



PRODUCT SAFETY AND COMPLIANCE CONFERENCE

Thursday, October 19, 2017 | The Reverie Saigon | Hồ Chí Minh City, Vietnam

PROGRAM SUPPORTED BY:



THANK YOU TO OUR SPONSORS!





AUDIO/VISUAL SPONSORED BY:

OEKO-TEX®
CONFIDENCE IN TEXTILES



OPENING

Nate Herman

Senior Vice President, Supply Chain

AAFA



WELCOME ADDRESS

Mary Tarnowka

Consul General

U.S. Consulate, Ho Chi Minh City



KEYNOTE ADDRESS

Josue Solano

President and COO

BBC International LLC



BBC INTERNATIONAL



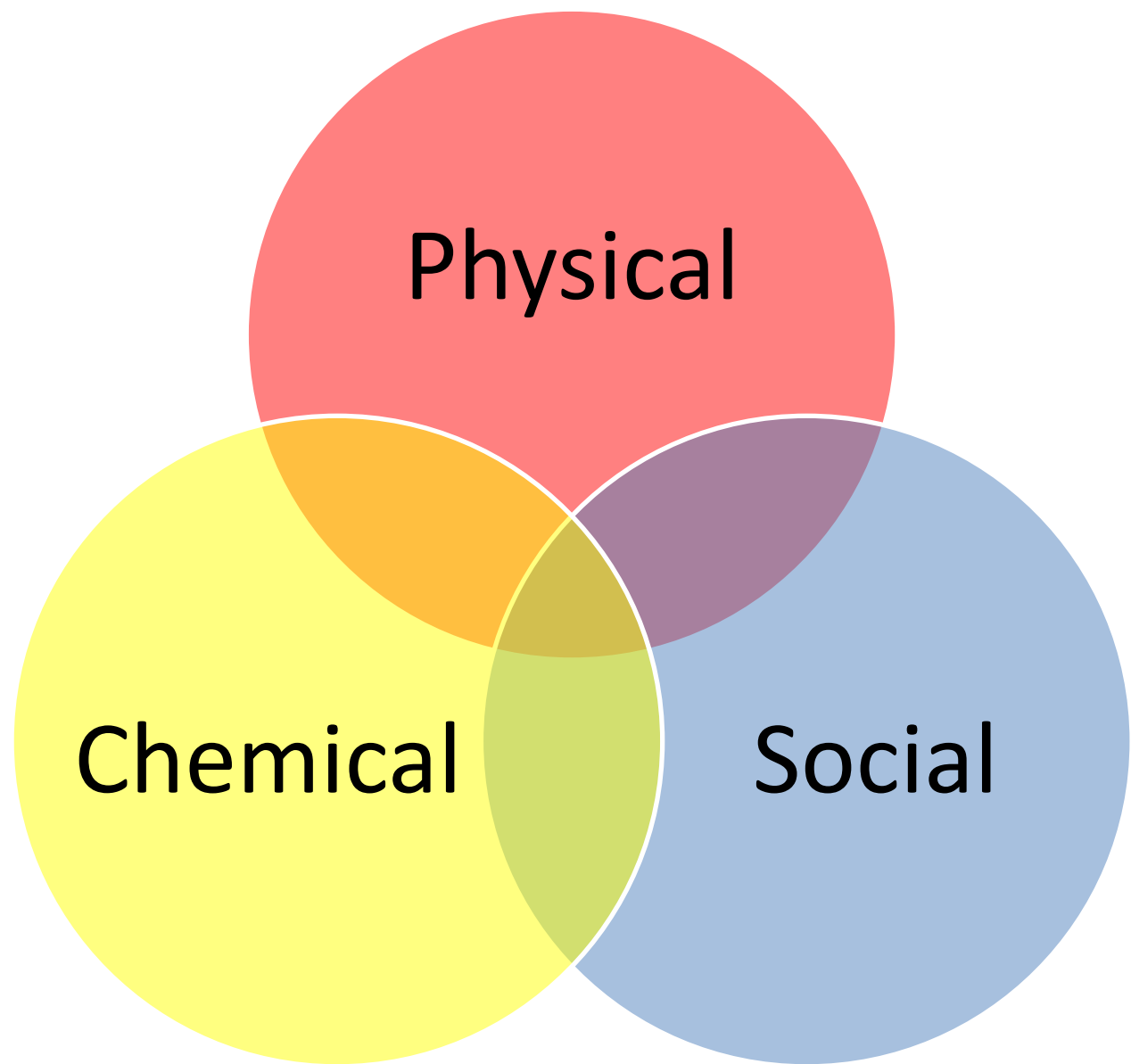
“ Strategic foresight, innovation, unique design, quality, and dedication to satisfying the needs of our customers are words we have lived by since our inception in 1975. It is the foundation of who we are at BBC. ”

Robert C. Campbell
Chairman/CEO



“ For over 40 years, we have hired and retained the best people in the industry. Our people are not just employees, they are part of the BBC family and the application of their talents are the reason for BBC's growth and success. ”

Donald Wilborn
Vice Chairman/CFO







NGO = Non Governmental Organization







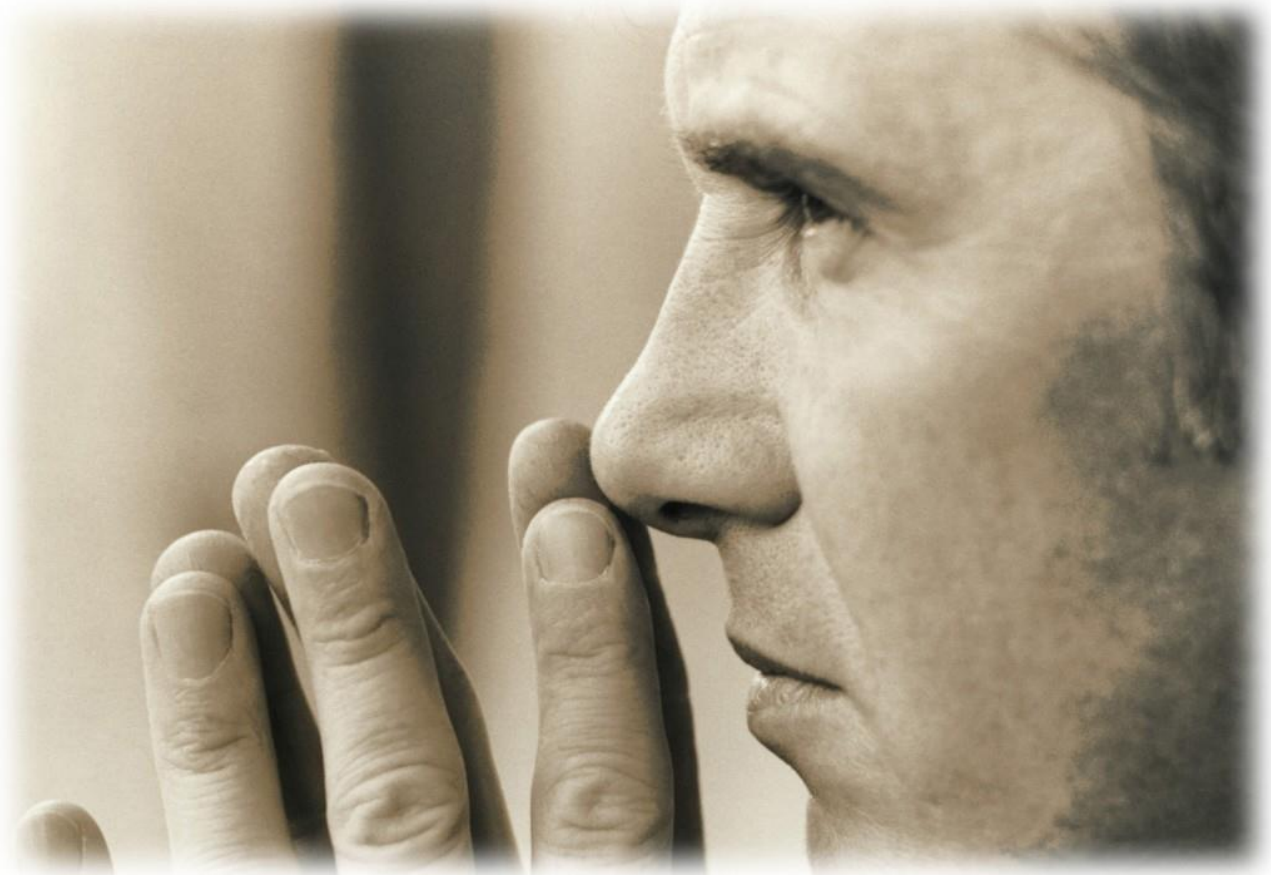
Physical Safety

- ✓ Slip
- ✓ Flex
- ✓ Bonding
- ✓ Pull Strength
- ✓ Sharp Edges
- ✓ Sharp Point

Social Responsibility

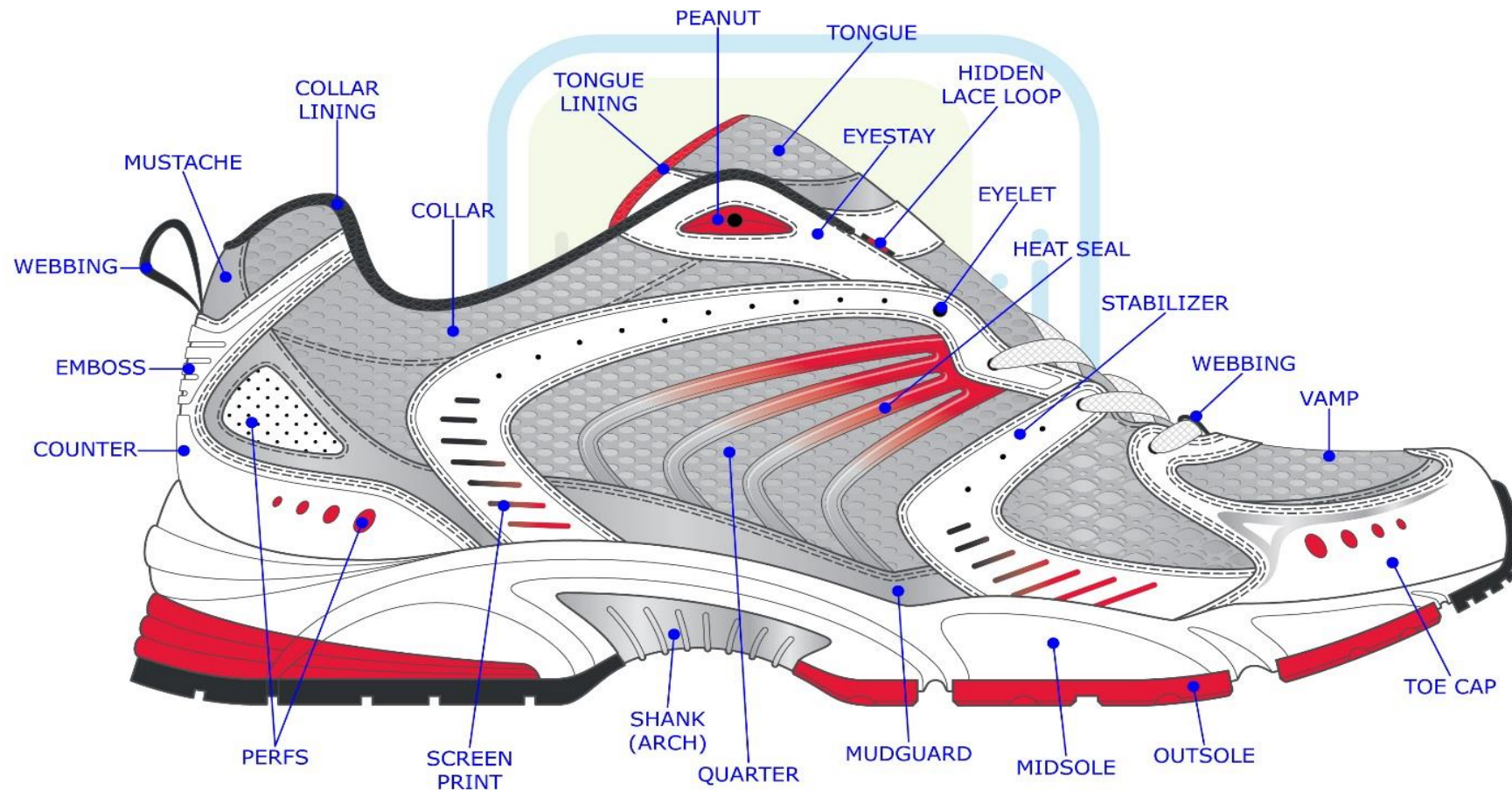
- ✓ Worker Safety
- ✓ Worker Hours
- ✓ Proper Pay
- ✓ Waste Management
- ✓ Eco - Friendly

Chemical Safety





SHOE ANATOMY







California – Proposition 65 – 800+ Chemicals Listed

In 2016 there were

760 Settlements

totaling

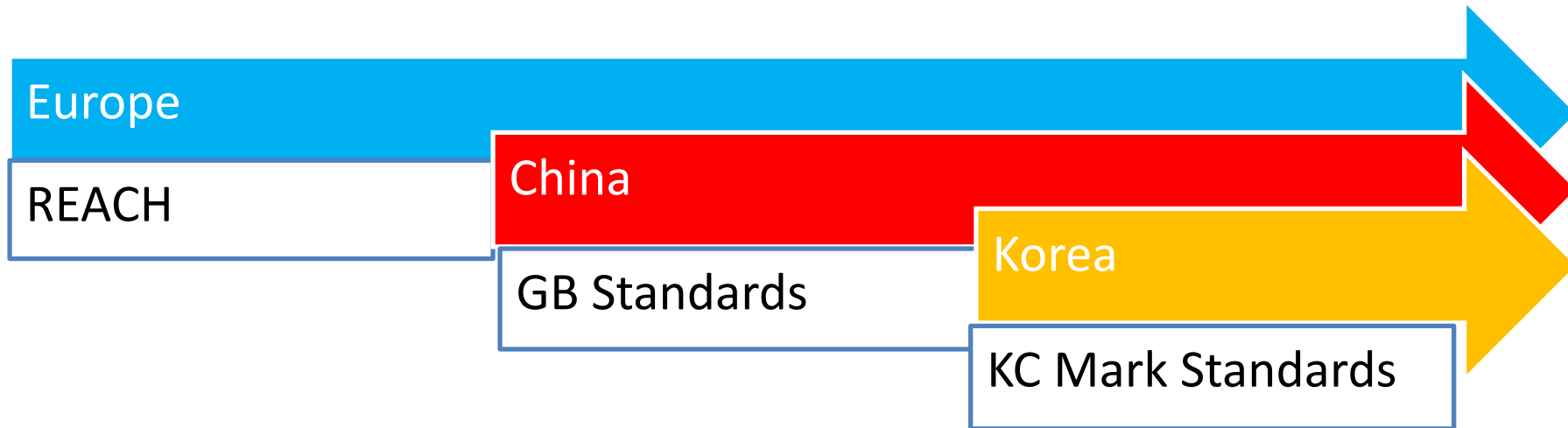
\$30 Million

related to

California Proposition 65

There have been
25 Chemical Bills
introduced in
18 States
in 2017

Outside the U.S.



RETAILERS



BRANDS





USA Team

Policies/Procedures
Tracking of Legislation
Training
Oversight

Yellow Team

Social Compliance

Green Team

Materials

Blue Team

Production Orders

Red Team

Corrective Action Plans

RECOMMENDATION



- Stay informed on changing regulations
- Understand who you are in the supply chain
- Understand who your customer is and what their requirements are
- Build a program that meets those demands for yourself and your suppliers
- Don't Cheat yourself - Hope is not a strategy

Thank you



THE TRADE OUTLOOK IN WASHINGTON, D.C.

Nate Herman

Senior Vice President, Supply Chain
AAFA



THE ISSUES

- Tariffs
- Trade Policy
- NAFTA
- Trade Preferences
 - GSP
 - AGOA
 - MTBs

TARIFFS

U.S. Import Duties Collected – Top 15 Countries

Rank	Country	Jan – Aug	% of Total
		2017	
1	China	\$8,849,606,702	40.60%
2	Vietnam	\$2,202,569,281	10.11%
3	Japan	\$1,564,794,477	7.18%
4	Germany	\$1,112,285,208	5.10%
5	Indonesia	\$832,863,663	3.82%
6	India	\$782,397,742	3.59%
7	Italy	\$735,809,882	3.38%
8	Bangladesh	\$594,445,642	2.73%
9	Taiwan	\$443,527,877	2.03%
10	United Kingdom	\$359,482,694	1.65%
11	Thailand	\$298,455,055	1.37%
12	France	\$294,722,338	1.35%
13	Cambodia	\$278,266,710	1.28%
14	Mexico	\$265,402,693	1.22%
15	Spain	\$244,976,559	1.12%

Total U.S. Imports – Top 15 Countries

Rank	Country	Jan - Aug	% of Total
		2017	
1	China	\$318,317,755,018	20.96%
2	Mexico	\$206,014,903,290	13.57%
3	Canada	\$197,632,985,671	13.01%
4	Japan	\$89,269,126,050	5.88%
5	Germany	\$74,972,442,272	4.94%
6	Korea	\$47,206,771,957	3.11%
7	United Kingdom	\$34,260,772,971	2.26%
8	France	\$30,383,798,044	2.00%
9	India	\$32,095,963,037	2.11%
10	Italy	\$32,078,690,376	2.11%
11	Ireland	\$33,040,567,605	2.18%
12	Vietnam	\$30,165,405,536	1.99%
13	Taiwan	\$27,639,153,816	1.82%
14	Malaysia	\$24,164,313,765	1.59%
15	Switzerland	\$23,610,570,840	1.55%

VIETNAM - #2 & GROWING FAST

	2006	2006 - % of U.S. Imports	2016	2016 - % of U.S. Imports	% Change 2006-2016
Garments	947.4 Million SME	4.2%	3.4 Billion SME	12.5%	253.7%
Footwear	90.1 Million Pairs	3.8%	365 Million Pairs	15.7%	305.4%
Travel Goods	\$115.6 Million	1.7%	\$1.1 Billion	10.0%	816.2%

	January – August 2017	% of U.S. Imports	% Change 2016-2017
Garments	2.4 Billion SME	13.5%	9.2%
Footwear	277.7 Million Pairs	16.7%	12.3%
Travel Goods	\$732.1 Million	10.3%	1.9%

Source: Garments, OTEXA, U.S. Department of Commerce.
Footwear & Travel Goods (HTS 4202), Trade DataWeb, U.S. International Trade Commission.

TRADE POLICY

- Trade Policy Review/Overhaul/Studies
- Trade Remedies
 - Ex. Steel/Aluminum Section 232
- Enforcement
 - Ex. China IPR Section 301
- Buy American
- Trade Agreements Review
 - KORUS (Korea FTA)
- Focus on
 - Lowering Trade Deficits,
 - Increasing Enforcement, &
 - Growing U.S. Exports



Donald J. Trump  @realDonaldTrump · Sep 3

The United States is considering, in addition to other options, stopping all trade with any country doing business with North Korea.

 36K  47K  172K 



U.S. Commerce Dept. 
@CommerceGov

Following

"US businesses can succeed in any country in the world. Increasing exports & reducing trade deficits is a priority for this administration."

 Donald J. Trump Retweeted



Trumpism 9.0™ @Team_Trump45 · Sep 17

Replying to @realDonaldTrump



 1.9K  6.0K  26K 

TRADE POLICY

The Future of FTAs

- Cancel TPP
- TTIP On Slow Track
- Renegotiate NAFTA
- Renegotiate KORUS
- Future FTAs?



Inside U.S. Trade @insidetrade · 14h

Lighthizer says a slew of Latin American free trade deals must be 'modernized' after NAFTA



Lighthizer says a slew of Latin American free trade ...

MIAMI – Once the “NAFTA problem” is solved, the U.S. can shift its attention to updating free trade agreements with countries in the Latin American region if certain ...

[insidetrade.com](https://www.insidetrade.com)

1 5



Axios @axios · Oct 1

"No, no, no," Trump interrupted his trade rep. "Tell them, 'this guy's so crazy he could pull out any minute.'"



Scoop: Trump urges staff to portray him as "crazy guy"

A meeting on South Korea, and Trump's approach to foreign policy
[axios.com](https://www.axios.com)

47 147 165




USTR @USTradeRep · Sep 29

Under @POTUS Trump's leadership, we're fighting to secure free and reciprocal trade deals that help boost the economy and create jobs.

1 19 32

NAFTA



Donald J. Trump  @realDonaldTrump · Aug 27
We are in the NAFTA (worst trade deal ever made) renegotiation process with Mexico & Canada. Both being very difficult, may have to terminate?

 27K  19K  83K 



U.S. Commerce Dept.  @CommerceGov · Sep 22
.@SecretaryRoss: These #NAFTA Rules Are Killing Our Jobs



Op-Ed: These NAFTA Rules Are Killing Our Jobs

Our nation's ballooning trade deficit has gutted American manufacturing, killed jobs and sapped our wealth. That is going to change under President Trump, and rules of ...
commerce.gov

  17  10 



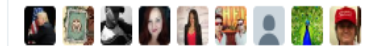
Donald J. Trump 
@realDonaldTrump

 Follow

I received calls from the President of Mexico and the Prime Minister of Canada asking to renegotiate NAFTA rather than terminate. I agreed..

RETWEETS
15,793

LIKES
68,002



4:12 AM - 27 Apr 2017

 8.7K  16K  68K



Donald J. Trump 
@realDonaldTrump

 Follow

...subject to the fact that if we do not reach a fair deal for all, we will then terminate NAFTA. Relationships are good-deal very possible!

RETWEETS
9,875

LIKES
47,307



4:21 AM - 27 Apr 2017

 4.9K  9.9K  47K

GENERALIZED SYSTEM OF PREFERENCES (GSP)

- Renewal (12/31/17)
- Travel Goods
- Footwear



Renew GSP Today

@RenewGSPToday

Follow

State breakdown of the \$173 million GSP saved American companies through March 2017. Time for Congress to #renewGSP!
bit.ly/2qwoSlX



4:20 PM - 30 May 2017



USTR

@USTRTradeRep

Follow

USTR announces GSP trade preference updates, including travel goods for all GSP countries, Bolivia compliance review
ustr.gov/about-us/polic ...

2:27 PM - 29 Jun 2017

MISCELLANEOUS TARIFF BILL (MTB)

- Three Factors:
 - No domestic production
 - Less than \$500,000
 - Implementable
- USITC
- Congress



Rep. Adrian Smith ✓
@RepAdrianSmith

Follow

#USITC now accepting MTB petition comments. Your input ensures relief for U.S. manufacturers while preventing abuse:
usitc.gov/mtbps

10:15 AM - 12 Jan 2017

AFRICAN GROWTH AND OPPORTUNITY ACT (AGOA)



THE FUTURE



Axios  @axios · Aug 27

Trump: "I know there are some globalists in the room. And they don't **want** them. But I'm telling you, **I want tariffs**"

axios.com/exclusive-trum...



35



129



123



MORNING COFFEE SPONSORED BY:



BUREAU
VERITAS

AMERICAN
APPAREL &
FOOTWEAR
ASSOCIATION



A POST TPP WORLD & WHAT THAT MEANS FOR VIETNAM

Jon Fee

Senior Counsel
Alston & Bird LLP

ALSTON & BIRD

A Post-TPP World and Implications for Vietnamese Apparel and Footwear Exporters

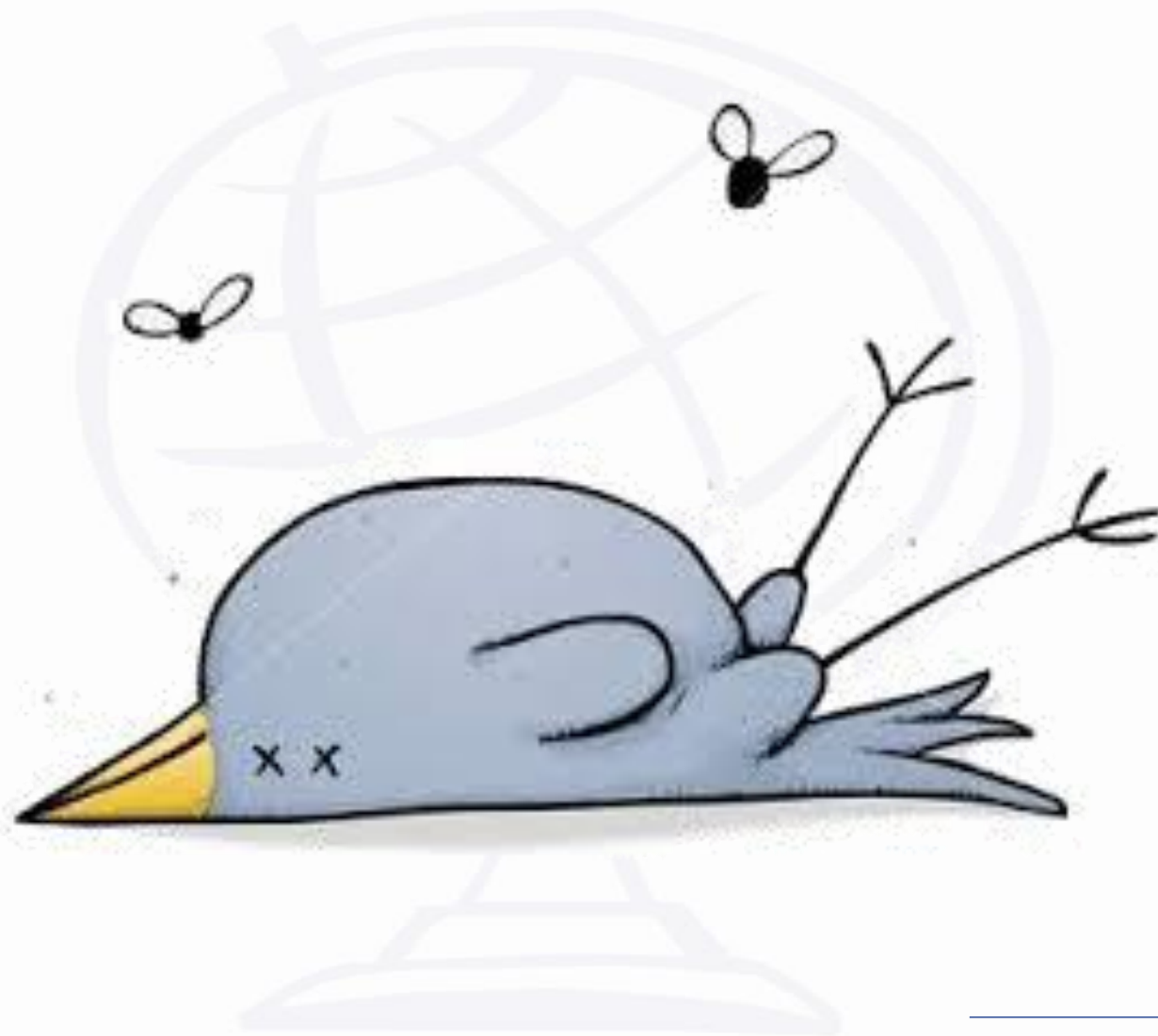
Ho Chi Minh City, October 19, 2017

Copyright © 2017 Jon Fee All Rights Reserved

America first as US trade policy



RIP Trans-Pacific Partnership



NAFTA and other FTA renegotiations



What to expect from the United States

- Greater trade leadership from China and Europe as the United States becomes increasingly protectionist
- Greater reliance by the US presidential administration on the United States' strengths as an attractive market and competitive producer, and less reliance on the "benefits" of trade



Selected US apparel import data

- For the 12 months ended August 31, 2017, US apparel imports from China, in SME, increased by only 0.16 percent over the previous 12 months
- US apparel imports from the Central American Free Trade Agreement (CAFTA) countries decreased by 1.43 percent



Selected US apparel import data

- US apparel imports from North American Free Trade Agreement (NAFTA) countries decreased by 4.49 percent
- US apparel imports from Bangladesh and Indonesia decreased by 2.33 and 2.43 percent
- US apparel imports from India increased by 2.62 percent
- US apparel imports from Viet Nam increased by 8.74 percent



Selected US footwear import data

- For the 12 months ended August 31, 2017, China accounted for 72.09 percent of all US footwear imports, in pairs, followed by Viet Nam's 16.67 percent
- For the same 12 months, US footwear imports from China decreased by 0.66 percent over the previous 12 months
- US footwear imports from Viet Nam increased by 11.83 percent



Don't write off exports to the United States!

- Viet Nam is a robust exporter of apparel and footwear to the United States, second only to China in both categories
- Its growth in apparel and footwear exports to the United States continues to outpace that of its competitors for the US apparel market, even without the benefit of any trade preference program or free trade agreement
- US retailers and consumers continue to recognize Viet Nam's strengths in quality, price and delivery



Trump administration policies may inadvertently work to Viet Nam's advantage

- Pending changes to NAFTA and possible changes to CAFTA, including removal of NAFTA's tariff preference levels, proposed 5-year "sunset" features and proposed use of FTAs to remedy trade deficits will put those countries at a disadvantage
- Possible trade remedies against China, particularly focusing on SOEs and government subsidization, could dampen US trade with China



Programs of possible interest

- Regional Comprehensive Economic Partnership (RCEP)
- European Union – Viet Nam Free Trade Agreement (EVFTA)
- China's Belt and Road Initiative (BRI) and Viet Nam's complementary Two Corridors and One Economic Circle Plan



East Asia's FTA background

- Approximately 80 bilateral and multilateral free trade agreements (FTAs) are in effect in East Asia
- Each contains traditional FTA terms: tariff reduction, rules of origin and dispute settlement
- But they tend not to cover more difficult issues: intellectual property protection, competition policy, e-commerce, environmental policy and regulation of state-owned enterprises (SOEs)



The “noodle bowl”

- The proliferation of FTAs in the region has created a so-called “noodle bowl” of complicated free trade networks
- Rules of origin, phase-in schedules of tariff concessions, and cross-border procedures are not coordinated
- Differing FTAs tend to increase costs, foster protectionism, and curtail the efficiency of production networks



Viet Nam's FTA background

- In 2007, Viet Nam became the 150th member of the World Trade Organization (WTO), which accommodates FTAs
- Viet Nam is a party to bilateral FTAs with Chile, the Eurasian Economic Union, Japan and Korea
- Viet Nam is a member of the Association of Southeast Asian Nations (ASEAN) and a party to the ASEAN Free Trade Area (AFTA)



Viet Nam's FTA background

- As an ASEAN member, Viet Nam enjoys the benefits of “ASEAN+1” FTAs
- Viet Nam is also negotiating FTAs with the European Free Trade Association (EFTA), the European Union (EU) and Israel
- And Viet Nam is a party to the pending RCEP



ASEAN background

- ASEAN was founded by Indonesia, Malaysia, Philippines, Singapore and Thailand in 1967, mostly for political and secondarily for economic reasons
- During 1984 – 1999, the founders were joined by Brunei, Cambodia, Laos, Myanmar and Viet Nam
- AFTA, covering trade in goods, went into effect in 1992
- ASEAN+1 FTAs took effect during 2004 - 2010 with Australia/New Zealand, China, India, Japan and Korea



Incentives for ASEAN+1 FTAs

- Heavy direct foreign investment (DFI) by Japan after the 1985 Plaza Accord and the appreciation of its currency
- Rivalry between Japan and China, which has historical ties in the region
- Korean DFI
- Blurring of differences between Northeast and Southeast Asia caused by the 1997 Asian financial crisis



Incentives for ASEAN+1 FTAs

- Sluggish progress in WTO multilateral trade negotiations
- Formation of trade blocs in other regions, such as the EFTA, NAFTA and EU, that have diverted trade
- Historical trading relationships among the non-ASEAN parties
- These incentives also motivate the parties toward implementing RCEP



RCEP

- RCEP covers 24 percent of world GDP (NAFTA covers 21 percent and the EU covers 19 percent) and 45 percent of world population
- The parties are the ASEAN countries and the ASEAN+1 foreign partners (AFPs): *Australia, Brunei, Cambodia, China, India, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, Philippines, Singapore, Korea, Thailand and Viet Nam*
- (TPP parties are in italics)



RCEP

- RCEP was introduced in November 2011 at an ASEAN summit
- The first round of negotiations was conducted in May 2013
- The 19th round was conducted in July 2017 and the 20th is scheduled for October
- It is unlikely that negotiations will conclude in 2017 in time for the ASEAN 50th anniversary



RCEP

- The ASEAN countries set the agenda and drive the negotiations
- In fact, the ASEAN countries meet separately and present unified negotiating positions to the AFPs
- But with the demise of TPP, China has reason to lead and can be expected to assume a greater role



RCEP

- RCEP will be more robust than AFTA and ASEAN+1 FTAs, addressing subjects like intellectual property protection, competition policy, e-commerce, environmental policy and regulation of SOEs
- It should also resolve the “noodle bowl” inefficiencies, at least among its parties



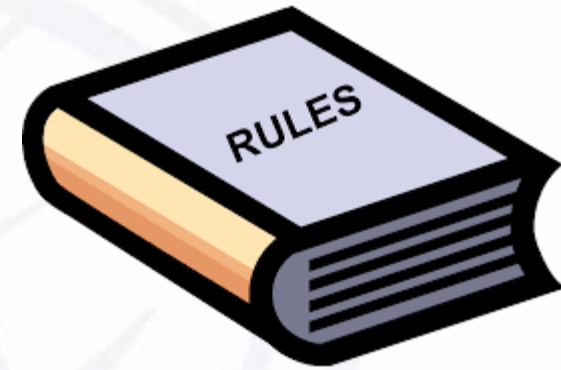
RCEP rules of origin and tariff elimination

- RCEP rules of origin and tariff elimination for apparel and footwear are not yet final
- But we can speculate whether RCEP might “borrow” rules of origin from TPP, AFTA, or the ASEAN+1 FTAs, or whether duties will be eliminated immediately or reduced over time



TPP rules of origin for apparel

RCEP could use TPP's yarn forward model, which for most garments would have allowed preferential treatment only if the component determining classification was knit or woven in TPP countries from yarn spun or extruded in TPP countries and the apparel was cut or knit to shape, or both, and sewn or otherwise assembled in TPP countries



TPP rules of origin for apparel

- Yarn forward was insisted upon by the United States under TPP because the United States wanted to exclude garments made with non-TPP yarn and fabric, such as yarn and fabric from China and India
- But RCEP will include countries producing yarn and fabric, including China and India, so that the yarn forward model would be unnecessarily restrictive



TPP rules of origin for footwear

- TPP had two options to qualify footwear as originating
- The first option was for footwear made in TPP countries with parts also made in TPP countries
- The second option was for footwear made in TPP countries with foreign (non-TPP) parts (except uppers and assemblies of uppers) provided there was also a regional value content of 45 or 55 percent under either of two computation methods



AFTA rules of origin for apparel

- AFTA's rules of origin, unlike TPP's, are liberal, simple and uniform
- For example, the rule for men's cotton knit shirts of Harmonized System (HS) subheading 6105.10 says: *A regional value content of not less than 40 percent; or A change to subheading 6104.23 from any other chapter and the good is both cut and sewn in the territory of any Member State; or Process Rules for Textile and Textile Products*
- "Process rules" for apparel say: *Manufacture through the processes of cutting and assembly of parts into a complete article*



AFTA rules of origin for apparel

- Notice that, under AFTA, the producer can choose any one of the three discrete rules
- The same rules are used for all apparel
- Theoretically, a knit-to-shape sweater or a pair of socks would have to meet the regional value content rule, because they are not “cut and sewn” or subjected to “cutting and assembly”
- But the attraction of AFTA rules is their simplicity



AFTA rules of origin for footwear

- AFTA's rules for origin for footwear are also more liberal than TPP's
- Footwear will be originating if it has a regional value content of not less than 40 percent or if all non-originating materials used in production undergo a change in tariff classification at the four-digit level
- Originating footwear can therefore be made with non-originating uppers and soles because those parts are classified under a different four-digit heading (6406) than finished footwear (6401 to 6405)



ASEAN+1 rules of origin for apparel

- Some of the ASEAN+1 rules are more complex
- The ASEAN+1 FTA with Australia/New Zealand (AANZFTA) requires the following for a men's knit cotton shirt: *RVC(40) provided that the good is cut or knit to shape and assembled in the territory of one or more of the Parties or CC*



ASEAN+1 rules of origin for apparel

- Under the AANZFTA, “RVC(40)” means that the shirt must have a regional value content of not less than 40 percent
- And “CC” means that all non-originating materials used in the production of the good have undergone a change in tariff classification at the 2-digit (chapter) level



ASEAN+1 rules of origin for apparel

The ASEAN+1 FTA with India (AIFTA) requires the following for apparel and other goods:

(i) the AIFTA content is not less than 35 per cent of the FOB value; and

(ii) the non-originating materials have undergone at least a change in tariff sub-heading (CTSH) level of the Harmonized System,

provided that the final process of the manufacture is performed within the territory of the exporting Party



ASEAN+1 rules of origin for footwear

- The rules of origin for footwear under the AANZFTA are the same as those under the AFTA
- The rules of origin for footwear under the AIFTA are the same as the rules for apparel under the AIFTA (35 percent regional value content, change of tariff subheading and final manufacture in the exporting country)



Comment on possible RCEP rules of origin for apparel and footwear

- As shown by the examples, AFTA and the ASEAN+1 FTAs are themselves a “noodle bowl” of origin rules!
- Maybe RCEP will adopt the simple, uniform AFTA rules for all apparel and footwear
- TPP had no regional value content rules (RVCs) for apparel
- RVCs in RCEP could distort trade among parties with different labor costs, especially between lesser and greater developed parties



AFTA and ASEAN+1 FTA tariff elimination

- Among themselves, the AFTA parties have eliminated tariffs on apparel and footwear; but some of the ASEAN+1 parties have not
- For example, under the AANZFTA, originating men's cotton woven trousers of HS 6203.42.00 imported into Australia from Viet Nam and other ASEAN countries are dutiable at the rate of 10 percent until 2020



AFTA and ASEAN+1 FTA tariff elimination

- Some of the highest duty rates remain in effect for footwear imported into Japan from Vietnam and other ASEAN countries under the ASEAN+1 FTA with Japan (AJCEP)
- Japanese duty rates several classifications of footwear under the AJCEP are 30 percent and are not scheduled for elimination or reduction over time



RCEP comments

- Uniform origin rules and elimination of tariffs will facilitate undistorted trade among the RCEP parties
- RCEP will also promote integrated, rational supply chains in the region
- Duty-free raw materials (such as yarn, fabric, and parts of footwear) sourced from other RCEP parties should make Viet Nam's exports to countries outside the RCEP region, including the United States and Europe, more cost competitive



EVFTA

- The EU is Viet Nam's second largest trading partner, after China, and its second largest export market, after the United States
- The EU has more than 45 FTAs in force or provisionally in effect, including the EU – Korea FTA, which became effective in 2011
- On September 21, the Canada – EU Comprehensive Economic and Trade Agreement (CETA) became provisionally effective



EVFTA

- Despite the United Kingdom's withdrawal from the EU (Brexit); the fall of TPP has made the EU more proactive in seeking to replace the United States as a leader in international trade in Southeast Asia
- The EU announced in June that it resumed stalled FTA talks with Malaysia, and it will likely accelerate pending FTA negotiations with Indonesia, New Zealand, Philippines, and Thailand



EVFTA

- The EU and Viet Nam conducted 14 rounds of negotiations over three years and concluded their talks on the EVFTA in late 2015
- The agreement is expected to go into effect in 2018, pending ratification by the parties



EVFTA rules of origin for apparel

- The EVFTA origin rules are not nearly so liberal as those of AFTA or the ASEAN+1 FTAs
- For knitted apparel obtained by sewing or otherwise assembling two or more pieces of fabric, the knitting and making-up (including cutting) must occur in Viet Nam



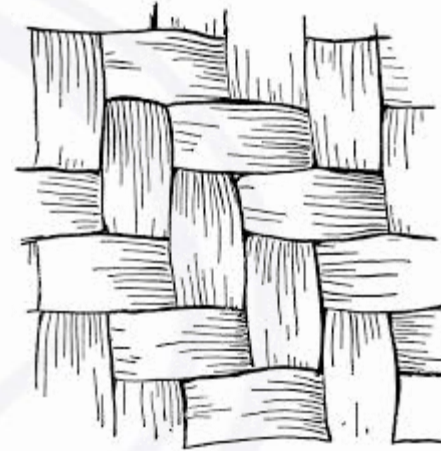
EVFTA rules of origin for apparel

- For knit to shape apparel, such as socks, spinning of staple fiber or extrusion of filament yarn and knitting must occur in Viet Nam, or
- Dyeing of yarn of natural fiber and knitting must occur in Viet Nam



EVFTA rules of origin for apparel

- For woven apparel, weaving and making up (including cutting) must occur in Viet Nam, or
- Making up must occur in Viet Nam and must be preceded by printing accompanied by at least two preparatory or finishing operations in Viet Nam, provided that the value of the unprinted fabric does not exceed 47.5 percent of the ex-works price of the product



EVFTA rules of origin for apparel

In the case of certain woven apparel (women's, girls' and babies' clothing and clothing accessories for babies) that is embroidered, the goods can be manufactured in Viet Nam from unembroidered fabric, provided that the value of the unembroidered fabric does not exceed 40 percent of the ex-works price of the product



EVFTA rules of origin for apparel

- Two types of “cumulation” are allowed
- First, the Vietnamese manufacturer can use originating materials from the EU
- Second, the Vietnamese manufacturer can use fabric originating in Korea (because the EU has an FTA with Korea)
- But, unlike AFTA and the ASEAN+1 FTAs, EVFTA does not allow the use of foreign fabric



EVFTA rules of origin for footwear

- A single rule of origin applies to all classifications of footwear
- The rule requires *“Manufacture from materials of any heading, except from assemblies of uppers affixed to inner soles or to other sole components of heading 6406”*



EVFTA tariff elimination

- EU duties on apparel and footwear are eliminated in staging categories
- For staging category A, duties are eliminated immediately upon entry into force
- For staging category B3, duties are eliminated in four equal annual stages
- For staging category B5, duties are eliminated in six equal annual stages
- For staging category B7, duties are eliminated in eight equal annual stages



EVFTA tariff elimination examples

- Men's cotton knit shirts of HS subheading 6105.10 (presently at 12 percent) are in staging category B5
- Women's synthetic knit dresses of HS subheading 6104.43 (presently at 12 percent) are in staging category B3
- Men's cotton denim blue jeans of HS subheading 6203.42.31 (presently at 12 percent) are in staging category B5



EVFTA tariff elimination examples

- Basketball shoes with outer soles of rubber or plastics and uppers of textile materials of HS subheading 6404.11 (presently at 16.9 percent) are in staging category A
- Certain men's shoes with outer soles of leather and uppers of leather or composition leather of HS subheading 6403.59.35 (presently at 8 percent) are in staging category B7



BRI

- The Belt and Road Initiative is an ambitious, and very expensive, Chinese development strategy
- President Xi Jinping announced his plans for BRI in September 2013 after state-led industries succeeded in building China's new cities and infrastructure and the rate of economic growth could not be sustained



BRI

- The plan is to promote economic cooperation among the affected countries
- China envisions an economic “belt,” roughly following the Silk Road of the 16th century, linking South, Southeast and Central Asia, China, the Middle East, Russia and Europe
- The BRI would also follow ancient maritime routes from China’s ports across the South China Sea, the Indian Ocean and the South Pacific.



BRI

- China has committed US\$1.4 trillion to the project for investment in roads, rail, airports, ports, pipelines, communications and heavy industry in the linked countries, fueled by SOEs, state financing and excess productive capacity
- The apparent aim is to make Eurasia a trading and economic center to rival the US-led transatlantic region



Viet Nam's complementary plan

- Viet Nam has embarked on a plan called “Two Corridors and One Economic Circle,” seeking to build economic ties and cooperation to connect China’s southern region with Viet Nam’s coastal areas
- Viet Nam stands to benefit from China’s FDI and infrastructure development, as well as from the enhanced trade that might follow





Jon Fee

Alston & Bird LLP

950 F Street, N.W.

Washington, D.C. 20004

202 239 3387

jon.fee@alston.com



AUDITING FOR SOCIAL COMPLIANCE & WORKING CONDITIONS

Avedis Seferian

President and CEO

Worldwide Responsible Accredited
Production

Ryan Tuazon

Regional Compliance Manager
Hanesbrands, Inc.

Moderator: Nate Herman, Senior Vice President, Supply Chain, AAFA

AUDITING FOR SOCIAL COMPLIANCE & WORKING CONDITIONS:

Why is it so Important for Today's Supply Chain?

Avedis H. Seferian, Esq.

President & CEO

Worldwide Responsible Accredited Production

(WRAP)

October 19, 2017

Ho Chi Minh City, Vietnam



Agenda

- Introduction to WRAP
- Living in Uncertain Times
- Today's Supply Chain
- Why Social Compliance Auditing Matters
- Ensuring Social Compliance
- Conclusion



Introduction to WRAP

World's largest independent certification program

Focused on the apparel, footwear, and sewn products sectors

We inspect and certify factories all over the world

Objective, non-profit team of global experts dedicated to promoting safe, lawful, humane, and ethical manufacturing around the world through certification and education

Living in Uncertain Times

- We're reaching new levels of uncertainty
 - Markets
 - Both consumer markets and manufacturing markets
 - Politics
- ... In a 24/7-communication world
 - The ubiquity of social media



Today's Supply Chain...

- ... Is fragmented, complex, and worldwide.
- ... Is further complicated by the fact modern technology makes for global, instant communication.
 - Any event – be it in Vietnam, Bangladesh or anywhere else – now appears on CNN and BBC (and Facebook and Twitter!) within a matter of minutes or hours.
- ... Is operating in an environment where reputation and supply chain management are global issues, with very high stakes.
- ... Needs constant, proactive management.



Why Social Compliance Auditing Matters

- It is a very practical means of protection against today's supply chain challenges.
- Social compliance audits / verification has become an increasingly important aspect of supply chain management, especially given how today's global value chain operates in an instant communication media environment.



Ensuring Social Compliance

- Must integrate social compliance objectives with general management systems
- Engaging with all stakeholders to build relationships
 - Fostering trust is key to greater transparency
- Auditing as the base of a process, not an end in and of itself
 - Continuous improvement
- Education is essential



What Should You Look For?

- Commitment from the top
- Management systems approach
 - Maintain supporting documentation
- Continuous engagement with all stakeholders
 - Including employees
 - Training is key



Conclusion

- Today's apparel and footwear supply chain is fragmented, complex, and worldwide, and further complicated by the fact modern technology makes for global, instant communication
- These challenges posed by these realities mean supply chains issues (especially social compliance) need to be managed proactively
- Social compliance audits represent an important and practical solution



Thank you!

Avedis H. Seferian, Esq.

President & CEO

aseferian@wrapcompliance.org

Worldwide Responsible Accredited Production
Arlington, VA

www.wrapcompliance.org

+1-703-243-0970



Corporate Social Responsibility

LIVE THE CODE EVERY DAY!

HANES *Brands Inc*

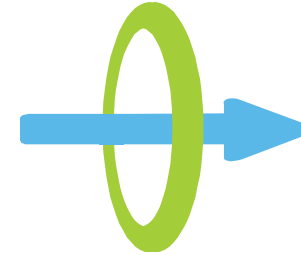


Hanesbrands is a company with.....

- Around 65,000 employees in over 40 countries worldwide
- Direct manufacturing/sourcing products: intimate, active wear, underwear, hosiery & socks
- Licensing products: apparels, shoes, sunglasses, fashion accessories
- Our brands including:



Hanesbrands CSR Value.....



Hbl is committed to **“DOING the RIGHT THING”**

- ☐ We embrace a standard of excellence in every aspect of our business and in every corner of the world
- ☐ Expect ethical and responsible conduct in all of our operations including our own manufacturing plants



We Live By the Code

GEC GPS

C-TPAT GCC FCPA

GEMS GSMS

WRAP FLA GSS UKBA

Our Reputation is Important

❖ **The media and NGOs will use newspapers, internet, television and shareholders meetings on negative reporting on brands:**

- **Child labor**
- **Forced labor**
- **Environmental crisis**
- **Product safety concern**
- **Poor working conditions**

A Message from Rich Noll

Our Global Code of Conduct is a reminder to all of us of our personal responsibilities, including what we must do to comply with the law and HBI's ethical standards.



Rich Noll- Executive Chairman

Remember - work hard, compete aggressively, but
Always Do the Right Thing!

We Treat Others as We Wish to be Treated



We are a Responsible Corporate Citizen

HANES*brands*INC

green  & good



We comply with all environmental laws, regulations and Hanebrands' policies



We participate in political processes with integrity



We comply with laws governing international trade



We do not bribe government officials!



Bribery will not be tolerated!



We comply with the **Foreign Corrupt Practices Act**

Consult the law department if you have any questions

Perform due diligence for suspicious behavior

Never maintain "off-book" accounts

Maintain accurate records





FCPA & UK Bribery Act civil & criminal penalties are SEVERE.

FCPA Anti-Bribery Provisions

- Criminal penalties for HBI (**per violation**) of up to **US \$2 million** in fines or **twice** the benefit sought through the corrupt payment
 - HBI officers, directors, employees or agents can be criminally fined individually up to **US \$100,000** and/or imprisoned up to **five years. Up to 10 years for UK Bribery Act.**
 - Civil fines of up to **US \$100,000** may be brought against HBI as well as any officer, director, employee, or agent acting on HBI's behalf
 - HBI cannot reimburse such fines imposed on individuals for violations of the FCPA even though the acts were for the benefit of HBI.
- This comes out of your pocket!**



PEOPLE GO TO JAIL FOR THIS!

Books & Records Provision/Internal Controls

- Up to **US\$25 million** per willful violation for business entities
- Individuals may face criminal fines of up to **\$5 million** and/or receive sentences of **up to 20 years** imprisonment for willful violations
- **Unlimited fines for HBI under UK Bribery Act.**

Other Potential Penalties:

- Appointment of an independent corporate monitor
- Excluded from government contracts
- Loss of export licenses
- Adverse tax consequences due to inaccurate books and records
- Loss of market capital and shareholder confidence

MASSIVE HITS TO OUR REPUTATION!



We Maintain Strong and Fair Business Relations



Partner with Responsible Suppliers

OUR RESPONSIBILITIES

1. Document all supplier relationships with appropriate written contracts and perform due diligence when choosing suppliers to ensure they meet our standards.
2. If you are in a management position at HanesBrands, you must ensure the suppliers and business partners you hire have received and signed a copy of our Global Standards for Suppliers.
3. Be vigilant, watch for and report any signs that our business partners are violating our Global Standards for Suppliers or applicable laws and regulations, including local environmental, employment and safety laws.
4. Cooperate with audits of suppliers and stop purchasing from those who fail to timely correct any deficiencies found.



**SAY NO TO
SWEAT SHOPS**

Tell me who your
friends are and
I'll tell you who
you are.

Mexican Proverb

meetville.com

Minimum Requirements

All must “COMPLY”



- ☑ **Accuracy of Business Records**

Provide ACCURATE & COMPLETE time and wage payment records for review
(Don't accept double booking)

- ☑ **Compensation**

Meet or exceed minimum legal requirements

- ☑ **Freedom of Association and Collective Bargaining**

Respect the right of employees to exercise their lawful right of free association and collective bargaining

Minimum Requirements



☑ [Safety and Health](#)

Operate a safe and healthy work environment for their employees

☑ [Working Hours](#)

Maintain reasonable work hours in accordance with local Labor Law; if no legal requirement in specific country, then follows ILO standard 60 total working hours per week including one rest day

Minimum Requirements

ALL MUST “NOT”



☒ *Child Labor (ZERO tolerance)*

No employee is hired under the minimum age established by local Law.

☒ *Workplace Harassment or Abuse (ZERO tolerance)*

Not subject employees to physical, verbal, sexual, or psychological harassment

Minimum Requirements

ALL MUST “NOT”



Forced Labor (ZERO tolerance)

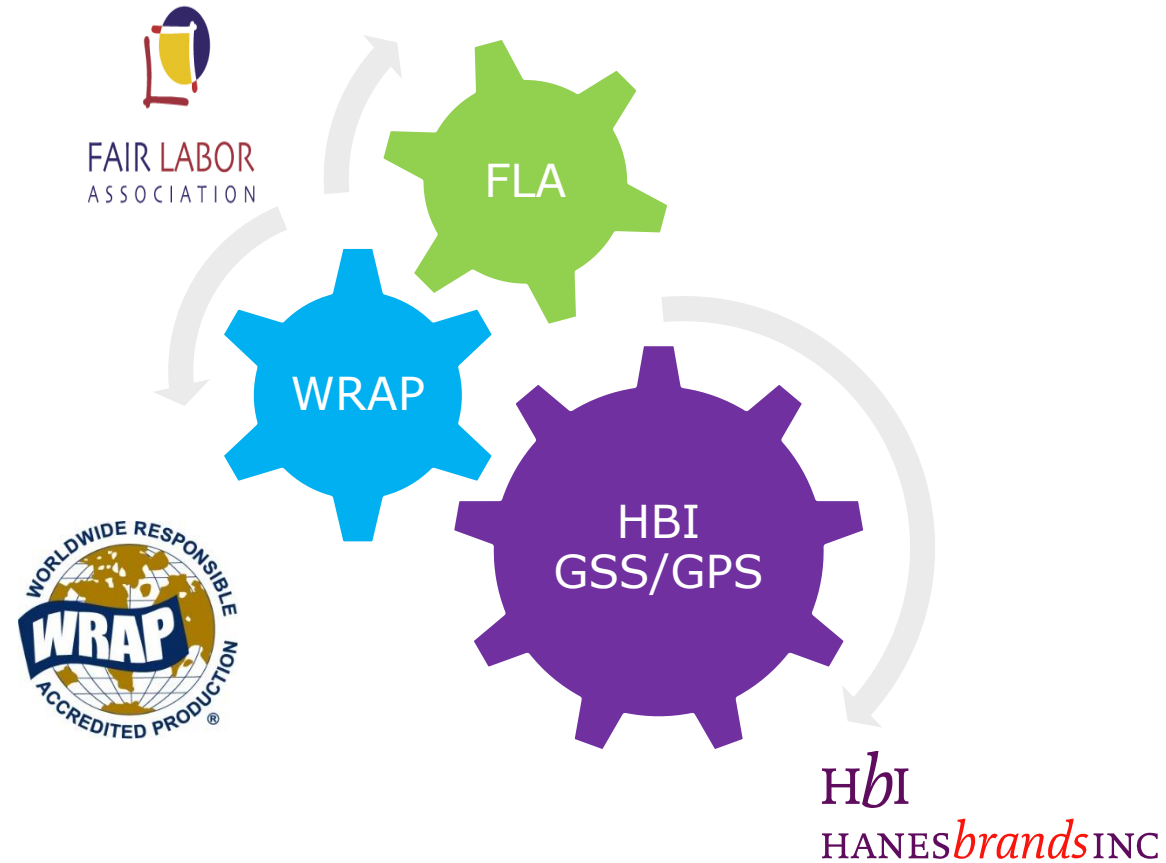
Not use forced or involuntary labor whether bonded, prison or indentured or passport withholding, owed wage.

Discrimination

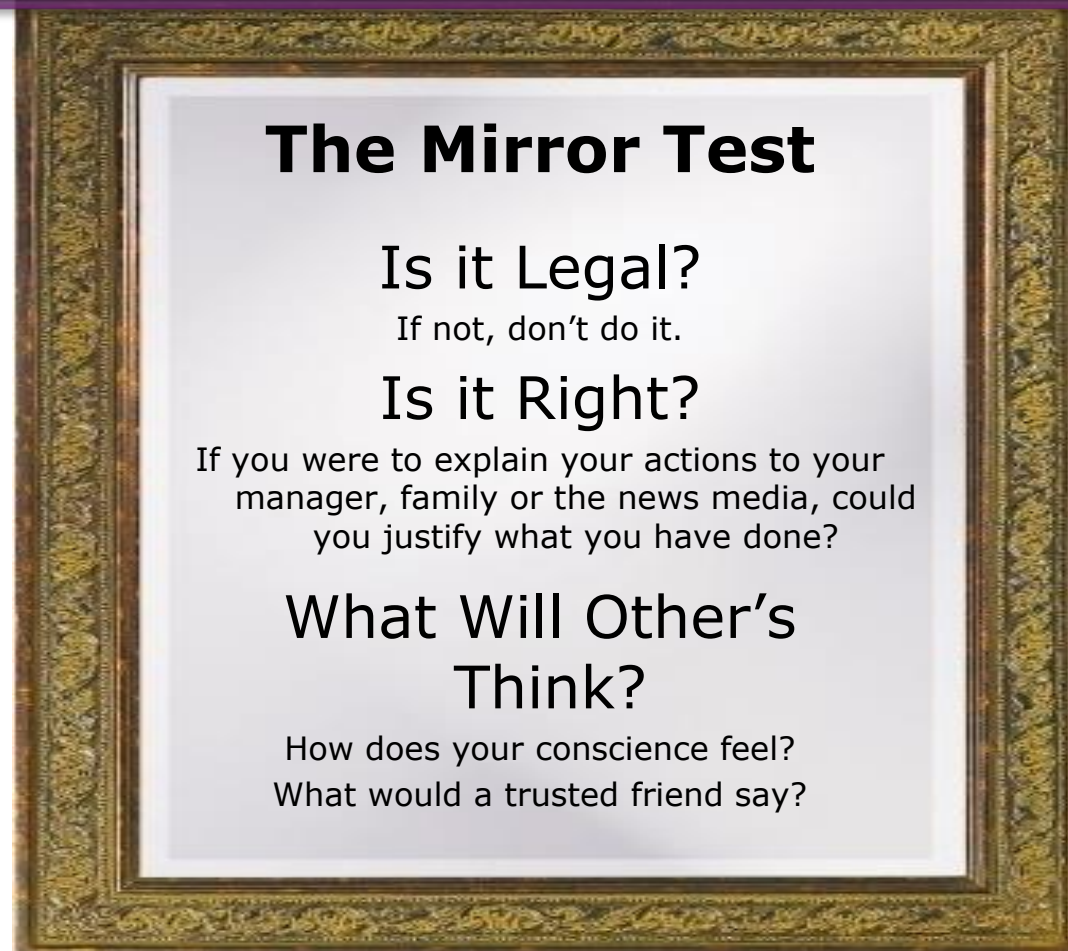


Not discriminate bases on personal characteristics, race, gender, disability or beliefs

Hanesbrands Social Compliance Monitoring Correlation



Resort to the mirror test if faced with a tough ethical decision:



QUESTIONS?

LUNCH SPONSORED BY:

