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INTRODUCTION

FLA-accredited Participating Companies have demonstrated that they have the systems and procedures in place to successfully uphold fair labor standards throughout their supply chains. The complexity and ever-evolving nature of global supply chains make it impossible to guarantee that a product is made in conditions free of labor rights violations. For this reason, FLA does not certify brands. Instead, FLA evaluates companies at the headquarter level – in addition to standard factory-level due diligence activities that are conducted annually – to determine whether they have social compliance systems in place to proactively identify and address risks or instances of noncompliance. Accreditation is the highest level of recognition for FLA-affiliated companies.

The FLA Board of Directors voted to approve the accreditation of Knights Apparel’s compliance program on February 19, 2012, based on proven adherence to FLA’s Workplace Code of Conduct and the Principles of Fair Labor and Responsible Sourcing. Details on FLA’s accreditation methodology can be found at www.fairlabor.org/accreditation.

KNIGHTS APPAREL’S LABOR COMPLIANCE PROGRAM

Knights Apparel is an apparel company headquartered in Spartanburg, South Carolina. The company is the leading provider of collegiate-licensed apparel and a leading supplier for professional leagues. Founded in 2001, Knights Apparel currently holds a variety of licenses including with the NHL (exclusive for mass distribution), NBA (exclusive for mass distribution), MLB (co-license with VF), NCAA, and 50 colleges and universities. Knights Apparel produces apparel for men, ladies and children and its products are marketed and sold in university bookstores and department stores as well as mid-tier and value channel retailers in the United States with some distribution in Canada. The company’s Alta Gracia line of products (described below) is sold through Barnes & Noble Booksellers and Follett Higher Education Group bookstores. The company has around 260 staff globally, with close to 200 at the company headquarters. The finance, sourcing, merchandising, quality control, sales, IT and distribution departments are based in the company’s headquarters. In addition, Knights Apparel has a New York office dedicated to brand management as well as offices in Egypt (manufacturing) and Hong Kong (manufacturing and compliance). The company has included the following brands as applicable brands under the FLA scope: NCAA, Alta Gracia, Pro Edge,
Red Oak, Pro Player, Pro Player 2, Section 101, Knights Apparel, NBA, NBA Player, NHL, NHL Player, MLB, NASCAR and X Games.

Knights Apparel first joined the FLA as a Category C Licensee in 2005. The company chose to affiliate as a Participating Company in October 2007 with a three-year implementation period. In October 2011, the company opted to be evaluated against the FLA’s new Principles of Fair Labor & Responsible Sourcing (formerly the Obligations of Companies), which include a new expectation on aligning sourcing criteria and workplace standards.

Knights Apparel’s labor compliance program has experienced some changes in terms of staffing and structure within the company since its affiliation with the FLA. In 2008 and 2009 primary responsibility rested with the VP of Sourcing. In 2010, responsibilities shifted to a newly defined VP of Compliance position. The staff person in that role previously ran the company’s sourcing department for 7 years and has decades of experience in the industry. The VP of Compliance reports to the President of the company and manages corporate social responsibility as well as product quality; additional compliance responsibilities reside with the Divisional VP of Sourcing and the Compliance Manager (both based in Hong Kong).

In February 2007, the FLA Board of Directors established a Working Group to analyze and make recommendations regarding the accreditation of small or low-revenue PCs (low-revenue PCs were defined as those with consolidated revenue under $300 million). The rationale for the establishment of the Working Group was that small or low-revenue PCs faced challenges in meeting all of the FLA company obligations (now the Principles of Fair Labor & Responsible Sourcing) in the same manner that larger PCs were able to do. In October 2007, the Board of Directors approved a series of proposals developed by the Working Group that modified the accreditation process for low-revenue PCs by: (1) allowing low-revenue PCs a longer implementation period, which could be as long as 5 years provided satisfactory progress in implementing a labor compliance program was being made; (2) maintaining the same company obligations for all participants but recognizing that low-revenue PCs could meet some of the company obligations primarily through collaborative activities organized by the FLA rather than through individual activities; and (3) taking into account this latter consideration in the evaluation of compliance programs for accreditation purposes. This assessment for accreditation of Knights Apparel’s labor compliance program follows the guidelines for low revenue PCs approved by the Board in October 2007.
The table below describes Knights Apparel’s supply chain from 2008-2011, as reported to the FLA. During this period, Knights Apparel factories were subject to 5 unannounced Independent External Monitoring (IEM) visits and 2 Worker’s Perception Surveys (SCOPE) assessments in 2011 conducted by FLA accredited independent external monitors/assessors. Information on the results of the IEMs and the remediation undertaken by Knights Apparel in response to IEM findings are provided in FLA IEM reports online and discussed, as appropriate, in the next section.

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Staff from the Hong Kong office.

Quality Control and Production Coordinator for Central China Region.
ANALYSIS OF KNIGHTS APPAREL’S LABOR COMPLIANCE PROGRAM USING THE FLA PRINCIPLES OF FAIR LABOR & RESPONSIBLE SOURCING

Information used in this assessment originates primarily from annual reports submitted by Knights Apparel to the FLA verified through: (1) headquarter visits by FLA staff in November 2010 and December 2011; (2) shadowing of company internal monitoring visits in September 2011 (Honduras) and January 2012 (Philippines); (3) field office visit in October 2011 (Hong Kong); (4) interactions with Knights Apparel representatives at meetings of the FLA Monitoring Committee and Board of Directors; (5) information gathered via in-person and/or phone interviews, and/or email correspondence with Knights Apparel staff, monitors, factory management and other key stakeholders; and (6) analysis of results of IEMs and ensuing remediation.

1. COMPANY AFFILIATE ESTABLISHES AND COMMTS TO CLEAR STANDARDS (WORKPLACE STANDARDS)

1.1 Company Affiliate establishes and articulates clear, written workplace standards that meet or exceed those embodied in the FLA Workplace Code of Conduct.

**Actions Taken:**
Knights Apparel created the Knights Workplace Code of Conduct in 2007. The Code was updated in 2010 and again in 2011 to reflect the revisions to the FLA Workplace Code of Conduct.

**Verification by FLA:**
FLA staff has reviewed the 3 versions of the Knights Apparel Code of Conduct and attests that the Code meets or exceeds that of the FLA. The child labor provision in the company’s Code is stricter as it uses 16 years of age as the minimum age of employment. The Knights Apparel Code of Conduct can be found on the company website: www.knightsapparel.com/compliance/english

1.2 Company Affiliate leadership formally commits to uphold workplace standards and to integrate them into company business practices.

**Actions Taken:**
Knights Apparel sends an Annual Supplier Certification form to suppliers for them to sign. The document states the company’s affiliation with the FLA as well as its commitment to uphold the FLA’s Charter and the Code of Conduct.

**Verification by FLA:**
As verified through documents reviewed during headquarter visits, the company sends Annual Supplier Certification forms to its suppliers. The forms indicate the company’s affiliation with the FLA, its commitment to uphold workplace standards and its position to work with suppliers who share that same commitment.

During the 2010 and 2011 headquarter visits, FLA staff reviewed the company’s compliance mission statement. FLA recommends revising the mission statement to include the company’s commitment to integrate workplace standards into business practices and to make that statement publicly available on the company website.
2. COMPANY AFFILIATE IDENTIFIES AND TRAINS APPROPRIATE STAFF (STAFF TRAINING)

2.1 Company Affiliate identifies all staff (and service providers, where relevant) responsible for implementing its workplace standards compliance program.

**Actions Taken:**
The Knights Apparel compliance team consists of the VP of Compliance and the President (both based at company headquarters) as well as the Compliance Manager and the Divisional VP of Sourcing (both based in Hong Kong).

The VP of Compliance travels to review factories’ adherence to the Knights Apparel Code of Conduct and to review corrective action plans and their implementation. The Compliance Manager schedules all factory audits, follows up with factories to ensure that corrective action plans are progressing on time and maintains compliance files (audit reports, corrective action plans, remediation progress and email correspondence with factories). The Divisional VP of Sourcing oversees the Hong Kong office. She has extensive experience in the industry and works on-site with suppliers to ensure that compliance standards are met.

The Regional Manager of the Knights Apparel office in Egypt works with Egyptian factories to ensure that compliance standards are met, with support from two quality control staff persons.

Since October 2008, the company has contracted with [monitoring organization] to perform all company internal auditing.

**Verification by FLA:**
During headquarter visits to South Carolina and a field office visit to Hong Kong, FLA staff interviewed all Knights Apparel staff with compliance responsibilities. FLA has copies of the company’s organizational chart and job descriptions of compliance staff on file.

The VP of Compliance is responsible for product quality and social compliance. The VP of Compliance hired an Assistant Manager of Social and Product Compliance in May 2011; she dedicates 50% of her duties to the compliance program.

FLA staff met with and interviewed the Divisional VP of Sourcing and the Compliance Manager during the 2011 field office visit.

FLA staff observed [monitoring organization] performing Knights Apparel internal audits in September 2011 and January 2012.

2.2 Company Affiliate ensures that all staff (including sourcing) and relevant service providers are trained on the company’s commitment to standards and the integration of standards into business practices.

**Actions Taken:**
The VP of Compliance used to oversee both Sourcing and Compliance. In 2010, the company separated Sourcing and Compliance but there is regular communication between the two departments. All departments are trained on the company’s commitment to standards and the integration of standards into business practices.

**Verification by FLA:**
During headquarter visits, FLA staff interviewed company staff from the design, spec, quality control, testing and sourcing departments and verified their understanding of the Knights Apparel compliance program and the company’s commitment and approach to integrating compliance into business practices. All department staff confirmed open lines of communication with the compliance team. Several departments commented upon the use of the calendar system (described in the section on Principle 8 below) and how it is clearly communicated and understood that the dates must be respected. If there is a delay, then all other deadlines shift, so as not to place undue pressure on suppliers.

FLA recommends updating the job descriptions of staff with compliance-related responsibilities (including sourcing staff) to take account of their responsibility to integrate workplace standards into business practices.
2.3 Company Affiliate ensures that staff or service providers responsible for implementing workplace standards compliance functions have appropriate competencies and suitable training in all areas under their responsibility.

**Actions Taken:**
Knights Apparel requires all compliance staff to possess knowledge of compliance standards in the apparel industry, to have sourcing experience, and to be able to clearly and effectively communicate with overseas suppliers. All compliance staff must also exhibit patience, tolerance and discretion.

The VP of Compliance has decades of experience in the industry and led the company’s sourcing department for 7 years. He has intimate knowledge of Knights Apparel suppliers. He regularly attends FLA conferences, meetings and trainings.

The Compliance Manager attends frequent trainings to remain up-to-date on the latest compliance trends.

[Monitoring organization] performs all internal auditing for the company. The Knights Apparel Compliance Manager and VP of Compliance review their audit reports. Staff brings any quality concerns to [monitoring organization’s] attention.

**Verification by FLA:**
Throughout 2011, members of the compliance team have attended various trainings organized by FLA and [training organization], including: Tools for Social Compliance & Supplier Management, Joint Course on Labor & Environment, 2010 Multi-Brand Global Conference Summit, Worker-Management Relations, The Institutional Investor & CSR, Energy Efficiency in Chinese Factories, Labor and Environment, FLA Hiring & Grievance Procedure Training Workshop, and an FLA gathering on the topic of Excessive Working Hours. The Compliance Manager in Hong Kong also completed a [brand] compliance training seminar in Bangladesh. FLA staff has documentation of these trainings on file.

The VP of Compliance and the Assistant Manager of Social and Product Compliance attended the FLA’s Sustainable Compliance Initiative (SCI) training for company headquarters staff in January 2012.

Observations of internal auditors in Honduras (2011) and the Philippines (2012) confirmed that the auditors have sound knowledge of local labor conditions. The observation of an internal monitoring visit in the Philippines (2012) illustrated the challenges of working through a large monitoring organization. The monitors conducting the audit had received only very general information on the audit/factory since the information was gathered through another department within the monitoring organization. FLA staff also observed that monitors did not analyze root causes of noncompliances and skipped several health and safety and environmental issues such as ergonomics, emergency assembly area, electrical systems, protective equipment on machinery, waste management, and waste collection.

FLA recommends a thorough review of the quality of the monitors used for internal monitoring, accompanied by in-person observations and more thorough quality checks on audit reports.

FLA recommends elaborating upon the Knights Apparel Audit Policies & Procedures manual to incorporate more of the procedures related to the company’s internal monitoring program and to help train staff with compliance-related responsibilities.

2.4 Company Affiliate ensures that training is updated at regular intervals.

**Actions Taken:**
Company compliance staff attend trainings on an annual basis.

**Verification by FLA:**
FLA staff has copies of trainings attended on an annual basis by Knights Apparel compliance staff.
3. COMPANY AFFILIATE SHARES COMMITMENT TO WORKPLACE STANDARDS WITH SUPPLIERS AND WORKERS IN THE SUPPLY CHAIN (COMMITTED SUPPLIERS)

3.1 Company Affiliate formally conveys workplace standards to suppliers and receives written acknowledgment of standards and commitment to uphold them.

**Actions Taken:**
All suppliers must complete and sign the Annual Supplier Certification form and the Knights Vendor Agreement which outlines the supplier obligations and expectations, including that suppliers must adhere to the company’s Code of Conduct.

**Verification by FLA:**
During headquarter visits, FLA staff reviewed completed and signed copies of the Annual Supplier Certification forms and Knights Vendor Agreement. FLA staff has copies of signed forms on file.

As a result of review during the field office visit, FLA staff recommends incorporating clauses on transparency and cooperation into the Vendor Agreement.

3.2 Company Affiliate obtains written agreement of suppliers to (a) submit to periodic inspections and audits, including unannounced audits conducted by independent external monitors accredited by the FLA for compliance with workplaces standards, and (b) collaborate with the Company Affiliate to remediate instances of noncompliance.

**Actions Taken:**
Knights Apparel requires all new suppliers to sign and complete the Initial Letter to Suppliers form. This letter informs suppliers that they will be subject to inspections/audits (including by FLA accredited monitors), that they must adhere to the Code of Conduct at all times and remediate any instances of noncompliance that may arise.

The Annual Supplier Certification form reinforces these same messages and is signed each year by suppliers.

Knights Apparel sends to all factories the Informing Suppliers of Inspection Process letter. This letter advises that all suppliers will be subject to periodic monitoring and inspections, both internal and external.

Knights Apparel sends to factories the Document Request List form. This form is a list of all documents that should be immediately available and up-to-date for monitors to review.

**Verification by FLA:**
FLA staff has reviewed completed and signed copies of the following documents: Initial Letter to Suppliers, Annual Supplier Certification, Informing Suppliers of Inspection Process, Document Request List, and Knights Apparel Vendor Agreements. The Annual Supplier Certification is signed by all factories. FLA reviewed 2010 and 2011 versions and has records of the 2012 versions on file at FLA headquarters.

As verified during headquarter visits, the Initial Letter to Suppliers states the company’s stance on selecting business partners and briefly describes the compliance program. The letter also asks the supplier to agree to implement the Code of Conduct, to inform workers on the Code provisions, to submit an Annual Supplier Certification form, and to subject facilities to periodic inspections (both announced and unannounced, including by FLA accredited monitors).

The document on Informing Suppliers of Inspection Process requests suppliers to grant third-party monitors access to all areas of the factory and dormitories, records, as well as the ability to interview workers and management in a confidential manner.
3.3 Company Affiliate conditions future business with suppliers upon continuous improvement of compliance performance.

**Actions Taken:**
Knights Apparel uses a color grading scheme to categorize monitoring results - green, yellow, orange and red. An audit rating of green requires no corrective action plan. An audit rating of yellow and orange indicates a pass, however corrective action plans are necessary. An audit rating of red is assigned when one or more egregious conditions exist (such as denied access to the factory, records, or worker interviews or a noncompliance related to child labor, minimum wages, fraudulent time records, etc.). A red rating indicates a fail.

If a factory receives a red rating, then no new orders will be placed there until remediation is confirmed to be in progress or completed through a re-audit.

If a company receives an audit rating of either orange or red, then a conference call is scheduled to review the results of the audit and the necessary corrective action plans and the President is notified. The President then sends a letter to the supplier with a reminder that the company does not tolerate noncompliances that are not addressed and that the supplier must take the appropriate remediation steps necessary to receive a passing audit rating of green, yellow or orange in order to remain a Knights Apparel supplier. In such cases, a re-audit is performed within 90 days. All follow-up audits are announced and the cost is shared between company and supplier (however, the fee is borne solely by the company if the supplier receives a rating of green). If the supplier does not receive a passing grade during the re-audit, then the supplier is officially terminated from the Knights Apparel supply chain. An official Supplier Termination letter will be sent to the supplier.

The company terminated business with 12 suppliers in 2010 for multiple reasons, ranging from quality concerns to persistent workplace standards noncompliances. The company did not terminate business with any suppliers for compliance reasons in 2011. The company tries to give the supplier one season’s notice if business is to be terminated.

**Verification by FLA:**
FLA staff reviewed the methodology of the audit rating system and the contract language between company and suppliers which indicates that the supplier must abide by the Code of Conduct and that the company may terminate the agreement and any orders if the manufacturer violates the Code of Conduct or provisions in the manual.

3.4 Company Affiliate ensures that workplace standards are made available to workers, managers and supervisors in written form and appropriate languages.

**Actions Taken:**
Knights Apparel has translated the company’s Code of Conduct into Mandarin, Bengali, Spanish, Arabic, Vietnamese and Tagalog.

Knights Apparel has included a section in the monitoring report for the auditor to take pictures of the Code of Conduct displayed in the factory in English and the appropriate local languages.

**Verification by FLA:**
The Knights Apparel Code of Conduct is available on the company’s website and copies are sent to suppliers. FLA staff received copies of Code translations during company headquarter visits and has them on file. FLA reviewed communications from Knights Apparel to suppliers that included the Code of Conduct. In December 2011, the Knights Apparel Code of Conduct was revised to take account of the changes to the FLA’s Code of Conduct. The company is currently translating the new company Code of Conduct into Mandarin, Bengali, Spanish, Arabic, Vietnamese and Tagalog.

During an observation of an internal monitoring visit in Honduras in 2011, FLA staff noted that the Code of Conduct was available in prominent and accessible areas. Though available in Spanish and English, the posters were on letter-size paper and somewhat difficult to read. Larger Code of Conducts were posted at the factory and photo evidence sent to FLA.
3.5 Company Affiliate ensures that workers, managers and supervisors are informed orally and educated about workplace standards at regular intervals to take account of labor turnover.

**Actions Taken:**
Knights Apparel sources from approximately 30 suppliers. Company staff is continuously in the factories and are able to reinforce commitments to compliance.

**Verification by FLA:**
During a 2010 IEM in Honduras, monitors found no evidence (through documents or worker interviews) of training on workplace standards. Together with another FLA affiliated company, Knights Apparel developed a detailed remediation plan and progress is ongoing. During FLA observation of an internal monitoring visit to the same factory in Honduras in 2011, however, staff found no evidence of a training program that would indicate an effort to train workers, managers and supervisors on an ongoing basis. During the headquarter visit a few months later, FLA staff reviewed records of monthly trainings/meetings for employees at this factory. FLA has received subsequent updates on the company's efforts to remediate this issue.

FLA recommends that regular training plans for workers, managers and supervisors be developed between company and suppliers to address all workplace standards and to take account of labor turnover.

4. COMPANY AFFILIATE ENSURES WORKERS HAVE ACCESS TO GRIEVANCE PROCEDURES AND CONFIDENTIAL REPORTING CHANNELS (GRIEVANCE MECHANISMS AND CONFIDENTIAL CHANNEL)

4.1 Company Affiliates ensures there are functioning grievance procedures at supplier production sites.

**Actions Taken:**
Knights Apparel encourages factories to establish grievance procedures. Suggestion boxes are available to workers.

At [factory] in the Dominican Republic, the factory has a grievance procedure whereby all complaints are brought to a monthly meeting. Management and union representatives participate in the meetings to resolve the issues.

**Verification by FLA:**
In 2008 IEMs in Egypt and Bangladesh, monitors noted that there was no grievance system through which workers could raise issues of concern to factory management. In Bangladesh, workers revealed that there were suggestion boxes in the restrooms but they were not confidential as they were not locked and workers were not assured of the system's effectiveness. Knights Apparel has informed the FLA that written procedures were established and the suggestion boxes in the factory in Bangladesh were now locked. These remediation plans could not be verified since the suppliers are no longer active for Knights Apparel.

In the 2010 IEM in China, monitors found no evidence of a grievance system for workers. A brief corrective action plan was provided to the FLA, however the supplier is no longer active for the company.

In the 2010 IEM in Honduras, monitors found no evidence of any written grievance procedure. Interviews with workers revealed that though they would raise complaints with management, their grievances would not always be resolved and that raising a complaint may be useless. Knights Apparel shared in the development of a detailed and sustainable remediation plan with another FLA Participating Company. According to updates provided to the FLA, the remediation plan is being closely tracked and is still in progress.

FLA recommends an emphasis on ensuring functioning grievance procedures at supplier production sites. FLA recommends the use of management self-assessment tools available through the FLA to assess grievance procedures in the supply chain.
4.2 Company Affiliate provides channels for workers to contact the Company directly and confidentially.

**Actions Taken:**
In 2010, Knights Apparel updated the Code of Conduct to add contact information. The Code of Conduct poster now includes phone numbers (a number to the United States headquarters office as well as a local phone number), and an email address.

No complaints were received in 2010 or in 2011.

**Verification by FLA:**
The Knights Apparel Code of Conduct references a confidential noncompliance reporting mechanism available to workers. Workers are provided with a local phone number (United States, Hong Kong, mainland China, Bangladesh, Egypt, or Central America) as well as an email address that goes to the company’s compliance team.

During the 2010 IEM in Honduras, monitors noted that there was no confidential reporting mechanism for workers to contact the FLA affiliated companies directly. The second FLA affiliated company sharing in the IEM remediation has provided updates on remediation, including how workers can contact that company directly. There is no specific mention of the Knights Apparel confidential reporting mechanism. However, during the FLA staff observation of an internal monitoring visit at the same factory in Honduras in 2011, FLA staff found that there was a secure and confidential mechanism that allowed factory workers to contact a local company representative through a local phone number, an international hotline, as well as an email account.

In 2011, the confidential reporting mechanisms in Bangladesh and China were tested on several occasions. The Bangladesh numbers were found to be non-functioning. In China, a Knights Apparel Quality Control staff person receives the complaints.

During the 2012 observation of an internal monitoring visit in the Philippines, FLA staff noted that there was no confidential reporting channel for workers to contact the company directly and confidentially.

FLA recommends that all persons responsible for receiving complaints be trained on the following issues: sensitivity to the worker’s complaint, confidentiality, the mechanism to provide follow-up information to the worker if the worker provides some sort of contact, and the procedure in place at Knights Apparel headquarters to track the submission of grievances and their resolution.

FLA staff recommends that internal auditors test the hotline or confidential reporting mechanism as part of their standard monitoring procedures.

4.3 Company Affiliate ensures training and communication is provided to all workers about the grievance procedures and channels.

**Actions Taken:**
Knights Apparel encourages suppliers to provide training and communication on the grievance procedures available to workers.

**Verification by FLA:**
Knights Apparel has not focused on this benchmark. FLA recommends training for workers about the grievance procedures and the confidential noncompliance reporting mechanisms available to them.

4.4 Company Affiliate ensures that grievance procedures and complaint channels are secure and prevents any punishment or prejudice against workers who use the systems.

**Actions Taken:**
In regards to the channel to contact the company directly, workers will not be punished or prejudiced for using the system.
**Verification by FLA:**
Knights Apparel has not focused on this benchmark. FLA staff recommends more formal training for company staff so that they are trained to receive complaints in a confidential manner while communicating the non-retaliation policy, tracking complaints and responding to the complainant as necessary. FLA recommends adding a statement on the Code of Conduct that the channel to contact the company directly is secure and workers may not be punished or prejudiced for using it.

**5. COMPANY AFFILIATE CONDUCTS WORKPLACE STANDARDS COMPLIANCE MONITORING (MONITORING)**

5.1 **Company Affiliate conducts pre-sourcing assessment of suppliers to review compliance with workplace standards.**

**Actions Taken:**
All new suppliers must undergo a pre-sourcing audit, prior to becoming a supplier in the Knights Apparel supply chain. The report for pre-sourcing audits is the same for all current factories. All suppliers must receive a rating of green or yellow during the pre-audit in order to be approved as a Knights Apparel supplier. The company identifies the following compliance-related steps in sourcing from a new supplier:

1. Initial factory self-assessment
2. Pre-audit inspection (visit by Knights Apparel staff)
3. Audit by Knights Apparel internal monitor
4. Corrective action plan issued to factory
5. Supplier approval
6. Follow-up audit

**Verification by FLA:**
During headquarter visits, FLA staff interviewed various departmental staff, including sourcing, who confirmed that no orders may be placed in a factory without approval from the compliance team.

FLA has copies of completed pre-sourcing factory self-assessments on file. FLA also reviewed pre-sourcing corrective action plans issued to a factory.

5.2 **Company Affiliate monitors an appropriate sampling of suppliers regularly to assess compliance with workplace standards.**

**Actions Taken:**
All Knights Apparel suppliers have been audited. Suppliers are audited twice per year. Each monitoring visit conducted by [monitoring organization] includes social compliance monitoring as well as CTPAT monitoring. All audits are unannounced. All audits are conducted by [monitoring organization], a third-party monitoring organization. The audit tool covers all aspects of the Knights Apparel Code of Conduct.

If a factory gets a red rating (i.e. fail), a corrective action plan is required and no further orders will be placed at the factory until the factory passes a re-audit.

Knights Apparel issues and updates certificates that recognize a green rating in the company’s compliance program. The certificates are a standard of achievement that suppliers strive to achieve.

**Verification by FLA:**
During headquarter and field office visits, FLA staff reviewed monitoring reports from the company’s internal monitoring program. FLA confirmed that all suppliers are monitored to assess compliance with workplace standards.

FLA staff observed internal monitoring visits in Honduras (2011) and the Philippines (2012). Monitors conducted social compliance and CTPAT assessments at the same time. FLA recommends separating the CTPAT and social compliance reporting as the combination of the two tends to create additional stress for the auditor and introduces a source of distraction.
FLA staff analysis of the company’s audit rating system revealed that a factory with egregious noncompliances could still receive a passing grade. Though the company has a policy of certain automatic red ratings (e.g. denial of access, child labor, violation of minimum wage, failure to pay on time, fraudulent pay or hour records, physical abuse, etc.), FLA recommends that the company review this system as the current rating system does not accurately capture the full picture of a factory’s compliance with the Knights Apparel Code of Conduct or its potential risks. Knights Apparel will implement the SCI approach beginning in 2012 in order to increase the quality and depth of assessment information on each factory in its supply chain.

5.3 Company Affiliate ensures that monitoring includes as appropriate, but not limited to, worker interviews, management interviews, documentation review, visual inspection, and occupational safety and health review.

**Actions Taken:**
[Monitoring organization] performs all internal audits for the company. Audits include worker interviews, management interviews, document review, visual inspection and health and safety review. Workers are randomly selected by the monitor and interviews are conducted on-site and are confidential.

**Verification by FLA:**
During the monitoring observation in the Philippines, FLA staff reviewed Knights Apparel’s Audit Guidance Document. The document covers basic expectations regarding 1) number of person/days required for each audit and re-audit; 2) number of worker interviews to be performed; 3) guidance on the audit rating system; 4) guidance on the development of sustainable remediation plans; 5) criteria for service provider/auditor selection and potential shadowing; 6) CSO engagement; and 7) complaint handling. FLA recommends more in-depth audit guidance for its internal monitoring program. Knights Apparel will adopt the SCI approach for internal monitoring beginning in 2012.

Upon review of audit reports, FLA staff noted that [monitoring organization] conducts an average of 15 worker interviews and does not follow best practices in worker interviews. During the observation in the Philippines (2012), FLA staff noted that not all appropriate managers were interviewed and worker interviews were quite brief. FLA staff also observed that the auditor took notes during the worker interviews, a practice disturbing to workers. The auditors also provided the list of names of workers to be interviewed to the factory manager and asked that a supervisor bring the workers to the interview location; they asked that documents be brought to them rather than insisting that they go to where the documents are filed and maintained. There was insufficient time in the monitoring visit for monitors to meet and cross-check. The monitors did not check on factory internal grievance procedures and mechanisms in the factory.

FLA recommends thorough quality review of the monitors and monitoring organizations used for the company’s internal program to ensure that monitors are using best practices to ensure appropriate interview techniques for management and workers and the integrity of the documents that are reviewed.

5.4 Company Affiliate ensures that, where relevant, monitoring is consistent with applicable collective bargaining agreements.

**Actions Taken:**
Knights Apparel monitoring ensures that applicable collective bargaining agreements are being upheld at the factory.

**Verification by FLA:**
In internal monitoring reports reviewed by FLA at company headquarters, monitors commented upon the existence of collective bargaining agreements. During the observation in the Philippines, FLA noted that monitors did not ask questions related to worker representation at the factory.

FLA recommends that the company have clear guidance to monitors on this issue and to check that monitors are ensuring consistency with applicable collective bargaining agreements.
6. **COMPANY AFFILIATE COLLECTS, MANAGES AND ANALYZES WORKPLACE STANDARDS COMPLIANCE INFORMATION (COLLECTION AND MANAGEMENT OF COMPLIANCE INFORMATION)**

6.1 **Company Affiliate maintains a complete and accurate list of all suppliers.**

**Actions Taken:**
Knights Apparel maintains a complete and accurate list of suppliers at all times.

**Verification by FLA:**
During headquarters visits, a field office visit and a visit by a company representative to the FLA headquarters, FLA staff reviewed the most current list of Knights Apparel active suppliers. Discrepancies that were identified were readily resolved.

6.2 **Company Affiliate collects and manages information on suppliers’ compliance with workplace standards.**

**Actions Taken:**
All monitoring reports, corrective action plans, evidence and correspondence with suppliers are kept on file with the Compliance Manager in the Hong Kong office and duplicate copies are kept at company headquarters. The company has a proprietary IT system with some files maintained in electronic folders.

Compliance staff keeps an Excel summary of all audits. This summary is updated daily.

**Verification by FLA:**
FLA staff has reviewed the customized web-based and Lotus Notes system / Excel files which house factory information and company compliance details at headquarters. The information was complete and up-to-date.

6.3 **Company Affiliate analyzes noncompliance findings to identify trends, including persistent and/or egregious forms of noncompliance and reports to the FLA on such analysis.**

**Actions Taken:**
The Compliance Manager is responsible for reviewing and analyzing all monitoring results. She sends a compliance program monthly report to the company's President and VP of Compliance.

In addition to the color coded scheme described above, the seriousness of a violation is deemed either Type I, Type II or Type III. Type I violations are not violations of country law or systematic in nature. Type II violations are violations of the country law and may or may not be systematic in nature. Type III violations are violations of the Code and country law that are willfully systematic in nature and on a large scale.

In the most recent annual report, Knights Apparel identified the following persistent and/or egregious noncompliances that arose during internal monitoring:

1. Health and safety concerns in factories in China
2. Time and record keeping in factories in Bangladesh
3. Inconsistencies between production records and actual time records

**Verification by FLA:**
Knights Apparel has conducted limited analysis of noncompliance findings and informed the FLA through the annual reports.

FLA recommends deeper analysis of noncompliance trends, including persistent and/or egregious forms of noncompliances and including freedom of association noncompliances in China and Vietnam.
7. COMPANY AFFILIATE REMEDIATES IN A TIMELY AND PREVENTATIVE MANNER (TIMELY AND PREVENTATIVE REMEDIATION)

7.1 Company Affiliate, upon completion of the monitoring visit, contacts the supplier concerned within 14 days and collaborates with the supplier to create a remediation plan within 60 days that addresses all noncompliances.

**Actions Taken:**
The Compliance Manager creates corrective action plans which are sent to suppliers after each audit. Remediation recommendations for each noncompliance are listed on the report. The supplier provides some root cause analysis and submits an expected timeline for completion of the remediation. The report is then submitted to the Compliance Manager for approval.

**Verification by FLA:**
Based on a review of internal monitoring reports and compliance data, FLA staff noted that the company develops a corrective action plan with the supplier in a timely manner. Remediation plans reviewed by FLA staff address all noncompliances.

7.2 Company Affiliate takes steps to conduct root cause analysis, apply sustainable supply chain solutions and prevent the occurrence of noncompliances in other suppliers.

**Actions Taken:**
The corrective action plan progress reports outline each noncompliance along with factory feedback on root-cause analysis.

**Verification by FLA:**
During the headquarter visits, FLA staff reviewed factory corrective action plan progress reports. These reports provide an opportunity for the company, factory or monitor to comment upon possible root causes of the noncompliance.

FLA recommends that company develop corrective action plans that emphasize sustainability and prevention. Upon review of company internal audits and corresponding remediation plans, FLA staff noted that remediation plans are at times a reiteration of the finding of noncompliance, rather than a step-by-step plan to address the issue in a sustainable and preventative manner.

7.3 Company Affiliate updates the FLA periodically on progress of remediation and confirms completion.

**Actions Taken:**
Company sends regular updates to the FLA, through compliance program activity updates issued several times per month and via the annual report.

**Verification by FLA:**
Out of the 5 IEMs conducted for Knights Apparel since 2008, 4 of the suppliers are no longer active for the company. Even after ending relations, Knights Apparel has residual obligations to conduct remediation and update the FLA accordingly. The 2 Worker’s Perception Surveys (SCOPE assessments) conducted for Knights Apparel in 2011 are for factories that are still active; the corrective action plans for the SCOPEs are not yet due to the FLA.

The FLA recommends continued submission of corrective action plan updates and more timely notification of the company’s withdrawal from a factory that had received an IEM. FLA recommends that Knights Apparel develop a mechanism to provide remediation updates at least twice per year to FLA staff for the company’s Independent External Monitoring reports. Updates should also be submitted to FLA staff when a factory becomes inactive along with the requisite explanation of the company’s exit or the factory closure and efforts to remediate noncompliances.
7.4 Company Affiliate records and tracks the progress of remediation.

**Actions Taken:**
Each corrective action plan progress report includes detailed remediation plans with timelines for completion. Suppliers have input into the projected timeline for completion. The Compliance Manager is responsible for reviewing and approving the timeline for the corrective action plan to be fully implemented. Once the corrective action plan is approved, the Compliance Manager is also responsible for following up with the supplier to ensure that the noncompliances are remediated.

All suppliers receive follow-up audits; however, the timeline for conducting follow-up audits is dependent on the audit rating that they received. If the audit was rated green or yellow then a re-audit will occur in 6 months. If orange, then a re-audit will occur within 90 days. If red, then a re-audit will occur within 90 days and no business will be placed with that supplier until it receives a rating higher than red as well as approval from Knights Apparel senior management to continue as a supplier.

All audit reports, corrective action plans and updates to implementation are kept in electronic files in Hong Kong and at company headquarters.

**Verification by FLA:**
During headquarter visits, FLA reviewed factory corrective action plan progress reports which specify the factory staff person or department responsible, the percentage of completion and date of completion of every plan.

During the Hong Kong field office visit, FLA staff noted that in some cases a re-audit was past due (according to the company’s green/yellow/orange/red audit rating system).

During headquarter visits, FLA reviewed the compliance data and monitoring reports, including supporting evidence documenting remediation progress.

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8. COMPANY AFFILIATE ALIGNS SOURCING CRITERIA AND WORKPLACE STANDARDS (RESPONSIBLE SOURCING)

8.1 Company Affiliate analyzes orders to ensure that sourcing criteria are consistent with workplace standards.

**Actions Taken:**
Knights Apparel prides itself on having the shortest lead time in the industry and quickest response to emerging consumer trends. The company is cognizant of the stresses that both of these priorities may have on suppliers’ compliance and so has developed a calendar system (supported by the company’s internal IT system) for each order whereby all relevant departments have agreed upon windows of time for ensuring a step in the process.

The company has pursued exclusive licenses in part because it sees the potential in moving the compliance program from one of reaction to a more sustainable, proactive and preventative approach with factories.

The company has 75-80% of its production in about 10 factories.

At [factory] in the Dominican Republic, Knights Apparel operates the first collegiate apparel factory that is independently monitored to verify that it pays employees a living wage.

The company works with one sourcing agent in Bangladesh. That agent has two full-time staff dedicated to compliance. The agent conducts pre-sourcing audits, receives copies of Knights Apparel audit reports and aids in the development of corrective action plans.

The monitoring report asks whether the facility uses subcontractors and whether subcontractors have been informed of the Knights Apparel Code of Conduct and can be visited. Knights Apparel does not permit unauthorized subcontracting. Subcontractors must be audited and approved.
Verification by FLA:
During the December 2011 headquarter visit, FLA staff reviewed the company’s quarterly production calendar. FLA staff interviewed different departments on the topic of calendar maintenance, timelines, deadlines, and meetings. Staff holds weekly meetings to review the schedules. According to staff interviews conducted by FLA, the compliance, quality control and merchandising departments also hold “bulk review” meetings nearly every week to review the schedules.

The VP of Compliance managed the company’s sourcing for 7 years and, prior to his posting, helped to train the current VP of Sourcing. Thus, the VP of Compliance and the VP of Sourcing are in close communication on factory compliance and meet regularly to discuss. The VP of Compliance keeps the VP of Sourcing informed of compliance issues that arise in the supply chain.

FLA staff interviewed company staff and reviewed documentation related to [factory]. FLA staff also reviewed a wage study conducted for Knights Apparel that analyzes the minimum wages in the sourcing countries, the factory average wage, and the estimated increase to bring wages to the level of living wages in all locations where Knights Apparel sources. As reported through the wage study, Knights Apparel factories paid above the minimum wage, though the range varied from just over 3% above minimum wage to nearly 300% above.

8.2 In the event of conflicts between sourcing criteria and workplace standards in an order, Company Affiliate provides a mechanism to resolve them in a timely manner to avoid negative impacts on workplace standards and reports to the FLA on those mechanisms annually.

Actions Taken:
Conflicts are resolved in the negotiation phase, prior to order placement and production.

Verification by FLA:
FLA staff interviewed key company staff from product development, sourcing, production approval and quality control on how the company identifies conflicts between sourcing criteria and workplace standards. There is open communication between departments.

8.3 Company Affiliate analyzes its supply chain on a quarterly basis to identify negative impacts of sourcing decisions on compliance and makes necessary adjustments.

Actions Taken:
Regular (weekly and monthly) meetings between Knights Apparel departments (including compliance and sourcing) help to resolve any potential conflicts.

Verification by FLA:
Through interviews with company staff, FLA confirmed that the departments meet regularly to analyze the supply chain and make adjustments.

FLA recommends a balanced scorecard approach whereby suppliers are evaluated on various criteria (on-time delivery, quality, compliance, etc.) at regular intervals to assess compliance and improvement and identify risks.

9. COMPANY AFFILIATE ESTABLISHES AND MAINTAINS RELATIONSHIPS WITH LABOR NON-GOVERNMENTAL ORGANIZATIONS, TRADE UNIONS AND OTHER CIVIL SOCIETY ORGANIZATIONS (CONSULTATION WITH CIVIL SOCIETY)

9.1 Company Affiliate reviews sourcing base and develops a civil society outreach strategy that reflects the geographical distribution of sourcing.

Actions Taken:
As Bangladesh is a key sourcing country, Knights Apparel has focused its civil society outreach there. In Egypt, also a key sourcing country, the political instability has disrupted some of their engagements.
Verification by FLA:
Since mid-2011, Knights Apparel compliance staff has provided updates to FLA staff on the company’s efforts (successes and failed attempts) and to define an outreach strategy and engage with local civil society organizations in its sourcing countries. These updates are on file with the FLA.

9.2 Company Affiliate develops and maintains links to civil society organizations (CSOs) involved in labor rights in sourcing countries to gain understanding of local compliance issues as referenced in FLA guidance.

Actions Taken:
The company has developed a program with [CSO], a local civil society organization in Bangladesh. [CSO] works on education projects in Bangladesh and Knights Apparel has partnered with them on providing apparel business training and education. The organization recruits people from impoverished and rural areas and enrolls them in a two-month course to train them on cut/sew techniques as well as other skills (social skills, reading, and writing). The students then get placed to work in factories, including in a Knights Apparel supplier in Bangladesh. Knights Apparel successfully sponsored 30 students in 2011 and has plans to expand the program to another Knights Apparel supplier. The company has also been closely tracking the increases in wages for the individuals (prior to the course vs. after placement) and tracking the wages against the estimated living wage in Bangladesh.

In Egypt, Knights Apparel has sponsored a food bank. The food bank is branching out as a clothing bank to which Knights Apparel donates seconds from its suppliers.

Knights Apparel has initiated communication with [CSO] in China on compliance issues.

The company has initiated communication with [CSO] in Vietnam.

Verification by FLA:
During the headquarter visit, FLA staff reviewed documents and photos of engagement that Knights Apparel has had with [CSO] since 2011. FLA staff reviewed with staff the successes of the program and the plans for expanding into other factory locations in the country. FLA has received from Knights Apparel updates on class enrollments, graduations and placements through [CSO]. FLA staff has also reviewed communication with [CSO] a local CSO in Bangladesh, regarding a feasibility study on living wage.

During this visit, FLA staff also reviewed documents and photos related to the work with the Egyptian food bank. As evidenced through updates to the FLA, the company is exploring ways to focus their efforts in areas where they have factories.

As verified through the 2012 FLA staff visit to a Knights Apparel supplier, the company has not conducted CSO engagement in the Philippines.

FLA staff has reviewed initial communications between Knights Apparel and [CSO] in China on the subject of trainings for suppliers.

9.3 Company Affiliate engages with CSOs and knowledgeable local sources in the design and implementation of compliance program strategies, trainings, worker communication channels, or remediation plans specific to production sites.

Actions Taken:
Knights Apparel has established [factory], an owned factory in the Dominican Republic. The factory is a producer of collegiate t-shirts and sweatshirts and was set up to pay every employee a living wage. Knights Apparel has partnered with the [CSO] to verify the progress of the factory and to issue periodic reports. [Factory] began production in May 2010.

At [factory], [CSO] holds on-site and off-site training for workers and union members. [CSO] has been instrumental in starting up a health and safety committee at the factory.
9.4 Company Affiliate consults with legally constituted unions or worker representative structures at the production site during audits and remediation.

**Actions Taken:**
Knights Apparel has engaged with labor unions in the Dominican Republic.

**Verification by FLA:**
The [factory] is affiliated with [union] and has a negotiated collective bargaining agreement with the local union. FLA staff interviewed the Secretary General of [union] and confirmed that the relationship with Knights Apparel and the factory management is collaborative and that they meet together regularly.

10. **COMPANY AFFILIATE MEETS FLA VERIFICATION AND PROGRAMMATIC REQUIREMENTS**

10.1 Company Affiliate participates in FLA due diligence activities, including unannounced production site monitoring and company headquarter visits, as applicable.

**Actions Taken:**
Knights Apparel has participated in the FLA's Independent External Monitoring program and has hosted FLA staff at company headquarters and the company field office in Hong Kong.

**Verification by FLA:**
Since affiliation as a PC in late 2007, Knights Apparel has been subject to 5 IEMs and 2 SCOPE assessments. FLA staff has conducted formal headquarter visits in 2010 and 2011 and FLA field staff has visited the company's office in Hong Kong and has observed monitoring visits in Honduras and the Philippines.

10.2 Company Affiliate completes a standardized annual report on fulfillment of Principles of Fair Labor and Responsible Sourcing.

**Actions Taken:**
Knights Apparel has completed the annual reports required by the FLA.

**Verification by FLA:**
Knights Apparel has submitted reports to the FLA covering activities in 2008, 2009 and 2010 as required. The annual report covering 2011 activities is not yet due. The company's compliance activities were reported using the former Obligations of Companies. When the FLA Monitoring Committee and Board approved the revised FLA Principles of Fair Labor and Responsible Sourcing, Knights Apparel requested to be evaluated for accreditation using the new standards. Company annual reporting will follow the Principles of Fair Labor and Responsible Sourcing beginning in 2012.

10.3 Company Affiliate maintains a complete and accurate list of applicable suppliers with the FLA.

**Actions Taken:**
The company maintains a complete and accurate list of applicable suppliers with the FLA.

**Verification by FLA:**
Knights Apparel submitted timely factory list updates to the FLA.
In November 2011 after a visit to the company’s Hong Kong office, FLA staff noted discrepancies between a list of suppliers captured during the visit and the list of suppliers made available in the FLA’s online platform. The discrepancies were reported to the company and were promptly corrected.

10.4 Company Affiliate responds to FLA requests for documentation, contracts, information and clarification in a timely manner.

**Actions Taken:**
Knights Apparel compliance staff responds readily to all FLA requests for information and documentation.

**Verification by FLA:**
The President, the Divisional VP of Sourcing, VP of Compliance and the Compliance Manager send information, clarification, or documentation as requested.

As noted above, FLA recommends that IEM updates be sent twice per year and explanations of factory exits be sent promptly to FLA.

10.5 Company Affiliate pays annual dues and any other applicable fees.

**Actions Taken:**
Knights Apparel pays all dues and fees in full and on time.

**Verification by FLA:**
FLA staff verifies that Knights Apparel pays all dues and fees fully and promptly. Documentation is maintained at FLA headquarters.

**CONCLUSION**

Accreditation of Knight’s Apparel’s compliance program should not be interpreted as a guarantee against issues and risks in the supply chain. Rather, accreditation indicates that the company has the systems in place to proactively identify and remediate those risks. Accreditation is not granted automatically, and is only renewed every three years following a satisfactory FLA evaluation of labor compliance systems and activities during the timeframe. FLA will continue to conduct standard due diligence activities on Knights Apparel. To check an affiliate’s accreditation status, visit [www.fairlabor.org/accreditation](http://www.fairlabor.org/accreditation).