

# CR ASSESSMENT PROGRAM

## *Reaches Next Level*

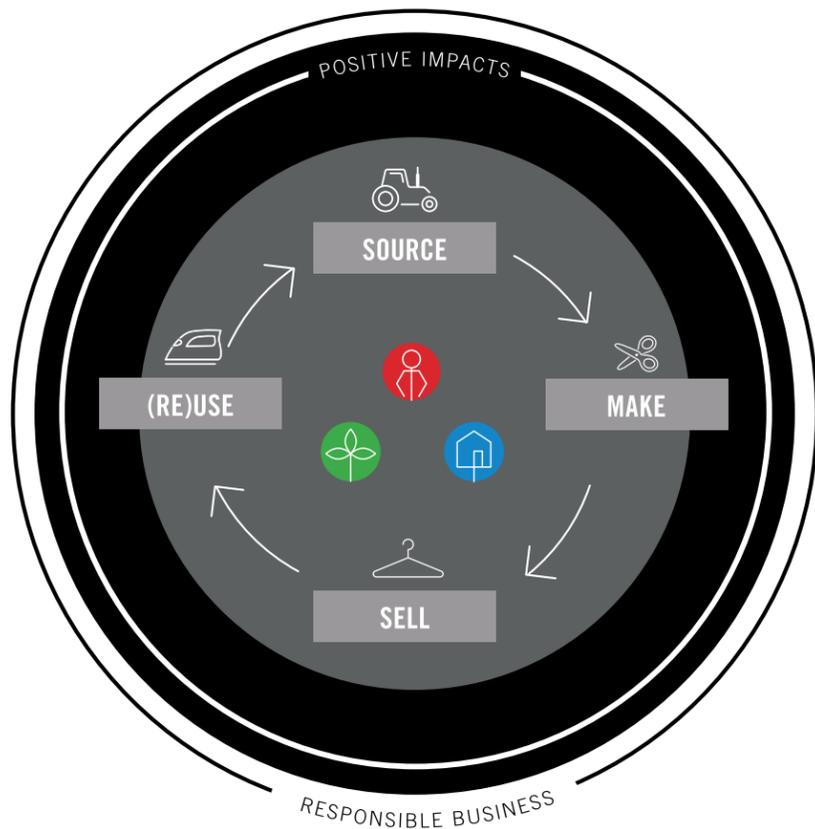
**T**he cornerstone of our CR program is the PVH supplier assessment program, which was created in conjunction with our code of conduct, “A Shared Commitment,” issued more than 25 years ago. As one of the first companies to adopt standards for suppliers and other business partners, PVH has always been and continues to be a leader in advancing both human rights and overall supplier conduct, as we view our suppliers and the factory workers as an extension of our own associates and a reflection on us.

We continually strive to work with best-in-class partners who share our Core Values and approach to CR from both a human rights and environmental perspective. Over the past few years, we have evolved our supplier program in a number of meaningful ways to take our program to the next level and respond to a new wave of pressing issues. Through innovative, collaborative thinking and a true partnership among our CR team, our internal supply chain team, and our vendor partners, we have created a program that is leading the way for the apparel industry.

### VALUE CHAIN APPROACH

When we adopted “A Shared Commitment” in 1991, our primary focus was concern regarding human rights issues in cut-and-sew (finished product) manufacturing facilities. Over the years, new challenges emerged and broader issues for supply-chain workers were identified. Additionally, other areas of concern including environmental risks, such as hazardous chemicals used in the dyeing and treating of fabrics, and the growing impacts of climate change became a greater focus. This has required companies to expand their programs from cut-and-sew manufacturers to facilities upstream in the supply chain, including mills and wet processors.

In 2014, PVH evolved its CR program to include a value chain approach that we call “source to store.” This new approach required a change to our program in both scope and scale, by expanding it to include a broader range of environmental and community-based issues, as well as the entirety of our supply chain. It also required an increase in data and transparency around all of the facilities that touch our product – from the farm through to finished product. At the time, we knew that this would be a journey and would take time to implement. We are proud to have made significant strides.



We also knew that we had to shift from an audit-led program (finding problems) to a more value-added one, where we are focused on problem-solving and empowering workers and factories to adopt and put into action their own CR programs, processes and systems. This is a long-term goal upon which we have made significant strides toward achieving and will continue striving for each coming year.

### TRIM FACILITIES

We are proud to report that 2017 was a year of considerable advancements toward fully implementing our “source to store” value chain approach. Much of the apparel industry’s environmental impact occurs early in the supply chain. Therefore, we have expanded our assessment program to include trim facilities for the first time to help us gain a broader view of our suppliers’ practices.

We worked cross-functionally to conduct a comprehensive mapping of our trim facilities, and plan to broaden this to include mills, laundries, and other wet processors in 2018. We have set up a process to ensure we have an accurate annual mapping that identifies the critical facilities in our supply chain to allow us to focus on driving responsible improvements over the long term.





**FROM HUMAN RIGHTS TO A COMPREHENSIVE ASSESSMENT: SAC HIGG INDEX**

In 2017, PVH implemented the **SAC Higg FEM** across our supply chain. The Higg FEM is a standardized tool for measuring apparel suppliers' environmental impacts and helping them drive improvements across seven impact areas. The tool enables us to manage the environmental impacts in our supply chain more effectively and improve the quality of our reporting. Already, we have rolled out the Higg FEM to 530 facilities in the PVH supply chain. Virtually all of these facilities have completed the data gathering process and over 50% had this data verified.

In 2018, we anticipate that approximately 570 total facilities in the PVH supply chain, including approximately 80 that involve wet processors (e.g., mills, laundries and dye-houses), will complete the Higg FEM along with our core CR assessment.

Because we are utilizing a standardized tool for the industry, suppliers can share their Higg FEM assessment and verification results with other participating apparel companies, thereby reducing audit fatigue and assessment costs. In time, we hope that it will become a tool used by all participants in the apparel system and benefit the whole industry.

As one of the world's largest apparel companies working with the Higg FEM tool, we are in a strong position to drive its integration and adoption across the industry.

**Jason Kibbey, CEO of the SAC, notes: "From contributing to the development and deployment of the Higg FEM across the value chain, to driving Higg FEM verification efforts, to co-founding the Apparel Impact Institute, PVH has consistently proven itself to be a strong leader in the SAC."**

We participate in various SAC working groups and task teams to ensure the adoption of the Higg FEM across the entire industry. We are committed to ensuring that the Higg FEM is usable with other industry systems and tools like the **SLCP's** Social Assessment Tool, which will be rolling out in 2018.

**FROM AUDITOR TO ADVISOR: BETTER WORK ACADEMY**

In addition to expanding to trim suppliers and adding comprehensive environmental assessments, we have become more proactive in supporting all our suppliers during the audit process. Historically, our CR auditors assessed our suppliers annually. In 2017, we started applying a more advisory approach to our assessment program. The focus of our audit process is progressively evolving from tracking performance and identifying risks to coaching and providing tools to factory management to manage their own compliance and remediate issues. To achieve this, we made significant investments in the development of our CR team members.

In 2017, we rolled out the **Better Work Academy (BWA)**, a program through International Labor Organization/ International Finance Corporation **Better Work**. We are training our former auditors in coaching skills and demonstrating to suppliers how giving workers an active role can help improve working conditions. In 2018, we will begin working with our suppliers to create or enhance their own worker-management committees by offering training, supporting democratic workplace elections and sharing problem-solving techniques.

**Dan Rees, Program Director, Better Work, commented on our partnership noting: "PVH is an active partner that engages with Better Work both at the factory level and in strategic efforts to transform the industry. Through their strong engagement in the Better Work Academy, PVH has made a commitment to ensure that factories throughout its supply-chain are well equipped to ensure continuous improvements for the benefit of both workers and business. We look forward to continuing our positive collaboration to improve the industry in the years ahead."**

Our CR team is also driving change in our own business practices. In 2017, our Responsible Business Practices program was launched to ensure that we are not inadvertently putting undue pressure on our suppliers that could result in code of conduct violations, such as excessive overtime hours. By optimizing our own buying and sourcing processes, we can further assist our suppliers to fulfill orders in a responsible way.

We plan to continue to work with our partners to further build on what has been achieved so far and ensure that sustainability continues to develop.

