



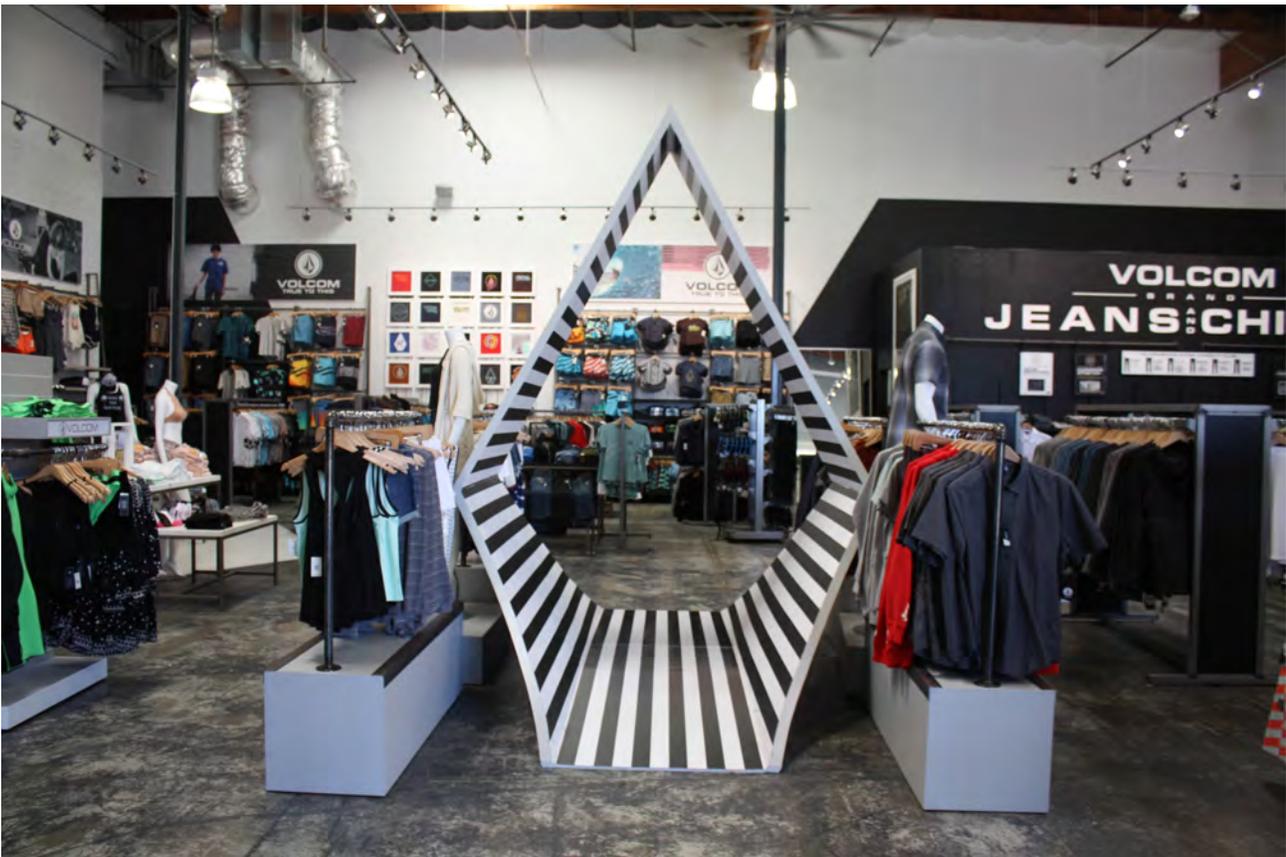
VOLCOM, LLC

ASSESSMENT FOR ACCREDITATION

FEBRUARY 2018

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*Volcom's Headquarter Store in Costa Mesa, California, USA.*

## INTRODUCTION

This report provides an assessment of the labor compliance program of Volcom and concludes with a recommendation to the FLA Board of Directors regarding the accreditation of the company's program. When joining the FLA, Participating Companies and Participating Suppliers commit to implementing the [FLA Workplace Code of Conduct](#), which ensures "respectful and ethical treatment of workers" and "promotes sustainable conditions through which workers earn fair wages in safe and healthy workplaces." The [Principles of Fair Labor and Responsible Sourcing / Production](#) ("Principles") serve as the bedrock upon which Participating Companies and Participating Suppliers are assessed towards accreditation of their labor compliance program. Participating Companies and Participating Suppliers with accredited compliance programs have demonstrated that they have in place the necessary systems and procedures to successfully uphold fair labor standards throughout their supply chains.



The FLA accreditation process involves staff conducting due diligence on the performance of a Participating Company or Participating Supplier during the implementation period. The FLA will assess the implementation of all Principles to ensure a social compliance program has been implemented to accommodate the supply chain expansion. This assessment involved testing a selection of data points or information sources in order to verify actions by the company. Sources of information may include:

- 1) Affiliate Headquarter Assessment: Assessments at headquarters and field offices to interview staff involved in compliance and in other functions, and to review documentation, processes, and database capabilities. In some cases, the offices of agents are visited as well. In countries where the FLA is not able to conduct in-person assessments, interviews are conducted by phone with company staff involved in compliance and in other functions.
- 2) FLA Factory-Level Assessments: Independent External Monitoring (IEM), Independent External Verification (IEV), and Sustainable Compliance Initiative (SCI) assessments are all sources of information on compliance issues and remediation efforts.
- 3) Annual Reports: Affiliate reports for each year of implementation provide data on the evolution of an affiliate's compliance program in line with FLA Principles.
- 4) FLA Third-Party Complaints: Where relevant, an affiliate's involvement in, and responsiveness to, FLA Third-Party Complaints provide additional insight into compliance programs and remediation strategies.
- 5) FLA Strategic Projects: Where relevant, an affiliate's participation in FLA Strategic Projects provides opportunities to learn about the affiliate's compliance strategies for detecting and remediating complex issues.
- 6) Observation: Wherever possible, FLA staff accompanied affiliate compliance staff on internal audits, training sessions or remediation visits.
- 7) Routine Interactions: Information on the affiliate's compliance program has also been collected through discussions and interactions with affiliate compliance staff in the course of each year's program. Exchanges with civil society organizations and other stakeholders interacting with the affiliate provide additional perspective.

## SECTION 1: VOLCOM COMPANY AFFILIATE OVERVIEW

<b>Name of Company</b>	Volcom, LLC	<b>Category</b>	Participating Company
<b>Location</b>	Costa Mesa, California, USA	<b>Product/s</b>	Apparel, Footwear, Accessories
		<b>Current Number of Applicable Facilities</b>	51
<b>FLA Affiliation Month/Year</b>	June 2014	<b>End of Implementation Period</b>	June 2017
<b>FLA Accreditation Lead/Support</b>	Lead: Patsorn Udomritthiruj (Accountability Associate) Support: Tiffany Rogers (Program Manager, Business Accountability)		
<b>Unique Company Characteristics</b>	<ol style="list-style-type: none"> <li>1) Volcom was the first board-sports company to join the FLA. Volcom implemented a social compliance program in 2006 intending to establish the company as a leader within the board-sports industry. Volcom shares knowledge with other board-sports companies to support the improvement of working conditions within the industry's supply chain.</li> <li>2) "True to This," the company's motto, evolved from its original philosophy "Youth Against Establishment," to address the evolution of its customers and support their passions in art and music related to the board-sports lifestyle. Volcom also has its own record label and produces music and short films.</li> <li>3) Volcom is owned by Kering; Volcom engaged in dialogue with other fellow-Kering brands affiliated with the FLA, PUMA and Outerknown, to better understand FLA standards and Principles.</li> </ol>		
<b>Summary of Key Strengths</b>	<ol style="list-style-type: none"> <li>1) Parent company and top management commitment to implement the social compliance program and provide additional resources, where necessary;</li> <li>2) An annual Global Compliance Summit for vendors and staff that covers trainings on topics such as Grievance Mechanisms, Root Cause Analysis, and Responsible Purchasing Practices;</li> <li>3) Increased awareness of the presence of union and worker representative structures through data collection, and engagement with representatives through invitation to participate in the Global Compliance Summit;</li> <li>4) Collaborative development and implementation of Responsible Purchasing Practice procedures with relevant departments; and</li> <li>5) A comprehensive supplier scorecard to incentivize suppliers to improve their social compliance.</li> </ol>		
<b>Summary of Key Suggestions for Strengthening</b>	<ol style="list-style-type: none"> <li>1) Provide vendors and suppliers with trainings on Volcom's updated Vendor Compliance Benchmarks and on Volcom's revised audit tool;</li> <li>2) Continue to train and hold auditors accountable for assessing factories to Volcom's standards and audit methodology;</li> <li>3) Continue to ensure workers receive effective workplace standards training;</li> <li>4) Continue to ensure workers have access to functioning grievance mechanisms and Volcom's confidential reporting channel;</li> <li>5) Continue to remediate labor violations identified through Volcom and FLA assessments; and</li> <li>6) Implement Volcom's civil society engagement strategy and continue to implement and expand collaboration with civil society to improve workers' lives.</li> </ol>		

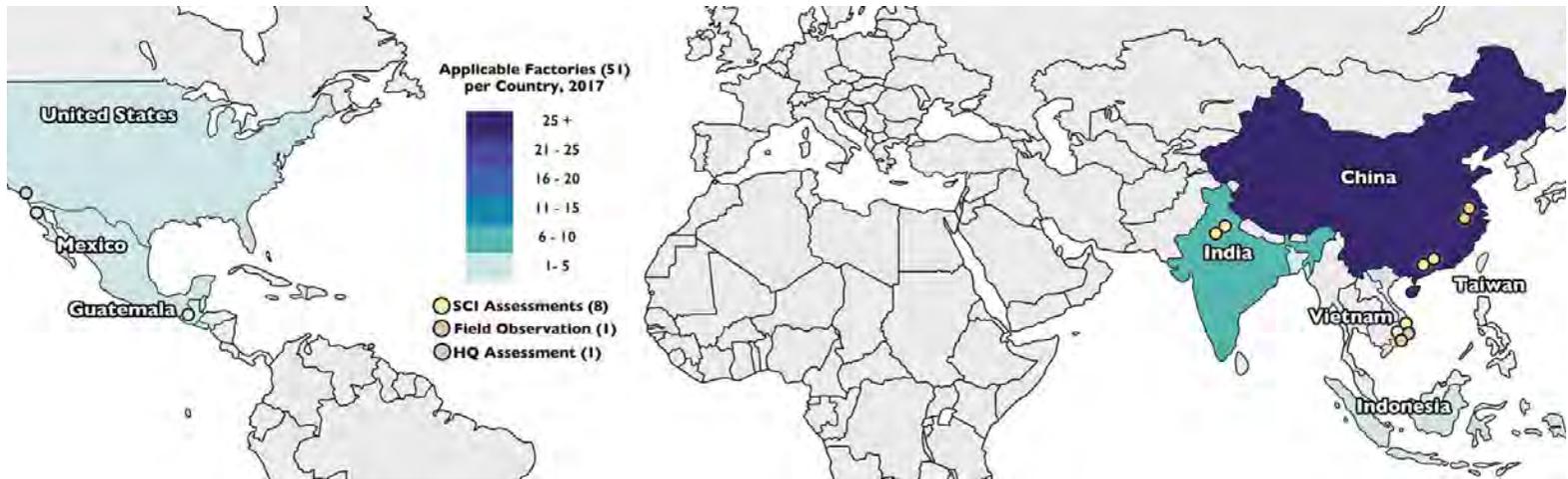
Volcom, LLC. (Volcom) was founded in 1991 by two friends, Richard "Wooly" Woolcott and Tucker "T-Dawg" Hall, based on their own experiences with board sports, such as skate boarding, surfing, and snowboarding. Volcom, based in Costa Mesa, California, is a lifestyle brand that designs, markets, and distributes board sports-oriented products. The company produces clothing, footwear, and accessories for kids, men and women. When it was established, Volcom was part of a "Youth Against Establishment" movement, which has evolved into the "True to This" message that reflects today's youth culture. Volcom also has a record label, Volcom Entertainment, Inc., that produces music and movies that appeal to its customer base, further showcasing them as a lifestyle brand. Volcom was acquired by Kering in 2011 and is one of Kering's three sport and lifestyle brands. In June 2014, Volcom was approved by the FLA Board of Directors as a Participating Company, selecting a 3-year implementation period.

Volcom revised their Code of Conduct in 2016 to align with FLA's Code of Conduct. Volcom's Product and Social Safety Team (PASS Team) is responsible for social and regulatory compliance. The Vice President, Global Supply Chain & Compliance, heads the PASS Team and reports directly to the Head of Global Operations, who in turn reports to the CEO. Volcom holds an annual Global Compliance Summit which is well attended by their vendors. At these conferences, numerous topics are covered including responsible purchasing practices, grievance mechanisms, trends in findings across facilities, and current industry trends. This summit also includes an awards ceremony which Volcom bases on their vendor scorecard.

Volcom's audits are conducted by a third-party service provider. The third-party service provider conducts the audits at the production facilities and Volcom works with the vendors to develop the Corrective Action Plans. Volcom sources 73 percent of products through agents or vendors; one of Volcom's main agents, Kering Group Sourcing (KGS), manages about 37 percent of Volcom's sourcing relationships. This sourcing model is common in the board sports supply chain.

Volcom completed its development of their Civil Society Engagement Strategy in July 2017. Volcom has been in discussion with CCR-CSR to participate in the virtual working group and review possibilities for capacity building programs for China suppliers. Volcom is also engaged with Cotton Connect, an initiative conducting Business Training Programs and Gender Training Programs in India for men and women working in cotton growing communities. The Gender Training Programs cover training and awareness on health, hygiene, and women and children's rights.

## SECTION 2: VOLCOM SUPPLY CHAIN & FLA DUE DILIGENCE ACTIVITIES FROM 2015 - 2017



The above map shows Volcom's sourcing countries at the time of the report and the range of factories in each highlighted country. Volcom has 35 factories in China, six in India, three in Vietnam, one in Indonesia, and one in Taiwan. Volcom sources from a total of 47 factories in Asia and four in the Americas.

Volcom received eight SCI Assessments from 2015 to 2017, in China, Guatemala, India, Mexico, and Vietnam. Volcom has received three Audit Field Observations, one in 2016 conducted in Vietnam and two in 2017 conducted in China and Vietnam as well as one Training Field Observation in 2016 in China. FLA conducted the Headquarter (HQ) Assessment in 2017 in Costa Mesa, California, USA.

## SECTION 3: ANALYSIS OF VOLCOM'S LABOR COMPLIANCE PROGRAM FOR ACCREDITATION

Information used in this assessment originates from reports submitted by Volcom and verified by the FLA through:

- 1) An assessment at Volcom headquarters conducted by FLA staff in July 2017;
- 2) Information gathered in person, via phone interviews, and through email correspondence with Volcom staff;
- 3) Documentation review of supporting evidence submitted by Volcom;
- 4) Field observations of three factory-level assessments in China and Vietnam;
- 5) Field observations of one training in China;
- 6) Results of FLA Independent External Assessments at Volcom applicable facilities conducted by FLA assessors and accredited service providers; and
- 7) Communication with stakeholders.

### PRINCIPLE 1: WORKPLACE STANDARDS<sup>1</sup>

#### **Workplace Standards & Top Management Commitment**

Volcom LLC (Volcom) adopted its first code of conduct in 2006. In 2016, Volcom revised its [code of conduct](#) to align with all code elements of the FLA Workplace Code of Conduct: Employment Relationship, Nondiscrimination, Harassment & Abuse, Forced Labor, Child Labor, Freedom of Association, Health, Safety and Environment, Hours of Work, and Compensation. Volcom completed its Volcom Vendor Code of Conduct Benchmarks in 2017; these benchmarks align with FLA Compliance Benchmarks, with additional benchmarks on Young Workers, Subcontracting, and Remediation.

Volcom's [sustainability commitment](#) rests on four pillars: Responsible Manufacturing, Sustainable Design, Giving Back, and Impact Evaluation. The Product & Social Safety (PASS) program, which is responsible for social compliance, falls under the [Responsible Manufacturing Pillar](#). On Volcom's website, this pillar includes the CEO's commitment to responsible manufacturing, including their affiliation to the FLA.

Kering has provided support since it acquired Volcom in 2011 and Kering's Head of Social Compliance has provided support in the development and implementation of the social compliance program since 2015. The commitment from Volcom's top management and support from Kering is reflective of Volcom's culture. While the retail market has been challenging for board sports brands like Volcom, requiring staffing changes in other departments, Volcom's top management has increased capacity to Volcom's PASS program and considers the PASS program a competitive advantage.

### PRINCIPLE 2: RESPONSIBILITY & HEAD OFFICE TRAINING<sup>2</sup>

#### **Staff Responsibility for Implementing the PASS Program**

Volcom's PASS team is led by the Vice President (VP), Global Supply Chain & Compliance. The VP reports to the Head of Global Operations, who in turn reports to the CEO. The PASS team is made up of regulatory and social compliance team staff members, of which one staff is 100% dedicated to

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<sup>1</sup> Principle 1: Company affiliate establishes and commits to clear standards.

<sup>2</sup> Principle 2: Company affiliate identifies and trains specific staff responsible for implementing workplace standards and provides training to all head office and regional staff.

social compliance with the support of the Manager of Chemical and Performance Compliance and three generalist staff. The majority of Volcom staff are long-term staff who have been on the team since the inception of the first social audit program in 2016, reflecting their dedication towards the company.

The Senior Director, Social Compliance and Global CSR, is responsible for the implementation of the social compliance program. The Senior Director reports to the VP who supports the strategic development of the social compliance program. At the headquarter assessment, FLA recommended Volcom to increase resources for the social compliance program of the PASS team due to the number of Volcom suppliers. Volcom accepted this recommendation and since the FLA headquarter assessment, Volcom has transitioned the Manager of Chemical and Performance Compliance to a dual role in assisting the VP and Sr. Director on various CSR responsibilities and projects, including audit tracking, critical findings, and tracking vendor correspondence. Additionally, the three compliance generalist staff that report to the Global Compliance Manager of Chemical and Performance Compliance have open roles and are available to assist the Sr. Director when needed. Volcom also collaborates with staff from other departments, for example, the Sustainability Business Analyst for data analysis, on a case-by-case basis.



*Volcom's Sr. Director, Social Compliance & Global CSR at Volcom's Headquarters in Costa Mesa, California.*

Volcom's PASS team is additionally supported by Kering's Head of Social Compliance in the strategic development of the social compliance program components, such as supporting development of their monitoring program, responsible purchasing practices, civil society engagement, and revising Volcom's Vendor Benchmarks to align with Volcom's standards.

### **Training of the PASS Team**

PASS Team Social Compliance staff receive trainings throughout the year depending on what trainings are available. Staff are supported by upper management in receiving training. Through the performance review process, upper management ensures that social compliance staff have a budget for educational training. In 2016, social compliance staff training focused on ways to better implement the internal CSR Improvement Plan to achieve FLA Accreditation. These trainings resulted in numerous action plans to improve the social compliance program, including plans to fully implement the FLA Principles. The PASS team has worked with different departments to implement the FLA Principles. For example, they have conducted regular meetings with the Director, Human Resources (HR) to develop Volcom's Confidential Reporting Channel.

Trainings undertaken in 2017 include, among other topics, the Modern Slavery Act and Responsible Sourcing in Southeast Asia, which covers areas such as effective worker-management communication channels. The Sr. Director has participated in FLA webinars and presentations for affiliates, including a conversation with China Labor Bulletin in May 2017 that covered union engagement and collective bargaining.

Social compliance staff review all available webinars and presentations relevant to their needs and keep a record of each training in order to reference them when necessary. Volcom has an annual performance review process that ensures that social compliance team members understand and have knowledge gained from the trainings that they took part in during the previous year. FLA recommends

the PASS Team to continue to take trainings that will further grow their knowledge in the field, including on issues of union engagement and collective bargaining.

### **Training Third Party Auditors**

Volcom works with a third-party service provider, to ensure that high standards are maintained. Throughout 2017, Volcom reviewed and revised its audit tool based on FLA feedback from the field observation process. Kering provided initial training to the third-party service provider on a first round of improvements to the audit tool; Volcom will collaborate with Kering to further improve its audit tool and provide training to the third-party service provider in 2018. FLA recommends Volcom and Kering to continue to provide training to auditors to ensure they are assessing against Volcom standards.

### **Training All Volcom Staff**

The PASS Team provides an annual training on social compliance for all staff, including warehouse staff, retail staff, and new hires. This training is administered through Volcom's intranet. The training deck is posted on the internal website and is accessible to all employees. The online system ensures that employees acknowledge the availability of the training, but does not record whether the employee has completed the training. Volcom noted that all staff received the notification to complete the training, with an attendance rate of 80% for 2017. This training is also available in Spanish in order to make it accessible to all staff.

A strength of Volcom's program is the annual Internal Compliance Summit that is conducted for all employees, including product, sales, and marketing teams and all other pertinent staff. Past Internal Compliance Summits have covered topics such as Responsible Purchasing Practices and Grievance Systems. After every Internal Compliance Summit, there is an Internal Compliance Summit Survey that is filled out by attendees. This formal feedback mechanism allows social compliance staff to gauge the perception of employees on the session in order to improve future trainings. FLA reviewed the slide deck that is utilized for the summit and discussed the summit learnings with staff during the HQ Assessment.

## **PRINCIPLE 3: SUPPLIER TRAINING<sup>3</sup>**

### **Supplier Commitment**

Volcom requires all their vendors, agents, and suppliers to sign annually the Vendor's Quality Standards & Vendor Guidelines. The Vendor Guidelines include the Vendor Quality Evaluation & Ranking, and Volcom's remediation requirements and timelines. Volcom revised their Vendor Manual in 2017 to include all FLA activities. In 2018, Volcom will include its compliance benchmarks in the Vendor Guidelines. The Vendor Quality Evaluation & Ranking section of the guidelines states that vendors and factories will be periodically evaluated on three main areas: manufacturing process, quality of production and social compliance. The specific details on Volcom's expectation for remediation are included in an appendix.

### **Conditioning Future Business on Suppliers' Improvement of Working Conditions**

In the Vendor Quality Standards, Volcom sets out the policy that vendors and factories that score well on the evaluation are to receive higher volume orders. Vendors and factories that lag in these areas receive a lower ranking with clearly stated frequency in re-inspection depending on the grade. The Vendor Guidelines include a Critical Rating Protocol for factories where critical findings identified in audits are not remediated within the timelines set in the Guidelines. Critical findings include child

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<sup>3</sup> Principle 3: Company affiliate obtains commitment and trains relevant supplier management on workplace standards and tracks effectiveness of supplier workforce training.

labor, blocked aisles, mandatory pregnancy testing, etc. For the first occurrence of a critical finding, the factory is notified and must submit a corrective action plan (CAP) within 14 days of the notification; Volcom then schedules a second full-scope audit to verify the remediation. If there is a second occurrence, the supplier is put on probation and the remediation process is repeated; Volcom also schedules a conference call with the factory. Should there be a third occurrence of the same critical finding, the factory is deactivated in Volcom's platform that manages purchase orders.

### **Supplier Training**

Volcom holds an annual Global Compliance Summit for vendors, agents, and suppliers to review its PASS program. FLA observed this summit in 2016 and verified that Volcom reviewed the updates to its program, code of conduct, and responsible purchasing practices. FLA's Regional Manager, East Asia, attended the summit and made a presentation on the FLA and the SCI assessment methodology. During the 2017 Global Compliance Summit, Volcom conducted training on responsible purchasing practices, grievance mechanisms, root cause analysis, and union and worker engagement. This training delved deeply into each topic and included interactive group exercises which led to open discussions between Volcom and its vendors and suppliers. These interactive



*Volcom's 2017 Vendor Global Compliance Summit in Shanghai, China.*

activities resulted in important feedback for Volcom. FLA interviewed Mainland Headwear Holdings, an FLA Participating Supplier who attended the 2017 supplier training; the Mainland representative verified the substance and effectiveness of the training.

In addition to the annual Global Compliance Summit, Volcom conducts in-person meetings at least on an annual basis with their major and top tier vendors to review the Vendor Manual and discuss any questions. In November 2017, the VP held a vendor training in India geared to factory staff that could not attend the Global Compliance Summit due to geography and resources. The training covered chemical management and responsible

purchasing practices. The vendor feedback from this training was positive and led to the decision of the VP to continue to conduct trainings for vendors and suppliers when he visits India annually. Due to the revision of their Vendor Benchmarks, Volcom will provide suppliers with training on the new benchmarks throughout 2018.

FLA considers Volcom's Global Compliance Summit and other vendor trainings as a strength of Volcom's program. FLA recommends Volcom ensure all vendors continue to be trained on the newly revised audit tool and the Vendor Benchmarks. Additionally, FLA recommends Volcom to include findings on training in data analysis to review whether the vendor training is making an impact on factory conditions.

### **Workplace Standards Accessibility for Workers & Training**

Volcom has translated its Code of Conduct into seven languages pertinent to its global supply chain: Mandarin, Vietnamese, Hindi, Bangladeshi, Spanish, Thai, and Bahasa Indonesian. A professional translation company did the initial translation and then Volcom had its vendors review the translation in the applicable language before finalizing. Volcom's Code of Conduct in the local language has been posted in all supplier factories as of July 2017.

Volcom has improved how worker, manager, and supervisor training is verified within the monitoring program. FLA corroborated this improvement in the Audit Field Observation process. During the first Audit Field Observation in China, the audit tool did not include any questions on workers receiving training on workplace standards. Volcom revised its audit tool to include questions to verify workplace standards training is provided and FLA conducted a second Audit Field Observation in Vietnam to corroborate. FLA observed that the auditor also included questions during the worker interviews, asking workers whether they remembered and understood the training on workplace standards. However, during the third Audit Field Observation in Vietnam, the auditors did not fully follow Volcom's protocol and only reviewed health and safety training with the workers during the interviews. Following the third Audit Field Observation, Volcom developed stricter protocols with the third-party service provider to ensure that all of Volcom's standards for the audit were implemented by the auditors, including verifying workplace standards training during the worker interview process.

From SCI assessments, FLA verified through Corrective Action Plans (CAPs) and remediation updates submitted by Volcom that noncompliances in training of workplace standards have been addressed. For example, from a 2016 SCI Assessment in China, Volcom verified that the factory provided training on workplace standards based on the training schedule, training records, and the training documents that were given to supervisors and workers. FLA recommends Volcom continue to ensure that effective workplace standards training is provided to workers in Volcom's Tier 1 suppliers.

#### **PRINCIPLE 4: FUNCTIONING GRIEVANCE MECHANISMS<sup>4</sup>**

##### **Assessing for Functioning Grievance Mechanisms**

Volcom assesses grievance mechanisms during the factory audits conducted by the third-party service provider. During the first Audit Field Observation in China in 2017, FLA found that the auditors checked for the existence of grievance policies and procedures; however, the functionality of the grievance mechanisms was not assessed by the third-party service provider. Kering worked to implement FLA recommendations to go beyond verification of whether there are supplier grievance mechanisms to also assess whether there are in place grievance tracking systems and ascertaining during worker interviews the reasons why workers might not use the grievance mechanism in place. The audit tool now includes a specific question to learn whether the reluctance of workers to use the system is the result of lack of trust. In the last two Audit Field Observations conducted by the FLA, it was verified that the third-party service provider improved the assessment of functioning grievance mechanisms.

FLA reviewed Volcom's Grievance Policy and Mechanism document that is provided to suppliers and vendors as guidance for their own grievance mechanisms. The guidance includes definitions, rights and responsibilities, the different grievance channels, the procedures for submitting grievances, and the action plan that should be created to address the grievances. It also includes nonretaliation provisions and information on how Volcom will intervene if the supplier's policy or procedures are not effective. If a supplier's policy or procedures is ineffective, Volcom will give training to factory management, will ensure regular training is provided to all workers, will make sure grievance channels are accessible to all workers, and will provide the PASS Team's email to workers if this issue is not resolved.

Volcom has a Vendor Grievance Policy and Mechanism Recap chart to collect data from its vendors on grievance mechanisms in place at their contract factories. Information collected include the

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<sup>4</sup> Principle 4: Company affiliate ensures workers have access to functioning grievance mechanisms, which include multiple reporting channels of which at least one is confidential.

language of the grievance policies and procedures; whether they are posted in a public area; whether training is provided for workers; whether policies and procedures include confidentiality and nonretaliation; and what type of grievance channel or channels are offered. At the end of 2017, Volcom added data points on tracking functionality and continuous training; this information will be collected during the 2018 audit cycle. FLA recommends that Volcom verify the data collected on grievance mechanisms through the audit process.

### **Confidential Reporting Channel to Volcom Headquarters**

Included on the Volcom Workplace Code of Conduct is an email address directly to the PASS Team (pass-team@volcom.com) for workers to use if the factory grievance mechanisms are not functioning. The PASS team worked with the HR department to develop procedures on how to manage grievances that are submitted through this channel. The HR Director emphasized the importance of having a clear and transparent timeline of when and how grievances are addressed in order for workers to trust the grievance system and have confidence that their grievances are addressed. Volcom has yet to receive any grievances from workers through their email channel. FLA recommends Volcom continue to work with vendors and suppliers to communicate to workers on the confidential reporting channels.

### **Ensuring Training for Workers & Providing Support on Grievance Mechanisms for Suppliers**

Volcom's revised audit tool includes questions on workers training on Grievance Mechanisms. The audit tool assesses if training has occurred and is effective for workers, including a question on whether workers and suppliers exhibit retention of grievance mechanism training. Additionally, all suppliers reported that they provided training on grievance mechanisms to workers for the Vendor Grievance Policy & Mechanism Recap chart. FLA verified that grievance training was assessed by the auditors in the second Audit Field Observation; however, during the third Audit Field Observation in Vietnam, the assessor did not fully follow Volcom protocol and only documentation to verify grievance training was reviewed. Volcom has developed stricter protocols for its audit process with the third-party service provider. FLA provided further recommendations to ensure that grievance training is discussed during the worker interview process.

Volcom conducted training for their vendors on functioning grievance mechanisms at the Global Compliance Summit in 2017. FLA verified the comprehensiveness of the training by reviewing the slide deck and interviewing FLA Participating Supplier, Mainland Headwear Holdings, who attended the training. FLA notes the considerable improvement of Volcom's social compliance program with respect to grievance mechanisms. FLA recommends Volcom continue to implement its revised audit tool to assess and remediate findings on worker training for grievance mechanisms.

## **PRINCIPLE 5: MONITORING<sup>5</sup>**

### **Pre-Sourcing Factory Assessments**

Volcom's Vendor Quality Standards and Vendor Guidelines state the procedures for assessing compliance by new suppliers. The procedures include a self-assessment, a factory profile, and the C-TPAT questionnaire. The purpose of the self-assessment is to "ensure the factory is free of issues considered critical in the Volcom Code of Conduct" and for "the factory to disclose the policies and procedures which prevent those critical issues from being present in the factory." The PASS Team reviews this self-assessment, as well as the most recent audit and CAP to check on remediation. Volcom only accepts audits from a list of approved service providers, auditors, and brands and retailers. The PASS Team makes the final decision on approving vendors. Once a vendor or supplier

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<sup>5</sup> Principle 5: Company affiliate conducts workplace standards compliance monitoring.

is approved, it can start receiving orders from Volcom. The approved vendor and supplier receives an audit within six to nine months of supplier activation. The Senior Director, Social Compliance & Global CSR is responsible for activating suppliers on Volcom's purchase order system; suppliers cannot receive purchase orders until they are activated by the Senior Director.

Volcom has a Vendor Validation Committee which discusses all new vendors and suppliers. The Committee meets on a quarterly to biannual basis. Required attendees include Head of Global Operations, Head of Men's & Youth Merchandising & Design, Head of Women's Merchandising & Design, Head of Global Production, Head of Global Supply Chain & Compliance, and the Sr. Director, Global CSR.

### **Assessing Factory Conditions**

As stated earlier, Volcom contracts with a service provider for third-party assessments. Volcom (and its parent company Kering) has worked with the third-party service provider to revise their audit tool to align with their Vendor Benchmarks. FLA provided feedback throughout 2017 to ensure the audit tool addressed the assessment of worker training and functioning grievance mechanisms. This audit tool will continue to be improved throughout 2018, with the implementation of Volcom's Compliance Benchmarks. During the third Audit Field Observation in Vietnam, FLA identified a series of communication issues between the third-party service provider and Volcom and recommended



*Workers in the cutting department at a Volcom contract factory in Vietnam.*

stricter protocols be developed to ensure implementation of Volcom's audit standards. Volcom worked to develop protocols on communication with the third-party service provider on scheduling the audit, a nominated auditor process, a shadow audit process, and a process to identify and address auditor quality issues. Volcom and the third-party service provider discussed and agreed to these protocols; FLA reviewed the protocols, minutes from the meeting, and a corrective action plan developed by the third-party service provider and Volcom to improve the audit process. FLA recommends Volcom continue to work with the third-party service provider to fully implement the protocols and ensure that there is clear communication of Volcom's expectations of the third-party service provider's audit process.

Volcom's audits generate a score, based on scoring criteria set out in Volcom's Vendor Quality Standards and Vendor Guidelines. The score and risk level determines the frequency of factory assessment. An audit score of 100%-98% and a Green or Yellow risk level translates into audits conducted every 24 months; audit score of 95%-97% with Green or Yellow risk level or 90%-100% audit score with Orange risk level determines that the supplier receives an audit every 18 months; and audit score of 90%-80% with Orange risk level determines that the supplier receives an audit every 12 months. Most suppliers receive audits every 12-18 months.

### **Volcom Audits & Recommendations**

FLA conducted three Audit Field Observations to assess Volcom's monitoring program. FLA has verified that Volcom's audits include a factory walkthrough, document review, worker interviews, and management interviews; Volcom also includes reaching out to union or worker representatives in the assessment process. Volcom has made improvements in its audit program in 2017. This revised audit tool was verified in the second and third audit field observations.

During the first observation, conducted in 2016 in China, it was observed that the third-party service provider used an audit tool developed by Kering and the third-party service provider to conduct the audit without specific guidelines for Volcom facilities. It was observed that worker representatives were not invited to the opening and closing meeting. FLA recommended Volcom to improve the audit tool to align it with their standards and procedures and to include worker representatives in opening and closing meeting. Volcom implemented these suggestions, including more questions on workplace standards training for workers and on grievance mechanisms; and requiring auditors to conduct pre-assessment activities with civil society organizations.

During the second Audit Field Observation conducted in 2017 at a supplier in Vietnam, FLA verified improvement from the first observation. Areas of improvement included worker representatives being invited to the opening and closing meetings; conducting meetings with the trade union before the audit; and assessing for the functionality of grievance mechanisms and workplace training effectiveness through worker interviews. However, the auditors were only provided one day to assess a 3000 worker-count factory. FLA recommended Volcom allow enough time for information gathering through document reviews and worker interviews. A third Audit Field Observation also conducted in Vietnam confirmed that Volcom had adopted the suggestion of longer audits for factories with a large worker-count, but revealed a lack of consistency and effective communication between Volcom, Kering, and the third-party service provider that resulted in assigned assessors not fully implementing Volcom's standards and methodology from training that they had received. To ensure that qualified auditors conduct audits for Volcom, Volcom and the third-party service provider developed a nominated auditor list, who are the lead auditors for the third-party service provider in the region. Moving forward, only nominated auditors will be selected to conduct Volcom audits to ensure there is consistency in how factory conditions are assessed.

## PRINCIPLE 6: COLLECTION & MANAGEMENT OF COMPLIANCE INFORMATION<sup>6</sup>

### **Volcom Data Management**

Volcom collects from vendors information on address and contact information, historic audit data, and the presence of union and worker representatives. Prior to using the current third-party service provider as their primary service provider, Volcom used different service providers for their assessments. Volcom has consolidated all assessments data from the past three years into one format to be able to conduct year-to-year data analysis effectively. In 2017, Volcom focused on collecting data on union and worker representatives within its Tier 1 supply chain. This data is collected in a Union Mapping document that includes the type of union present, whether a collective bargaining agreement is present, whether there is a worker representative structure, worker representative's name, and whether they have received training on grievance mechanisms.

### **Analyzing Social Compliance & Supporting Data**

Volcom's PASS Team reviews all social compliance data with the Sustainability Business Analyst through the internal CSR data analysis tool. Volcom has analyzed trends from 2014 to 2017 based on the third-party service provider's categorization of type of risk (critical, high, and medium). Results from the analysis shows that there have been minimal repeats of critical risks. Volcom has analyzed trends by vendor and by countries. This analysis has shown a clear pattern that Volcom's facilities have most frequent findings in Health and Safety, Hours of Work, and Wages. Volcom has worked with the third-party service provider to compare their findings to industry trends and to factories with similar grading systems to Volcom's; this analysis includes wage trends and health and safety trends.

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<sup>6</sup> Principle 6: Company affiliate collects, manages, and analyzes workplace standards compliance information.

In addition to this data analysis, Volcom also uses social compliance data to inform their comprehensive vendor scorecard, which will be further discussed in Principle 8. Information used for the scorecard is currently based on audits and on-going remediation updates. In the future, Volcom plans to include root cause analysis and corrective action plan analysis to inform the CSR part of the scorecard. FLA recommends Volcom analyze trends against their new Vendor Benchmarks, once implemented, to identify trends against these benchmarks.

## PRINCIPLE 7: TIMELY & PREVENTATIVE REMEDIATION<sup>7</sup>

### **Tracking Remediation at the Factory-Level**

Volcom's Quality Standards and Vendor Guidelines include Volcom's Remediation Requirements & Timelines. These procedures include a follow-up protocol that is based on the audit scores, as mentioned in Principle 5. For audits that receive a score of 80%-97%, Volcom requires suppliers to provide a CAP within seven days; for those with score of 97-100%, the CAP is required within 14 days. Additionally, Volcom has been piloting a new process since 2016 in which if a critical issue is identified, an auditor will conduct a follow-up audit within 14 days to verify its remediation. For factories that communicate to Volcom through vendors, Volcom collaborates with the vendors and factories to develop the CAPs. Vendors are then responsible for submitting remediation updates from the factory to Volcom, consistent with the deadlines included in the CAP.

Starting in 2017, the third-party service provider has included, as part of their protocol, verification of remediation progress of findings from previous audits. Information on remediation progress is monitored and analyzed through Volcom's data analysis tool. As a next step to the data collected by Volcom on union and worker representatives, FLA recommends Volcom develop a protocol on consultation with union and worker representatives in the development of remediation plans. FLA emphasizes that it is important for Volcom to understand the relationship between the factory management and the union before being able to support effective collaboration towards effective remediation.



*Workers in the cutting department at a Volcom contract factory in Vietnam.*

### **Root Cause Analysis**

The Sr. Director conducts root cause analysis on a case-by-case basis, depending on the severity of the findings. Volcom conducted training on root cause analysis at the Global Compliance Summit in November 2017. This training emphasized the need for vendors and suppliers to use root cause analysis in order to remediate systemic issues and prevent recurrence of findings. The training included the differences between corrective action plans and preventative action plans. Similar to the other trainings conducted at the Global Compliance Summit, this training included group activities to ensure training effectiveness. FLA recommends Volcom continue to work with its suppliers to identify root causes so effective remediation plans can address labor violations within their supply chain.

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<sup>7</sup> Principle 7: Company affiliate works with suppliers to remediate in a timely and preventative manner.

**Effective Remediation**

Volcom maintains an audit and remediation tracker to record suppliers' follow-up on their CAPs. This tracker follows the critical findings over time at each facility and notes if there are repeated critical noncompliance findings. The tracker shows that there have been minimal repeated critical findings. This tracking informs Volcom if audit findings are being remediated sustainably and are not continuing to occur.

FLA reviewed submitted CAPs and remediation updates from Volcom regarding SCI assessments. During an SCI assessment conducted in Guatemala in 2015, it was found that workers' pay slips did not differentiate between the legally-required bonuses and the production bonus given for reaching production goals. Volcom reported that they worked with the factory to implement a pay slip that differentiated between all types of payments. Volcom also reported that they worked with a factory in China to make improvements on the grievance process by having the factory clarify their procedures, remediation timelines, and identify the person responsible for receiving and reviewing grievances. At the same facility in China, it was found that the worker integration and communication component was missing for all Employment Functions. Volcom reported that they worked with the factory to create procedures that ensured worker integration and communication was integrated into all of the Employment Functions. Additionally, Volcom reported that the factory now conducts a daily meeting with the production team to communicate any important information to all employees. FLA recommends Volcom continue to work with its factories to remediate noncompliances identified in their own audit program and in SCI Assessments to improve working conditions for workers. Further information on remediation actions at Volcom facilities assessed by the FLA can be found on the [FLA website](#).

**PRINCIPLE 8: RESPONSIBLE PURCHASING PRACTICES<sup>8</sup>****Volcom's Responsible Purchasing Policy**

Volcom completed development of their Responsible Purchasing Practices Policy (RPP) in 2017 through a process led by the Global VP, Supply Chain and Compliance in coordination with Kering's Head of Social Compliance. The policy articulates the "Struggle" in planning and communication with suppliers to reduce negative impact; the role of "Manufacturing Partnerships," which emphasize the relationship with suppliers to improve their performance; and the challenge of "Communications" with suppliers. The procedures to support this policy are then focused on implementation of actions in the following areas: Calendars, Benchmarks, Controls, Meetings, Accountability, Training, Visibility and Transparency, Incentives, and Financial Terms.

Calendars described in the procedures include a high-level Global Operations Calendar; a detailed Merchandising & Design Calendar for each division and category; a Production Calendar which is based on agreed factory lead times, start dates and minimum order quantity, costing, and delivery schedules; and a final calendar. The Controls subsection of the procedures underlines the importance of the negotiation and confirmation of these calendars on a seasonal basis. Areas for negotiation and confirmation include lead-times, minimum order quantity, costing, and delivery schedules.

On financial terms, the procedures include providing suppliers clear target costs and projections when issuing tech packs; allowing suppliers to submit multiple options for target costing; agreement on minimum order quantity and lead-times during the costing process; scheduling regular meetings with suppliers to discuss business trends; market and sourcing updates; and category opportunities and direction by division. The policy on airfreight states that Volcom will help vendors when there are

<sup>8</sup> Principle 8: Company affiliate aligns planning and purchasing practices with commitment to workplace standards.

delays in shipment, but reserve the rights of clearly stated chargebacks. Volcom's Non-Compliance Fee Schedule & Charge Back policy covers scenarios in which Volcom may charge back vendors for repeated noncompliance on production quality, shipment delay and logistic issues when the vendors are at fault.

### **Training Relevant Business Staff on Responsible Purchasing Practices**

The Responsible Purchasing Practices Policy includes a section on providing Volcom staff with HR Compliance Program Training, Education and Motivation on RPP, and RPP training at the Internal Compliance Summit. The PASS and HR Teams will then collect feedback in order to incorporate into future trainings.

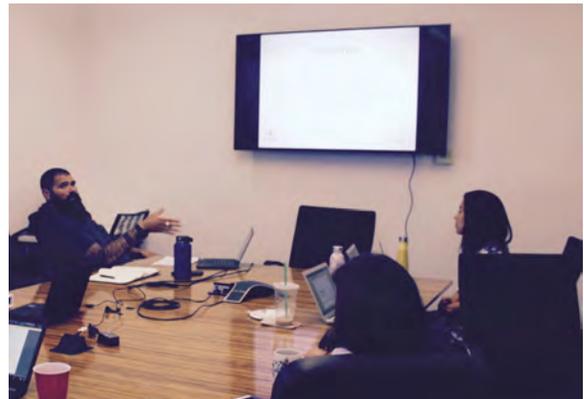
The PASS Team conducted three RPP trainings in 2017 to support developing its policy. The first training was a review of Principle 8 and RPP; this training included a deep dive into addressing poor purchasing practices, challenges with supplier selection, including lack of communication on capacity and choosing suppliers based on inaccurate production planning, how production development can impact RPP through cost restraints and lead time awareness, problems with sampling, placement of orders and production which included changes to critical paths and forecasting, negative impacts associated with delivery including air freight costs and other financial terms, and an overview of the Compliance program. The second training was a review of the completed RPP Policy, while the third training was a review of changes to the Code, RPP, access to information, and interview practice. Volcom received formal feedback from these training which will be used to improve future sessions.

### **Holding the Relevant Business Staff Accountable to Purchase Responsibly**

Volcom's RPP Policy's Benchmarks hold both internal and external persons accountable. Internally, bi-weekly calendar meetings are conducted with department heads and executive oversight when reporting on key milestones. Externally, there is regular communication with vendors on how production plans are being executed from the suppliers' perspective as well as Volcom's. The Accountability part of the procedures covers the need to have clearly defined and measurable KPI's for key calendar milestones and for individuals, departments, and vendors to have KPI's that relate directly back to calendar dates.

The main accountability mechanism Volcom uses to hold relevant business staff accountable is the planning calendar. This calendar ensures that agreed dates with the suppliers are upheld. Global Calendar meetings are held on a regular basis to address issues within the development and production processes. This Global Calendar is sent to suppliers two months prior to purchasing; Volcom continuously reviews adherence to this calendar.

Volcom has reviewed its materials suppliers and the negative impacts delays in deliveries may cause on supplier production. As a result of this review, Volcom has substantially modified its list of materials suppliers over the past three years. In June 2017, Volcom conducted a wrap-up meeting to review the season's delivery, a practice that they conduct after every season is completed. FLA recommends Volcom develop a system to assess calendar adherence and forecast accuracy at the end of a season to hold relevant staff accountable for upholding supplier commitments.



*Volcom's Global VP, Supply Chain and Compliance and the FLA's Accountability Associate discussing the social compliance program during the HQ Assessment.*

### **Dialogues with Business Staff & Suppliers to Implement Responsible Purchasing Practices**

Volcom's relevant planning, sourcing, development, merchandising, and production staff have regular meetings to review buy plans, season projections, and progress for delivery. Relevant RPP staff work collaboratively to develop roadmaps for suppliers from the Global Calendar on timelines for development, computer-aided design work, tech packs, lab dips, approvals, and line closing meetings. When there are pressures on lead times from customers, Volcom works with these vendors and customers to reach solutions on the lead times conducted through reviews of options, such as airfreight changes, if it is not possible to decrease the lead time or make changes to the order. Volcom is then responsible for communicating these changes to the customer.

PASS Team members are in regular communication with vendors. Once a purchase order is placed, the supplier provides Work-In-Progress reports on a weekly basis to Volcom in order to update on progress of orders. Due to the constant communication, Volcom receives feedback regularly from vendors. Based on supplier and vendor feedback, Volcom revised its forecasting process to provide vendors updates every two weeks as orders start to come in. This process has allowed material suppliers to book greige goods earlier for Volcom orders and has allowed for better visibility for suppliers on Volcom projections. Implementing this process led to additional feedback from suppliers and vendors that Volcom is too conservative on their projections.

FLA verified at the Global Compliance Summit in 2016 that Volcom trained suppliers and vendors on RPP. At the 2017 Global Compliance Summit, Volcom conducted another training on RPP. This training included a breakout section where attendees teamed up for an interactive exercise. The exercise asked vendors to talk about when they need to discuss with Volcom about orders that are impacting working conditions and if there are practices Volcom could improve to support supplier responsible production practices. This activity allowed Volcom to have open discussions with their Vendors on RPP. One of the biggest takeaways for Volcom was that vendors and suppliers understood that they can push-back on orders from Volcom that could negatively impact working conditions. At the end of the trainings, Volcom conducted a survey which included questions such as which topics were most helpful for the attendee's daily work, which topics the attendee would like to be addressed more in depth at the next training, and if they had any topics that they would like added to the Global Compliance Summit.

The procedures also include a list of the meetings to be conducted to ensure Responsible Purchasing Practices. This includes bi-weekly Global Calendar meetings, four seasonal meetings for Global Sourcing, weekly internal department meetings, seasonal handover meetings, and four seasonal supplier meetings domestically and internationally. The Visibility and Transparency subsection covers achieving these goals through Volcom's PLM system, Work-In-Progress Reports from the suppliers and vendors, Texbase system, and through the FC system.

### **Incentivizing Suppliers to Improve Conditions for Workers**

As mentioned in Principle 5, Volcom evaluates its vendors and suppliers by analyzing audit reports. Each audit report generates a score that determines the timeline for remediation and follow-up audit. Additionally, Volcom has developed a vendor scorecard which currently has the following structure: Merchandising & Design (25%); Pre-Production (15%); Production (20%); Logistics (5%); Regulatory Compliance (15%); and CSR Compliance (20%). At the time of the headquarter assessment, CSR Compliance had a weight of 12% within the scorecard, which was subsequently raised to 20%. FLA recognizes this as a strength that Volcom readjusted their scoring criteria. These scores are reviewed on a biannual basis and is used to provide recognition awards to vendors and suppliers that receive the top three scores. FLA observed this recognition in the Field Observation of the 2016 Global Compliance Summit.

Volcom's RPP Policy states that high performance will be rewarded through potentially providing more business volume; however, Volcom has yet to implement this policy. High performing suppliers receive fewer audits, as described in Volcom's Vendor's Quality Standards and Vendor Guidelines. FLA recommends Volcom work to implement its policy related to the vendor scorecard and incentives in the form of increased business.

## PRINCIPLE 9: CONSULTING WITH CIVIL SOCIETY<sup>9</sup>

### **CSO Engagement Strategy**

Volcom developed its Civil Society Engagement Strategy in 2017. This strategy includes identification of sourcing countries, identification of key issues, resource demands recognizing their limited resources to engage with civil society, the role of third-party service providers in interviewing organizations, unions and worker representatives during audits, vendor participation in understanding the landscape for civil society in the regions, and data on union presence with a focus on developing communication channels.

Prior to this strategy, Volcom had focused on philanthropic efforts to support local communities and environmental sustainability. In 2011 and 2012, prior to FLA affiliation, Volcom collaborated with Krotchet Kids, a non-profit social capitalism brand, to support women who produced Volcom caps in Uganda. In 2017, Volcom started to engage with civil society organizations relevant to their supply chain. Through a CSO mapping, Volcom identified potential CSOs in all sourcing countries. Additionally, Volcom has been in communication with FLA's Director of Civil Society Engagement to discuss topics and join the China Working Group calls, organized by the FLA. FLA recommends Volcom continue to implement their civil society engagement strategy and expand the CSO mapping.

### **Engaging Civil Society on Local Labor Issues**

In 2017, as part of Volcom's monitoring protocol, the third-party service provider started to engage with organizations through the audit process. FLA verified the third-party service provider had engaged with the local union and the Social Insurance Department during a Field Observation in



*Volcom's Global VP, Supply Chain and Compliance, interviewing a cotton farmer in Aurangabad, India.*

Vietnam. FLA recommended Volcom develop a formal process for auditors to provide reports on these engagements so that Volcom can then follow up with the engaged organizations.

Volcom is currently collaborating with Cotton Connect, an enterprise that works with brands and retailers to develop a robust and resilient cotton supply chain. Volcom is involved in two schools in India for cotton farmers and local communities where Cotton Connect is conducting trainings on topics ranging from personal finance to personal hygiene. The cotton farms of the workers who are receiving the training will be used to produce raw material for Volcom cotton t-shirts. The two training schools focus on business practices and gender equality. On gender equality, this school teaches women life skills such as feminine hygiene, math skills, capacity building from a trade perspective, as well as the most basic right of having personal time. Volcom received a grant from Kering to document this journey which will be made into a video to

<sup>9</sup> Principle 9: Company affiliate identifies, researches and engages with relevant labor non-governmental organizations, trade unions and other civil society institutions

increase awareness of cotton farmers. This documentary will be focused on the people involved in the process, from the ginners and the spinners to the garment factory. FLA recognizes the value of this engagement and the positive impact it has for cotton farmers, FLA further recommends Volcom strive to also engage with local civil society organizations in India and other high-risk and high-production volume countries.

### **Engaging Civil Society on the Design & Implementation of Workplace Standards Strategies**

Volcom has begun to engage with the Center for Child Rights and Corporate Social Responsibility (CCR CSR), headquartered in Hong Kong. CCR CSR specializes in capacity building projects to address child rights, young workers' rights and working migrant parents' rights. The PASS Team held calls with CCR CSR in October 2017. Additionally, the PASS team met with CCR CSR staff in Shanghai, China and Hong Kong in November 2017. Volcom found CCR CSR's program to align with their program and reflected the noncompliances found in their supply chain. Volcom plans to participate in the virtual working group to learn more about the work CCR CSR is doing and where Volcom and CCR CSR can collaborate. FLA recommends Volcom to continue engagement with CCR CSR to see how collaboration can lead to impact for workers and to further engage with other civil society organizations.

### **Unions & Worker Representative Structures**

In 2017, Volcom included union and/or worker representatives in the opening and closing meetings of their audits and in the interview process. Volcom has additionally implemented a pre-interview process for the third-party service provider auditors to interview the trade union prior to the audit. These activities are clearly stated in the CSO Strategy.

Volcom has collected data on union presence within its supply chain and found that 55% of the suppliers in its supply chain had a union or worker representative structure. This is broken down to the following: 11% had a self-organized union, 19% had unions affiliated with ACTFU, 4% had unions affiliated with VGCL, 21% had a worker representative structure, and 23% had a collective bargaining agreement in place. At the 2017 Global Compliance Summit, Volcom invited union members and worker representatives to attend the meeting. Three representatives participated in the training and provided feedback to Volcom. FLA recommends Volcom continue to engage with union and worker representatives, as appropriate, and work with its vendors to include union and/or worker representation in the remediation process.

## **PRINCIPLE 10: VERIFICATION REQUIREMENTS<sup>10</sup>**

Volcom has been an FLA Participating Company in good-standing since its affiliation in 2014. Volcom's commitment to the FLA is included in their Vendor's Quality Standards and Vendor Guidelines, this includes commitment to the annual FLA self-assessment, providing factory list updates, facilitating SCI assessments, providing remediation updates and exit language, submitting payment of dues, and facilitating field observations of audits and trainings.

Volcom has submitted its self-assessment annually from 2015 to present and responded to requests from the FLA on a timely basis. In 2017, Volcom realized that they did not list with the FLA those factories under KGS, Kering's sourcing agent. This mistake was corrected in a timely manner and FLA conducted additional SCI assessments to account for these factories. For remediation, Volcom continues to provide updates every six months and exit language when needed. The FLA recommends that Volcom continue to participate in FLA activities, be proactive within the Business

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<sup>10</sup> Principle 10: Company affiliate meets FLA verification and program requirements.

Caucus and potential working groups, and collaborate with other FLA affiliates to contribute to the improvement of working conditions worldwide.

## SECTION 4: CONCLUSION AND RECOMMENDATION TO THE BOARD OF DIRECTORS

This review of Volcom's labor compliance program is intended to help inform the decision of the FLA Board of Directors on whether to accredit the company's program.

The FLA staff conclusion is that since affiliation as a PC, Volcom has increasingly developed a labor compliance program that, on balance, aligns with FLA standards, benchmarks, and protocols. Accreditation is a measure of the capacity of a company's labor compliance program to ensure respectful and ethical treatment of workers. The FLA recognizes that no labor compliance program is perfect; the notion of continuous improvement means that there will be instances when a specific principle or benchmark is not met, yet such occurrence does not call into question the integrity of an affiliate's entire program. FLA will continue to provide programmatic recommendations to further an affiliate's labor compliance efforts in support of FLA's mission to protect workers' rights and ensure decent working conditions. FLA staff recommends to the FLA Board of Directors the accreditation of Volcom's labor compliance program.

The assessment identified certain areas in which Volcom's labor compliance program has been strong and also areas with respect to which improvements are possible.

Strengths of Volcom's labor compliance program include:

- 1) Parent company and top management commitment to implement the social compliance program and provide additional resources, where necessary;
- 2) An annual Global Compliance Summit for vendors and staff that covers trainings on topics such as Grievance Mechanisms, Root Cause Analysis, and Responsible Purchasing Practices;
- 3) Increased awareness of the presence of union and worker representative structures through data collection, and engagement with representatives through invitation to participate in the Global Compliance Summit;
- 4) Collaborative development and implementation of Responsible Purchasing Practice procedures with relevant departments; and
- 5) A comprehensive supplier scorecard to incentivize suppliers to improve their social compliance.

Suggestions for strengthening Volcom's labor compliance program include:

- 1) Provide vendors and suppliers with trainings on Volcom's updated Vendor Compliance Benchmarks and on Volcom's revised audit tool;
- 2) Continue to train and hold auditors accountable for assessing factories to Volcom's standards and audit methodology;
- 3) Continue to ensure workers receive effective workplace standards training;
- 4) Continue to ensure workers have access to functioning grievance mechanisms and Volcom's confidential reporting channel;
- 5) Continue to work with suppliers to address and remediate labor violations identified through Volcom and FLA assessments; and
- 6) Implement Volcom's civil society engagement strategy and continue to implement and expand collaboration with civil society to improve workers' lives.

## APPENDIX A: VOLCOM CODE OF CONDUCT

### Volcom Vendor Workplace Code of Conduct

Volcom strives to do business with vendors around the world who respect the laws, cultures, and workers manufacturing Volcom products and components.

Volcom has developed this Vendor Workplace Code of Conduct ("Code"), which is the minimum standard with which Volcom requires its vendors comply.

In addition to specific provisions of this Code, Volcom expects its vendors to act responsibly, strive for continuous improvement, and in all respects and to do their best to ensure that no abusive, exploitative, or illegal conditions exist at their workplaces. Where differences or conflicts in standards arise, the highest standard shall apply.

Volcom will only work with vendors, suppliers and sub-contractors who comply with this Code, who have signed a copy of this Code, and who have agreed to permit Volcom and its representatives to inspect their facilities and documents to ensure compliance with this Code.

Translations of our Code of Conduct are available in Mandarin, Vietnamese, Hindi, Bengali, Spanish, Thai, and Bahasa Indonesian.

### Employment Relationship

Volcom Vendors must follow rules and conditions of employment that adhere to local, national and international law in respect to labor and social security laws and regulations.

### Child Labor

Volcom vendors are prohibited from using child labor as defined by local, national and international laws and regulations. Irrespective of local law, our vendors shall not use workers younger than the age of 15 or the compulsory age for school attendance whichever is higher.

### Young Workers

Vendors may employ juveniles who are older than the local legal minimum age but are younger than 18 years of age, provided they do not perform work that might jeopardize their health, safety, or morals. Vendors shall not require juvenile workers to work overtime or perform dangerous or night work and will ensure all legal requirements for the protection of juvenile workers are met.

### Forced labor

Volcom suppliers and vendors shall not use any form of involuntary or forced labor, whether indentured, bonded, prison or labor obtained through slavery, human trafficking or otherwise.

### Discrimination

Volcom vendors shall not discriminate against its employees during any stage of the employment relationship on the basis of race, religion, gender, sexual orientation, color, national origin, age, physical or mental disability, medical condition, political opinion, union affiliation, social group, marital status, pregnancy or any other classification protected by local, national, and international law.

### Harassment & Abuse

Volcom vendors shall treat their employees with respect and dignity and ensure no employee shall be subject to any physical, sexual, psychological or verbal harassment or abuse.

### **Freedom of Association**

Volcom vendors shall recognize and respect the right of employees to freedom of association and collective bargaining.

### **Health & Safety**

The workplace must be safe and healthy, and vendors must comply in all material respects with all applicable local, national and international laws regarding the provisions of a safe, hygienic and healthy working environment. Vendors must take steps to prevent workplace injuries and illnesses, and must train employees to use safe workplace practices.

### **Compensation**

All employees have a right to compensation for a regular work week that is sufficient to meet the workers' basic needs and provide some discretionary income. Vendors must pay all employees who manufacture Volcom products or components at least the minimum wage or the appropriate prevailing wage, whichever is higher, comply with all legal requirements on wages, and provide benefits mandated by law or contract. Where compensation does not meet workers' basic needs and provide discretionary income, each Vendor shall work with Volcom and the factory to progressively realize a compensation level that meets basic needs and discretionary income.

### **Hours of Work & Rest Days**

Vendors shall not require their employees to work in excess of the number of hours per day, or per week, allowed by the law of the country of manufacture. The regular work week shall not exceed 48 hours. Where local law permits overtime work, it must be consensual, not requested on a regular basis, and compensated at premium rates. Vendors shall provide 24 hours rest in every seven-day period. Outside of exceptional circumstances the total of regular and overtime hours per week shall not exceed 60 hours.

### **Subcontracting**

Disclose to Volcom the name and address of every factory or contractor producing materials, components or parts either marked with the Volcom name or logo or made exclusively for incorporation into Volcom products. In addition, the name and address of any sub-contractor used by the factory or contractor in the production of Volcom products or components must be disclosed to Volcom.

### **Remediation**

Volcom vendors are expected to take necessary corrective actions to promptly remediate all noncompliance with this Code. Volcom reserves the right to terminate business relationships with any supplier or vendor who is unwilling to comply with this Code of Conduct.

### **Environment**

Volcom strives to work with factories who take the protection of the environment seriously. All Volcom vendors shall support a proactive approach to reducing negative impacts on the environment and to promoting greater environmental responsibility. This includes all legal requirements in the country of operation.