VF associates receive assignments to complete online and facilitator-led training on our Code of Business Conduct during their first thirty days and sign an agreement to abide by its principles, including those related to human trafficking and forced labor. For our associates and management who have direct responsibility for monitoring, auditing and enforcing our Global Compliance Principles, we provide additional training conducted by our staff or a third party. Training includes topics such as identifying child labor, involuntary or forced labor and preventing human trafficking."

**CAPACITY BUILDING for Suppliers**—In January of 2018 we re-communicated to our suppliers a reminder of our long-standing policies, which are embodied in our Global Compliance Principles and other policies and procedures, that prohibit the production of VF products using forced labor, that require VF Authorized Facilities to comply with all applicable laws of the countries in which they are located, and that require VF Authorized Facilities to comply with other VF sourcing requirements. Also re-communicated that VF expects Authorized Facilities to have in place policies and procedures to ensure compliance with the foregoing requirements, and to impose this requirement on all the material suppliers in each VF Authorized Facility supply chain. VF will audit compliance by Authorized

Facilities with these requirements during the normal course of our Factory Compliance audits. Authorized factories and vendors were required to acknowledge this via signature.

## 1.5 Stakeholder Engagement

In the last three years, the company has engaged relevant stakeholders by:

- (1) providing at least two examples of engagements on forced labor and human trafficking with policy makers, worker rights organisations, local NGOs, or other relevant stakeholders in countries in which its suppliers operate, covering different supply chain contexts; and**

Update on our work with SHIFT: Our VP of Global Corporate Sustainability presents annually to the Board of Directors. During the most recent presentation, human rights was a prominent topic of conversation. Our VP shared with the BOD that we have assembled a Human Rights Working Group and identified our five salient human rights issues. The future roadmap forward for human rights was discussed as well as details on additional work currently being conducted in partnership with an outside consulting firm and SHIFT, a leading human rights NGO.

Another example is a program in partnership with the Mekong Club that has been taking place to educate workers in factory complexes on the challenges and dangers of partnering with broker.

Additionally, we are having conversations of partnering with the Global Fund to End Modern Slavery, an NGO focused on combating the act of recruiting, harboring, transporting, providing, or obtaining a person for compelled labor or commercial sex acts through the use of force, fraud, or coercion specifically in India and Vietnam.

- (2) actively participating in one or more multi-stakeholder or industry initiatives focused on eradicating forced labor and human trafficking across the industry.**

Details on our work with the MekongClub: We are currently working with the Mekong group to ensure we have a robust program to properly identify occurrences of modern slavery in our supply chain specifically in Vietnam and China. The goal is to take learnings from these partnerships and use them to help build and practice corrective and preventative measures. We are partnering with them on three audits in China to help ensure our audit scope is sufficient to identify forced labor. VF has partnered with both The Mekong Club and CCR-CSR, which are both working within the forced labor arena.

## THEME 2 TRACEABILITY AND RISK ASSESSMENT

### 2.1 Traceability

The company discloses:

- (1) the names and addresses of its first-tier suppliers;
- (2) the countries of below first-tier suppliers (this does not include raw material suppliers);**
- (3) the sourcing countries of raw materials at high risk of forced labor and human trafficking;**  
and

Rubber – Cambodia, Thailand, Vietnam. See our upcoming 2018 CDP Forest Response.

Cotton – Uzbekistan, Syria and Turkmenistan, See our Cotton Policy.

(4) some information on its suppliers' workforce.

## 2.2 Risk Assessment

The company discloses:

- (1) details on how it conducts human rights supply chain risk or impact assessments that include forced labor risks or assessments that focus specifically on forced labor risks; and

We have assembled a Human Rights Working Group to fully understand our human rights risks and develop a strategy moving forward. Hot spot mapping was performed with Maplecroft to determine our highest risks and five salient issues (one of which includes forced labor) with SHIFT, a leading NGO in human rights, to address in our strategy. Future roadmapping and a human rights strategy is being finalized.

We also use BSI data to help inform us on supply chain risks.

- (2) details on forced labor risks identified in different tiers of its supply chain.

## THEME 3: PURCHASING PRACTICES

### 3.1 Purchasing Practices

Purchasing practices and pricing may both positively impact labor standards in the company's supply chain, and increase risks of forced labor and human trafficking. The company:

- (1) is taking steps towards responsible raw materials sourcing;
- (2) is adopting responsible purchasing practices in the first tier of its supply chain; and
- (3) provides procurement incentives to first-tier suppliers to encourage or reward good labor practices (such as price premiums, increased orders, and longer-term contracts).**

please see page 4 , under heading "Management" of the below link:

([https://s3.amazonaws.com/content.stockpr.com/vfcsustainability/files/pages/resources/survey-responses/VF+Corporation\\_Know+the+Chain\\_Engagement+questions.pdf](https://s3.amazonaws.com/content.stockpr.com/vfcsustainability/files/pages/resources/survey-responses/VF+Corporation_Know+the+Chain_Engagement+questions.pdf))

"VF evaluates our ongoing relationship with our suppliers using a balanced scorecard approach. Typical metrics contained within our vendor and factory scorecard include ontime-delivery, quality performance, and shipping accuracy. In addition to these metrics, a factory's compliance score is the most heavily weighted metric, reducing the overall factory score by 50% should the factory have a "Developmental" rating. "

### 3.2 Supplier Selection

The company:

- (1) assesses risks of forced labor at potential suppliers prior to entering into any contracts with them.
- (2) addresses risks of forced labor related to sub-contracting.

### 3.3 Integration into Supplier Contracts

The company:

- (1) integrates supply chain standards addressing forced labor and human trafficking into supplier contracts.

**Principle 3 – Forced Labor - VF Authorized Facilities will not use involuntary or forced labor – indentured, bonded or otherwise.**

<https://sustainability.vfc.com/resources/policies-standards/global-compliance-principles>

Our Global Compliance Principles are specifically included in our supplier contracts and terms of engagement. Principles 3 is one component of our 16 principles.

### 3.4 Cascading Standards through the Supply Chain

The company:

- (1) requires its first-tier suppliers to take steps to ensure that their own suppliers implement standards that are in-line with the company's supply chain standards addressing forced labor and human trafficking.

**CAPACITY BUILDING for Suppliers**—In January of 2018 we re-communicated to our suppliers a reminder of our long-standing policies, which are embodied in our Global Compliance Principles and other policies and procedures, that prohibit the production of VF products using forced labor, that require VF Authorized Facilities to comply with all applicable laws of the countries in which they are located, and that require VF Authorized Facilities to comply with other VF sourcing requirements. Also re-communicated that VF expects Authorized Facilities to have in place policies and procedures to ensure compliance with the foregoing requirements, and to impose this requirement on all the material suppliers in each VF Authorized Facility supply chain. VF will audit compliance by Authorized Facilities with these requirements during the normal course of our Factory Compliance audits. Authorized factories and vendors were required to acknowledge this via signature.

## THEME 4: RECRUITMENT

### 4.1 Recruitment Approach

- (1) has a policy that requires direct employment in its supply chain;
- (2) requires employment and recruitment agencies in its supply chain to uphold workers' fundamental rights and freedoms (those articulated in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work), including the elimination of forced labor; and

- (3) discloses information on the recruitment agencies used by its suppliers.

### 4.2 Recruitment Fees

The company:

- (1) requires that no worker in its supply chain pay for a job—the costs of recruitment should be borne not by the worker but by the employer ("Employer Pays Principle"); and

Please see pages 8-12

<https://s3.amazonaws.com/content.stockpr.com/vfcsustainability/files/pages/resources/policies-standards/VF+Facility+Guidelines+Feb+1+2018+-+Final.pdf>

The facility and recruitment agencies may not deduct from wages (by way of garnishments, levies, deposits, guaranteed monies or otherwise) costs or fees associated with employment, including required visas, health checks, employment registration, work permit, management fee, or recruitment agency/placement firm fees greater than one month of the base salary. The employer or recruiter may not utilize recruitment agency services conditional upon applicants paying for other goods and services such as travel, training, etc. Please see page 6

<https://s3.amazonaws.com/content.stockpr.com/vfcsustainability/files/pages/resources/policies-standards/VF+Facility+Guidelines+Feb+1+2018+-+Final.pdf>

- (2) takes steps to ensure that such fees are reimbursed to the workers, in the event that it discovers that fees have been paid by workers in its supply chain.

#### 4.3 Monitoring and Ethical Recruitment

The company:

- (1) takes steps to ensure employment and/or recruitment agencies used in its supply chain are monitored to assess and address risks of forced labor and human trafficking; and

- (2) provides details of how it supports ethical recruitment in its supply chain.

#### 4.4 Migrant Worker Rights

The company:

- (1) takes steps to ensure migrant workers understand the terms and conditions of their recruitment and employment, and also understand their rights;

- (2) takes steps to ensure its suppliers refrain from restricting workers' movement, including through the retention of passports or other personal documents against workers' will;**

The facility must allow associates to move freely within their designated work areas during work hours, including being allowed access to drinking water and toilet facilities. Associates must be allowed to leave the facility during meal periods and after work hours. The supplier will not impose curfews or geographical limits on associate movement. Except where necessary for associate privacy or safety, the facility must not restrict or limit access to associate's accommodation or visitors to the associate's accommodation. Migrant associates must be free to return to their home country during periods of annual or personal leave without having to pay any form of deposit and be

free of the threat of termination or other penalties. In those cases, where associates return home during their annual leave, the facility must keep their positions available upon their return. The facility may not prevent any migrant associate from contacting their country's Embassy or Consulate. Associates must not be required to deposit their original identity papers such as travel or residency permits with their employer unless expressly stated by

country law. Where the employer is legally required to hold the identification documents, the employer must provide the associate with a photocopy of the documents free of charge. At the associate's request, the facility may provide safekeeping of identity documents. In this case, the facility must provide immediate access to these documents and return them upon the associate's request with no restrictions. The deposit of identity documents for safekeeping and the return of those documents must be documented and signed by the

associate and the facility. Third party recruiters, employment agents, and labor brokers are expressly prohibited from holding associates' identity documents. Neither these recruitment agencies nor the employer may hold other associate documents such as land titles

(3) takes steps to ensure migrant workers are not discriminated against, and not retaliated against, when they raise grievances; and

(4) provides evidence of how it works with suppliers to ensure migrant workers' rights are respected.

## **THEME 5: WORKER VOICE**

### **5.1 Communication of Policies**

The company takes steps to ensure:

- (1) its policies and standards, which include human trafficking and forced labor, are available in the languages of its suppliers' workers; and
- (2) its human trafficking and forced labor policies and standards are communicated to workers in its supply chain.

### **5.2 Worker Voice**

The company:

- (1) works with relevant stakeholders to engage with and educate workers in its supply chain on their labor rights;
- (2) takes steps to ensure that there are worker-to-worker education initiatives on labor rights in its supply chain;
- (3) provides evidence of the positive impact of worker engagement in its supply chain; and
- (4) provides at least two examples of worker engagement initiatives covering different supply chain contexts.

### **5.3 Freedom of Association**

The company:

- (1) describes how it works with suppliers to improve their practices in relation to freedom of association and collective bargaining;
- (2) works with local or global trade unions to support freedom of association in its supply chain;

**(3) takes steps to ensure workplace environments in which workers are able to pursue alternative forms of organizing (e.g., worker councils or worker-management dialogues) where there are regulatory constraints on freedom of association; and**

Please see pages 14-15

<https://s3.amazonaws.com/content.stockpr.com/vfcsustainability/files/pages/resources/policies-standards/VF+Facility+Guidelines+Feb+1+2018+-+Final.pdf>

The facility must be open and cooperative towards associate representation, allow associates to form or join trade unions of their choosing, and to bargain collectively. The company must also give associates' representatives reasonable access to the facility so they can conduct their representative functions. In countries where the law restricts freedom of association and collective bargaining, the facility must enable associates to establish substitute arrangements of associates' representation and negotiation. The facility must not subject associates to harassment, intimidation or retaliation in their efforts to freely associate, join a trade union, participate in trade union activities, strike, or bargain collectively. Additionally, the associate representatives must be provided with regular access to company management to address grievances and other issues. The facility must not forbid union representatives from interacting with associates. All collective bargaining between the associates and facility management must be negotiated in good faith. Please see page 19

[https://s3.amazonaws.com/content.stockpr.com/vfcsustainability/files/pages/resources/reports/VF\\_Corp\\_PDF\\_18\\_digital%5B1%5D.pdf](https://s3.amazonaws.com/content.stockpr.com/vfcsustainability/files/pages/resources/reports/VF_Corp_PDF_18_digital%5B1%5D.pdf)

(4) provides at least two examples covering different supply chain contexts of how it improved freedom of association for supply chain workers.

## 5.4 Grievance Mechanism

The company:

(1) takes steps to ensure a formal mechanism to report a grievance to an impartial entity regarding labor conditions in the company's supply chain is available to its suppliers' workers and relevant stakeholders;

(2) takes steps to ensure that the existence of the mechanism is communicated to its suppliers' workers;

(3) takes steps to ensure that workers or an independent third-party are involved in the design or performance of the mechanism, to ensure that its suppliers' workers trust the mechanism;

(4) discloses data about the practical operation of the mechanism, such as the number of grievances filed, addressed, and resolved, or an evaluation of the effectiveness of the mechanism; and

(5) provides evidence that the mechanism is available and used by workers below tier one in its supply chain, or by relevant stakeholders in key supply chain contexts.

## THEME 6: MONITORING

### 6.1 Auditing Process

The company has a supplier audit process that includes:

- (1) non-scheduled visits;
- (2) a review of relevant documents;
- (3) interviews with workers;
- (4) visits to associated production facilities and related worker housing; and
- (5) supplier audits below the first tier.

## 6.2 Audit Disclosure

The company discloses:

- (1) the percentage of suppliers audited annually;

We audit annually covering about 95% of suppliers with the exception of fabric mills and outstanding performers.

- (2) the percentage of unannounced audits;

Across all our of our audit about 7% are unannounced, mostly taking place in Bangladesh and China.

- (3) the number or percentage of workers interviewed during audits;

We consider employee interviews as an integral part of a Factory Compliance Audit. Depending upon the issues encountered in the factories, we will interview up to 10% of the worker population.

- (4) information on the qualification of the auditors used; and
- (5) a summary of findings, including details regarding any violations revealed.

## THEME 7: REMEDY

### 7.1 Corrective Action Plans

The company's corrective action plans include:

- (1) potential actions taken in case of non-compliance, such as stop-work notices, warning letters, supplementary training, and policy revision;
- (2) a means to verify remediation and/or implementation of corrective actions, such as record review, employee interviews, spot-checks, or other means;
- (3) potential consequences if corrective actions are not taken; and
- (4) a summary or an example of its corrective action process in practice.

If we receive a complaint of an audit finding regarding human rights violations, VF's Sustainable Operations team will investigate the matter. The investigation will involve VF staff or external investigative staff depending on the situation. We will first conduct anonymous worker interviews to understand the issues better and to identify a root cause. We will then work with factory management and worker representatives, where available, to develop remedial action plans to

address the issues at the root cause. We will then monitor closure of issues and confirm again through worker interviews. Should the factory not take appropriate measure then we will seek intervention, up to and including termination of business, from our sourcing organization.

In the area of juvenile labor and health, should issues of violation arise, examples of corresponding corrective action plans are as follows: Arranging health checks for juvenile workers: a) before the juvenile worker begins working at the enterprise; b) after the juvenile worker has worked for one full year; c) when the juvenile worker has reached 18 years of age and has not had health examination in the previous six months. Re-examining its hiring procedures to ensure that workers under 16 years old are not hired. Setting up a young worker protection policy to ensure all young workers are registered in a local labor bureau and provided with a regular health check once they are hired.

<https://s3.amazonaws.com/content.stockpr.com/vfcsustainability/files/pages/vfcsustainability/db/334/description/CHRB17+VF+%281%29.pdf>

Page 9, indicator D.2.4.b

## 7.2 Remedy Programs / Response to Allegations

A. If no allegation regarding forced labor in the company's supply chain has been identified in the last three years, the company discloses:

(1) a process for responding to the complaints and/or reported violations of policies and standards; and

**(2) at least two examples of outcomes for workers of its remedy process in practice, covering different supply chain contexts.**

Violations of freedom of association: Accusations were made that a factory was violating workers' right to freely associate. VF intervened using the aforementioned process and was able to ensure that proper processes were in place from factory management to sustainably ensure freedom of association.

Forced labor: VF conducted an in-depth labor assessment at a factory. Through this assessment, we learned that contractors from an outsourced food service company working in the factory canteen were working under conditions deemed to be "forced labor." VF brought the matter to the attention of the factory management. The contract with the service provider was terminated. The HR staff from the factory were also terminated for not providing proper oversight. Canteen staff were provided with back wages and opportunities for proper employment. The factory management then put stronger processes in place to ensure a similar oversight was not made again.

B.1. If one or more allegations regarding forced labor in the company's supply chain have been identified in the last three years, the company discloses:

(1) a process for responding to the complaints and/or reported violations of policies and standards;

(2) a public response to the allegation, which covers each aspect of each allegation;

(3) outcomes of the remedy process in the case of the allegation(s); and

(4) evidence that remedy(ies) are satisfactory to the victims or groups representing the victims.

B.2. If one or more allegations regarding forced labor in the company's supply chain have been identified in the last three years, and the company denies the allegation, the company discloses:

- (1) a process for responding to the complaints and/or reported violations of policies and standards;
- (2) a public response to the allegation, which covers each aspect of each allegation;
- (3) a description of what actions it would take to prevent and remediate the alleged impacts; and
- (4) that it engages in a dialogue with the stakeholders reportedly affected in the allegation, or requires its supplier(s) to do so.

## **NON-SCORED DISCLOSURE**

*THE FOLLOWING WILL BE DISPLAYED ON A COMPANY'S SCORECARDS.*

### **Commitment(s) to address forced labor in the supply chain**

The company has developed measurable and time-bound commitment(s) to address forced labor in the supply chain.

### **Compliance with Regulatory Transparency Requirements**

#### **UK Modern Slavery Act**

Where applicable, the company discloses annual statements under the Modern Slavery Act which fulfils the three minimum requirements (director signature, board approval, link on homepage).

#### **California Transparency in Supply Chains Act**

Where applicable, the company discloses a statement under the California Transparency in Supply Chains Act which fulfils the minimum requirements (conspicuous link on homepage, reporting against five areas).

*THE FOLLOWING WILL BE DISPLAYED ON THE COMPANY'S SCORECARD ONLY IF A COMPANY PROVIDES SUCH INFORMATION.*

### **Business model**

To put the KnowTheChain analysis into context, companies are invited to disclose relevant information on their business model, such as sourcing countries, owned versus outsourced production, etc. [Note KnowTheChain reserves the right to edit the information provided]

### **Addressing forced labour risks related to third-party products**

Where a company--in addition to own branded products--sells third party products, the company discloses how it assesses and addresses forced labor risks related to third party products (relevant for retail companies).