

# **Enhancing Compliance of Collegiate Licensees with University Codes of Conduct**

May 2007

*Interactions among universities, licensees and the Fair Labor Association (FLA) have revealed significant gaps in the capacity of licensees to comply with university codes of conduct. The FLA has upgraded its program for licensees in response to these findings, to provide new and diverse resources to both universities and licensees seeking to improve compliance with labor standards.*

*A group of universities will pilot the Enhanced Licensee Program starting in the fall of 2007. The program, described below, focuses on assessment of licensees' compliance capacity (at the level of the university and the FLA), and enhancing compliance competency through capacity building, trainings for licensees and licensors, compliance audits, and consultation with multiple stakeholders.*

*Other documents available separately regarding this program include an FAQ document and a draft timeline which will continually be updated as the program moves forward.*

## **1. Assess Licensee Compliance Capacity**

Universities that wish to take a more active role in conducting due diligence on their licensees' compliance performance will direct licensees to a web-based FLA portal at the time of initiating or renewing a licensing agreement. Licensees will be required to complete a self-assessment of their compliance capacity on the portal. The self-assessment will generate an analysis of compliance capacity gaps, which can subsequently be emailed to the licensee and to their university or licensing agent, if they request this information. The analysis will also outline steps for further action expected from the licensee. Licensor universities and FLA staff will have access to the assessment and gap analysis of their licensees through the portal site.

Self-assessment questions will ask, among others, information on the extent to which the company has a social responsibility/labor compliance program, the number of staff responsible for labor compliance, frequency of visits by company staff to factories, and the role of labor compliance in the company's selection of suppliers. The purpose of the self-assessment is to get information about the current status of licensees' labor compliance. Some of the questions in the self-assessment relate to issues such as the company's current social responsibility program, the number of staff assigned to labor compliance tasks/initiatives, and frequency of staff visits to factories.

Universities will have access to information collected from the assessment and gap analysis of their licensees in making licensing decisions. The FLA will hold licensor trainings beginning in Fall 2007 for university administrators. The trainings will include a foundation course on the FLA program, and will cover compliance issues in general as well as an overview of the specific tools used in the enhanced licensee program.

## **2. Increase Licensee Compliance Performance over Time**

Following the gap analysis and with the support of the FLA, licensees will develop an implementation plan to improve their compliance performance over time. Because a number of the licensees are likely to begin at a relatively low level of compliance, the methodology will focus on training and capacity building. Regional, in-person trainings will take place in summer 2007, to reintroduce licensees to the FLA and its labor compliance standards, and will cover such subjects as the university program, the FLA Code of Conduct, licensee obligations and strategies to build compliance programs. Initial training will focus on the FLA Code of Conduct and obligations of FLA companies, including:

- adopting and communicating a code;
- training internal staff on compliance;
- conducting internal monitoring;
- collecting and managing compliance information; and
- remediating noncompliances.

Subsequent trainings will focus on specific code elements. Additional training tools also will be available through the portal site.

Licensees will report on progress against key performance indicators (KPIs) through the portal site. Universities will have access to these reports, and will continue to play a role in encouraging their licensees to make measurable progress toward compliance goals.

## **3. Ensure Licensee Understanding of Company Obligations**

In the implementation plan, a licensee could choose to meet obligations through one or a combination of the approaches described below:

1. Bring the factory or factories from which it sources into compliance with the FLA Workplace Code of Conduct and meet obligations of FLA-affiliated companies. This would apply to both owned/operated factories and contract factories. Licensees that choose this approach must provide a detailed plan for achieving compliance over a three-year period, must conduct internal monitoring of an appropriate sample, and must remediate any noncompliances; or
2. Source from “compliance-ready factories” already subject to the compliance programs of FLA-accredited companies and/or whose compliance readiness has been tested through one of the FLA’s due diligence processes. (For the criteria used to develop this list, please see Appendix 1.) The FLA does not guarantee that these factories are necessarily compliant with university codes of conduct, rather that the systems are in place for these factories to identify compliance issues and address them in a timely fashion. Licensees that choose this approach must also provide a detailed plan for achieving compliance over a three-year period. In this case, however, monitoring and remediation responsibilities could be shared with other FLA companies.

Licensors universities and FLA staff will have access to the relevant reports through the portal; aggregate results will be publicly reported in the FLA annual report.

#### **4. Conduct Due Diligence**

The FLA will select a sample of licensees each year for in-depth due diligence, to verify the progress made according to compliance requirements that will be established by the FLA Board. To that end, capacity building visits will begin in fall 2007. These visits will not be in the form of traditional audits. Rather, they will be designed to provide more of an opportunity for the FLA and licensees to jointly assess existing compliance infrastructure, and for the FLA to provide guidance on steps to build a sustainable compliance program and help licensees remediate any issues found at the facility visited.

#### **5. Consult with Constituencies**

The FLA will establish an advisory committee in May 2007, to discuss all aspects of licensee participation and to advise on implementation issues as well as to discuss greater licensing issues. Participation in the advisory committee is open to all FLA constituents. In particular, the advisory committee should include representatives of universities, licensees (particularly small licensees), and the NGO and trade union communities.

#### **Next Steps:**

1. The FLA would like to receive names of licensors and licensees interested in participating in either the pilot or the advisory committee **by May 31<sup>st</sup>**.
2. **Licensee trainings** are scheduled for **summer 2007** (please consult the separate timeline). Licensees interested in participating are encouraged to indicate their interest to the FLA as soon as possible. Attendance will be limited to 30 participants per training session, to ensure licensees derive maximum benefit.

The FLA is interested in hearing from licensors who may be interested in helping host licensee or licensor trainings in the coming months.

## **Appendix 1**

### **Criteria for Compliance Ready Factories**

**A compliance-ready factory meets at least one of the following criteria:**

1. Factory: (1) was used in 2005 and 2006 by an FLA company whose compliance program has been accredited; and (2) factory was also used by a second FLA accredited company in 2006.
2. Factory is operated by an FLA Participating Supplier (PS); the PS is at least in the second year of its implementation plan with the FLA.
3. Factory is part of FLA 3.0, the Soccer Project, or an equivalent FLA special project, for which progress is measured publicly.
4. Factory has a democratically-elected union and a negotiated collective bargaining agreement.