



**PHILLIPS-VAN HEUSEN**  

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**ASSESSMENT FOR REACCREDITATION**

June 2008

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## PHILLIPS-VAN HEUSEN'S LABOR COMPLIANCE PROGRAM

Phillips-Van Heusen (PVH) has been an active participant in the Fair Labor Association (FLA) since the inception of the Apparel Industry Partnership (AIP) in 1996. PVH company representatives have served on the FLA's Board of Directors, Executive Committee and Audit Committee. PVH representatives regularly participate in meetings of the FLA's Monitoring Committee, FLA special projects and regional training events.

PVH's standards and Code of Conduct, outlined in "A Shared Commitment," were developed in 1991. In 1998, "A Shared Commitment" was revised to conform to the agreed-upon AIP language for a Workplace Code of Conduct.

PVH has a dedicated Global Human Rights and Social Responsibility Department. This department is responsible with the overall development, implementation and management of all issues related to compliance and education programs as well as to ensure ethical sourcing. PVH's labor compliance activities are led by the Senior Vice President of Global Human Rights and Social Responsibility, who reports to the Executive Vice President of Foreign Operations.

PVH's Global Human Rights and Social Responsibility Program operates from the company's headquarters in New York City. It has 4 full-time staff and 2 part-time staff. PVH's Global Rights and Social Responsibility Program also operates in 5 regions: Region A – the United States and Canada; Region B – Caribbean, South and Central America; Region C – Europe, Middle East and Africa; Region D – South Asia; and Region E – East and Southeast Asia. In 2007, Regions A and B had combined staff of 8 part-time employees, Region C had 4 part-time employees, Region D had 4 full-time and 5 part-time staff, and Region E had 10 full-time staff. PVH sources primarily in Regions D and E. All Human Rights Regional Leaders report directly to the Senior Vice President of Global Human Rights and Social Responsibility. In some instances, for example when internal staff is not available, PVH has contracted with third-party monitors to conduct internal initial and follow-up assessments of PVH facilities. A monitoring organization also provides compliance oversight to PVH factories in North India.

PVH's compliance program was accredited by the FLA in May 2005, at which time the program included the brands Van Heusen and Izod. During 2005-2007, PVH brought other brands such as G.H. Bass, Arrow, Geoffrey Beene, and Calvin Klein within the scope of its FLA compliance program.

This assessment for reaccreditation of PVH's labor compliance program covers the period 2005 through 2007. It is based on information provided by PVH in its annual reports to the FLA, verified through visits to headquarter and field offices, field observations, a review of Independent External Monitoring visits (IEMs) and Independent External Verification visits (IEVs) conducted by FLA accredited monitoring organizations at PVH applicable facilities from 2005-2007, and PVH's participation in FLA projects and value-added programs.

## ACCREDITATION OF PHILLIPS-VAN HEUSEN'S LABOR COMPLIANCE PROGRAM

In May 2005, the FLA Board of Directors voted to accredit PVH's labor compliance program. The Board accepted FLA staff's recommendation based on assessments at the headquarters and at the regional level. FLA staff interviewed PVH personnel at headquarters, inspected files, observed internal audits, reviewed information in the factory database, and analyzed findings from IEMs conducted at PVH facilities between 2002 and 2004. The accreditation assessment focused on PVH's labor compliance program during the initial implementation period, which lasted from April 2001 through December 2004.



By accrediting PVH's labor compliance program, the FLA Board formally recognized that the program fulfilled the requirements set forth by the FLA and those in the plan PVH submitted upon affiliating with the FLA. The FLA staff assessment concluded that during the implementation period, PVH had aligned its compliance program with the FLA standards, benchmarks, and protocols and met all the requirements of FLA participation with respect to apparel and footwear operations. The original accreditation report can be found at <http://www.fairlabor.org/report/phillips-van-heusen-assessment-accreditation>.

## ASSESSMENT FOR REACCREDITATION OF PHILLIPS-VAN HEUSEN'S LABOR COMPLIANCE PROGRAM

FLA staff has assessed PVH's labor compliance program and its operations in 2005-2007 against the obligations of Participating Companies in the FLA and the benchmarks for accreditation agreed upon by the Board of Directors. In particular, the assessment sought to determine whether PVH's labor compliance program continued to meet or exceed performance standards demonstrated during the initial implementation period.

The assessment concluded that between 2005 and 2007, PVH's labor compliance program continued to meet or exceed performance standards established during the initial implementation period, recognized by the Board of Directors in May 2005 when it approved accreditation of the program.

Selected PVH actions and initiatives between 2005 and 2007 to maintain high standards and strengthen its labor compliance program are described below.

1. **ADOPTS AND COMMUNICATES A CODE:** *Formally adopts a code that meets or exceeds FLA standards; Informs all suppliers in writing; Posts the code in a prominent place in supplier facilities in the local languages of workers and managers; Ensures that workers are informed orally and educated at regular intervals (to take account of labor turnover); Obtains written agreement of suppliers to submit to periodic inspections/audits, including by accredited external monitors, to remediate instances of noncompliances with FLA Workplace Standards that arise, and to inform employees about those standards.*
  - PVH has continued to provide new factories a package for their review and signature. Included in the package are: "A Shared Commitment" Code of Conduct; Human Rights Evaluation Request Form; "Most Commonly Asked Questions"; Initial Authorization Letter; Unsolicited Payments Letter; and PVH's Human Rights Program Guideline for Vendors. PVH also sends a letter to all vendors communicating its requirement for suppliers to submit the factories intended for production to an evaluation, remediation, and approval process, according to PVH's "A Shared Commitment" Code of Conduct and benchmarks. The compliance and approval process must take place prior to the placement of any order.
  - Beginning in July 2007, PVH hosted pre-assessment orientation sessions for factories in all regions and focused on the PVH Code of Conduct and components of a factory assessment. FLA regional staff confirmed that such meetings with suppliers have been held in North India and Bangladesh.
  - PVH has created a poster to convey "A Shared Commitment", available in Arabic, Bengali, Cantonese, Hindi, Italian, Mandarin, Portuguese, Spanish, and Turkish. PVH requires factories to display the poster and provide education on its terms to all factory workers.
  - Despite these efforts, in the course of 18 IEMs and 3 IEVs conducted at PVH applicable facilities from 2005 to 2007, there were 3 noncompliances pertaining to posting of the Code of Conduct and 10 noncompliances related to Code awareness and/or training. All of these noncompliances have been addressed through corrective action plans.

- 2. TRAINS INTERNAL COMPLIANCE STAFF:** *Identifies the staff or service provider responsible for implementing their compliance program; Ensures that they had training in all the areas under their responsibility, including, as appropriate, international and national labor standards, local languages, occupational and production risk factors, and techniques for monitoring, interviewing, and remediating; Updates that training at regular intervals.*
- PVH conducts orientation and training for new compliance staff. FLA staff noted that such training is conducted via manuals, classes, and factory visits. The Senior Vice President of Human Rights chairs a Training Committee tasked with suggesting and developing relevant tools for training and education of the Human Rights team, vendors and workers.
  - PVH internal auditors generally undergo 3-6 months of orientation before working independently. The orientation process includes: (1) in-class training on document reading, familiarity with laws and regulations, and development of audit skills; (2) observation of audits; (3) evaluation by a supervisor; and (4) assisting a lead auditor on-site. PVH emphasizes that its internal monitors are to play a coaching (rather than policing) role. In line with this concept, in June 2007, PVH provided training on facilitation, presentation, conflict resolution and negotiation.
  - PVH's compliance team has participated in trainings and workshops organized by the FLA (such as the 3.0 Foundation Course and workshop on grievance procedures), Business for Social Responsibility and others.
  - Observations by FLA staff and interviews with PVH staff and agents highlighted some areas where more training would be helpful, for example, consistency in categorizing noncompliance findings, worker interview guidance, and guidelines for conducting closing meetings.
- 3. PROVIDES EMPLOYEES WITH CONFIDENTIAL REPORTING CHANNELS:** *Encourages the establishment of grievance procedures at supplier facilities; Provides channels for Company employees and workers at those facilities to contact the Company directly and confidentially if warranted; Ensures the channel is secure, so workers are not punished or prejudiced for using it.*
- PVH has been an active participant in the FLA 3.0 program and has adopted FLA 3.0 grievance procedures in a number of suppliers. The establishment of internal grievance procedures should be encouraged at suppliers across all regions.
  - As verified by a visit to the PVH office in Bangladesh, PVH has a confidential mechanism for workers to report noncompliances. Phone numbers of PVH regional staff are listed on the PVH Code. Staff receives 4-5 complaints every month. There is a standard operating procedure for the complaints. PVH staff begins by fully understanding the complaint from the worker and then redirecting the complainant to the factory. PVH staff then follows up with factory management. PVH staff has received phone calls from workers indicating that their complaints have been resolved.
  - When PVH internal auditors visit a factory, they distribute business cards to the workers who have been interviewed; however, this practice is not consistent. During an audit observed by FLA staff in one region, business cards were consistently handed out while during an observed audit in another region,

the cards were only provided to some workers. Staff cards list office telephone numbers, cell phone numbers and email addresses. All numbers are local. If an auditor receives a complaint from a worker the auditor records it on the worker complaint review form and then follows up.

- With regard to the 18 IEMs and 3 IEVs that occurred between 2005 and 2007, there were 10 noncompliances related to the requirement to provide a confidential reporting channel to workers. PVH has remediated these noncompliances.

4. **CONDUCTS INTERNAL MONITORING:** *Internally monitors an appropriate sampling of suppliers to assess compliance, which includes worker interviews, records review, occupational safety and health review, practices of suppliers in relation to the FLA Workplace Standards; Collects, verifies, and quantifies compliance with workplace standards; Analyzes the monitoring results and implemented remediation plans to address non-compliance issues; Tracks the progress of remediation.*

- PVH continues to conduct internal monitoring of its suppliers, taking risk factors into consideration. Initial factory visits are announced while follow-up and progress audits may be unannounced or announced, decided at the discretion of PVH regional staff. In most regions, internal monitoring is conducted by PVH staff, but in certain circumstances, monitoring is conducted by third-party auditors. PVH conducted 187 internal audits in 2007. In 2007, one unannounced visit was conducted in Region D and 21 unannounced visits (out of 98 return visits) were conducted in Region E. There were no unannounced visits in the Americas or in EMEA.
- The Human Rights Approval Committee is responsible for deciding on the compliance status of every factory that has undergone an assessment. The Committee is comprised of three PVH executives and is set up in such a way as to eliminate any inherent conflicts of interest since executives are assigned to areas that are not core to their ongoing roles. PVH's factory rating system categorizes potential factories as Approved (a factory with no serious compliance issues), Requires Follow Up (a factory with issues pertaining to health, safety, or the environment), or Not Approved (a factory with issues related to hours of work, transparency, etc.). PVH requires factories that are categorized as Not Approved to submit a corrective action plan for the findings. If the remediation plan is approved, then PVH may source from the factory.
- In 2005, PVH participated in a supply chain research project conducted by Massachusetts Institute of Technology to assess the effectiveness of PVH's compliance program and assist in the formulation of a more comprehensive factory rating system. Research targeted Honduras, the Dominican Republic, Bangladesh, India and China. The project report will assist PVH in identifying strengths and weaknesses of its monitoring program and its factory rating system.
- FLA field staff shadowed PVH pre-production audits in India and in China, both conducted by PVH staff. Both audits were announced. Through these observations, FLA staff noted that PVH's internal monitors exhibited strong skills in corroborating evidence and approached the audits as opportunities for collaboration and partnership with the factory. Some noted areas of improvement include external information gathering, an assessment of systemic health and safety conditions based on risk analysis, and appropriate protocols for conducting worker interviews and reviewing personnel files. FLA staff has

provided PVH with specific comments, suggestions and constructive criticism on the conduct of the audits.

- PVH has a robust system of tracking factory approval and active and inactive factories. However during the pre-sourcing audit in India, production for PVH brands Kenneth Cole, Calvin Klein and Geoffrey Beene were found on the lines. The production was placed by a United States-based agent working on behalf of PVH but PVH Human Rights staff in the region was not aware. The FLA recommends that PVH look into why a factory that was not approved by PVH was manufacturing its product.

**5. SUBMITS TO INDEPENDENT EXTERNAL MONITORING (IEM):** *Provides the FLA with an accurate, up-to-date factory list, factory profile, access letters to factories, etc.; Ensures that the suppliers selected for IEMs cooperate with the FLA monitors; Cooperates with FLA requests for information, clarification, and follow-up in the IEM process.*

- PVH has continued to meet this obligation and has promptly provided the FLA with the requisite factory lists, access letters, and other required materials. In its letter to vendors/suppliers, PVH communicates the relationship of the company with the FLA and if selected for an IEM visit, the factory must comply with the IEM process. PVH staff has also responded to FLA requests for information and clarification about IEMs.

**6. COLLECTS AND MANAGES COMPLIANCE INFORMATION:** *Maintains a database; Generates up-to-date lists of its suppliers when required; Analyzes compliance findings; Reports to the FLA on those activities.*

- The Senior Vice President of Human Rights chairs a Database Committee tasked with managing and ensuring that the PVH system meets the needs of the compliance program. This Committee maintains and verifies the integrity of the information entered into the database.
- FLA staff viewed the database with the assistance of the Human Rights Administrator at PVH headquarters in New York City. An online database containing information on PVH's global vendors, agents and factories can be accessed by the sourcing and compliance teams. The database is functional and PVH staff seeks to improve the information entered but it is not yet accessible to all regions. PVH is looking for technology solutions and the FLA encourages continued work on this issue.
- As verified in Region E, PVH categorizes and analyzes audit findings on a quarterly basis. This information is maintained in an Excel spreadsheet and is organized by Code element and by industry.

**7. REMEDIATES IN A TIMELY MANNER:** *Upon receiving the internal and independent external monitoring reports, contact the supplier concerned (within a reasonable time frame) to agree to a remediation plan that addresses all compliance issues identified by the monitor; Implement a remediation plan regarding the noncompliances and the actions taken to prevent the recurrence of such noncompliances; Within sixty (60) days, supply the FLA with the remediation plan citing all progress made and a timeline for outstanding items; Confirm the completion of remediation; Condition future business with contractors and suppliers upon compliance standards.*



- PVH has submitted remediation plans for all of the 18 IEMs and 3 IEVs conducted between 2005 and 2007.
- PVH was involved in two third-party complaints regarding factories in Cambodia. The complaint regarding one factory, filed in June 2006, alleged noncompliance with regard to the right of collective bargaining because of management delays in engaging in collective bargaining and noncompliance with respect to short-term contracts and health and safety issues. PVH conducted an assessment of the case and reported that management had resumed collective bargaining negotiations, short-term contracts were in compliance with Cambodian law, and concerns about health and safety issues were being addressed. FLA staff met with representatives of the complainant and confirmed that the allegations had been addressed. The FLA formally closed the case on October 2, 2006. The second complaint regarding another factory in Cambodia was also filed in June 2006. The complainants alleged that the factory had violated the right to freedom of association of workers by permitting the operation in the plant of a yellow union (i.e. a management controlled union). PVH conducted an assessment of the case, consulted with three unions operating in the factory and ILO officials, and concluded that it could not corroborate the issues raised in the complaint. The assessment identified the lack of policies and procedures regarding grievances at the factory level and PVH urged the factory to adopt a written grievance policy and procedures. The FLA formally closed the case in December 2006.

**8. TAKES ALL STEPS NECESSARY TO PREVENT PERSISTENT FORMS OF NONCOMPLIANCE:**

*Analyze compliance information to identify persistent and/or serious forms of noncompliance; Establish and implement programs designed to prevent the major forms of such noncompliance; Take steps to prevent recurrence in other applicable facilities where such noncompliance may occur.*

- The Senior Vice President of Human Rights chairs a Sustainability Committee which focuses on the revision of the PVH compliance program, identifying sourcing and compliance challenges to both the company and the industry and taking a proactive approach to identifying potential future obstacles and creating sustainable solutions.
- PVH Regional Leaders conduct quarterly reviews of all audit reports in their region and analyze the trends.
- PVH participated in FLA value-added projects aimed at addressing systemic noncompliances. In particular, PVH was active in the Central America Project and sought to address anti-union discrimination in employment in the Central American region. PVH staff and suppliers participated in trainings conducted by the FLA on Guidelines of Good Practice regarding hiring, termination, grievance procedures, and disciplinary practices. PVH was also involved in the Freedom of Association project aimed at creating functional branch unions and worker committees in China.
- In East Asia and Southeast Asia, PVH regional staff met with consultants to devise special training programs to help factories implement effective policies, procedures and systems on endemic issues (primarily hours of work issues) through root cause analysis. In China, PVH staff requested that factories establish or review their systems and procedures for verifying identification documents and birth certificates.

- The Critical Engagement and Impact Program (CEIP) continues since its inception in 2002. Currently, PVH is revising CEIP to incorporate FLA 3.0 guidelines and practices.

9. **CONSULTS WITH CIVIL SOCIETY:** *Maintain links to organizations of civil society involved in labor rights and utilize, where companies deem necessary, such local institutions to facilitate communication with company employees and employees of contractors and suppliers in the reporting of noncompliance with the workplace standards; Consult knowledgeable local sources as part of its monitoring activities; Consult periodically with the legally constituted unions representing employees at the worksite regarding the monitoring process and utilize the input of such unions where appropriate; Assure the implementation of monitoring is consistent with applicable collective bargaining agreements.*

- PVH has continued to engage with a variety of civil society organizations (CSOs) in all of its sourcing regions. Globally, PVH has interacted with CSOs through meetings, conferences, workshops, and consultations. PVH has also maintained a dialogue with a broader set of CSOs who are focused on issues such as women's rights.
- In the Western Hemisphere, PVH has engaged with multiple CSOs.
- In Europe, the Middle East and Africa, PVH worked with CSOs concerning factory conditions in Jordan.
- In South Asia, PVH's main engagement with CSOs has been in Bangladesh. In India and Sri Lanka, PVH has engaged with CSOs through periodic meetings. As verified by FLA field staff, PVH has attended meetings with CSOs. Issues discussed include excessive overtime, social security payments, and migrant labor. PVH also engaged with a CSO in Delhi regarding compliance program issues.
- In East Asia, PVH headquarter staff have engaged with non-governmental organizations and a trade union in Hong Kong. PVH (with other brands) wrote a letter to the Cambodian government regarding the death of a union leader at a factory and PVH was also a signatory to a letter to the Government of the Philippines regarding concerns about reports of violence and threats against human and labor rights promoters in export processing zones. The PVH Regional Leader and Compliance Supervisor attended the ILO Better Factories Cambodia conference and the ILO Better Work in Vietnam conference in September 2007.
- Concerning a factory closure in Guatemala, PVH communicated to agents and suppliers that the closure was to be made in accordance with local law and that the business relationships between PVH and the other suppliers affiliated with the agent were contingent on such. PVH headquarters sent a letter to the supplier to communicate expectations of compliance and a letter was also sent to the factory workforce. Since the factory closure, PVH has had several meetings with factory representatives, government and the maquila association in Guatemala. FLA staff verified that PVH took strong action to remediate noncompliances in this case.

10. **PAYS DUES AND MEETS OTHER PROCEDURAL REQUIREMENTS:** *Pay annual dues; Pay IEM administrative and monitoring fees; Sign and honor required FLA contracts; Submit factory lists, a standardized annual report, and other information in complete form and on time.*

- All PVH dues and administration and monitoring fees were paid on time, all contracts were duly signed, and required factory lists were submitted as required by the FLA.

## CONCLUSION

Reaccreditation of PVH's compliance program should not be interpreted as a guarantee against issues and risks in the supply chain. Rather, reaccreditation indicates that the company has the systems in place to proactively identify and remediate those risks. Reaccreditation is not granted automatically, and is only renewed following a satisfactory FLA evaluation of labor compliance systems and activities during the timeframe. FLA will continue to conduct standard due diligence activities on PVH. To check an affiliate's accreditation status, visit <http://www.fairlabor.org/accreditation>.