OUTDOOR CAP ASSESSMENT FOR ACCREDITATION

February 2011
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OUTDOOR CAP: ASSESSMENT FOR ACCREDITATION

INTRODUCTION

FLA-accredited Participating Companies (PCs) 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 and is reevaluated every three years.

The FLA Board of Directors voted to approve the accreditation of Outdoor Cap’s compliance program on February 29, 2011, based on proven adherence to FLA’s Workplace Code of Conduct and the Obligations of Companies. Details on FLA’s accreditation methodology can be found at www.fairlabor.org/accreditation.

OUTDOOR CAP’S LABOR COMPLIANCE PROGRAM

Outdoor Cap joined the FLA as a Category B Licensee in 2002 and transitioned to a PC in 2004.

Outdoor Cap, established in 1977, is a wholesaler for headwear in the U.S. market, including collegiate, Minor League Baseball, MLB, NASCAR, and non-decorated headwear, hunting and fishing headwear and custom headwear for retailers. Headquartered in Bentonville, Arkansas, the company sells product through direct sales representation, catalog and flyer distribution, trade show presentations and web presence. Throughout the course of FLA affiliation, the company has sourced from Bangladesh, China, Sri Lanka, the United States and Vietnam and has done embellishment and embroidery work at an owned facility at the company’s headquarters in Arkansas.

Outdoor Cap markets headwear under the brand names Outdoor Cap and Signatures. The company holds licensing contracts with 151 colleges and universities.

Over the course of the company’s participation in the FLA, Outdoor Cap’s compliance program has been restructured several times, primarily due to staffing changes. The compliance program includes 3 full-time staff (the Executive Vice President of Global Procurement and Social Responsibility, the Social Responsibility Monitoring Manager, and the Social Responsibility Monitoring Manager).
Capacity Building Manager) and several company staff persons who have compliance responsibilities integrated into their job descriptions. The Outdoor Cap VP of Sourcing was promoted to the EVP position with responsibility for social compliance in May 2008 as a positive demonstration of the company’s commitment to corporate social responsibility. She was elected to the FLA Board of Directors in 2009 with a term from January 2010 to September 2011 and has served on the FLA’s Finance Committee.

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. The rationale for the establishment of the Working Group was that small or low-revenue PCs (low-revenue PCs were defined as those with consolidated revenue under $300 million) faced challenges in meeting all of the FLA company obligations 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 Outdoor Cap’s labor compliance program follows the guidelines for low revenue PCs approved by the Board in October 2007.

The tables below describe Outdoor Cap’s supply chain from 2004-2010, as reported to the FLA. During this period, Outdoor Cap factories were subject to 7 unannounced Independent External Monitoring (IEM) visits conducted by FLA accredited independent external monitors. Information on the results of the IEMs, and the remediation undertaken by Outdoor Cap in response to IEM findings, are provided in FLA IEM reports online and discussed, as appropriate, in the next section.

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OUTDOOR CAP APPLICABLE FACILITIES AND IEMS, 2007-2010

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ANALYSIS OF OUTDOOR CAP’S LABOR COMPLIANCE PROGRAM USING THE FLA OBLIGATIONS OF COMPANIES AND EVALUATION WORKING GROUP BENCHMARKS

Information used in this assessment originates primarily from annual reports submitted by Outdoor Cap to the FLA verified through: (1) a visit to Outdoor Cap’s headquarters by FLA staff in May 2010; (2) interactions with Outdoor Cap representatives at meetings of the FLA Monitoring Committee and Board of Directors and at FLA stakeholder engagement sessions; (3) visits to factories by FLA staff and shadowing of factory visits with Outdoor Cap staff at a factory in China in July 2010, (4) observation of Outdoor Cap training session in Vietnam in July 2010; and (5) information gathered via in-person and/or phone interviews, and/or email correspondence with Outdoor Cap.

1. ADAPTS AND COMMUNICATES A CODE

1.1 Formally adopts a code that meets or exceeds FLA standards

**Actions Taken:**

**Verification by FLA:**
Outdoor Cap adopted a COC in 2002 that was similar to the FLA Workplace Code of Conduct and met FLA Code standards. The FLA verified that the COC has been adopted at the corporate level and is embedded in corporate culture. FLA staff reviewed the corporate resolution and company internal memo from the company’s affiliation as a PC in 2004 and interviewed various staff and executives during the May 2010 headquarter visit.

1.2 Informs all suppliers in writing

**Actions Taken:**
Suppliers are initially informed in writing of the Outdoor Cap COC with a Welcome Kit, which contains:

- Welcome Letter
- COC in all local languages (factory and office)
- FLA Benchmarks
- List of Documents Needed for Inspection
- Workers Confidential Reporting Channel Posters in all local languages (factory)
• Annual Supplier Certification Form
• Acknowledgment and Receipt of the Welcome Kit

The Welcome Kit was revised and condensed in 2010. Outdoor Cap sent a copy to the FLA and copies are on file at Outdoor Cap headquarters.

Suppliers are informed annually by the Annual Supplier Certification Form, in which they must certify that all of their facilities are in compliance with Outdoor Cap’s COC. The Annual Supplier Certification Form is signed by factory management, and copies are maintained at Outdoor Cap headquarters.

**Verification by FLA:**
The company sends a Welcome Kit to factories selected to manufacture for Outdoor Cap. The Welcome Letter describes the company’s relationship with the FLA. The Welcome Letter is sent to suppliers along with a copy of the company’s COC (English and local language), FLA Compliance Benchmarks, the Worker Confidential Reporting Channel poster (English and local language), the List of documents needed for inspection, the Annual Supplier Certification form, and an Acknowledgement and Receipt form. The Acknowledgement and Receipt form must be signed and returned to the company.

The company sends annually the Annual Supplier Certification Form in which factories must certify that they are in compliance with the company COC. In response to FLA feedback, Outdoor Cap has strengthened the non-retaliation portion of the Welcome Letter. Copies of the Welcome Letter and Annual Supplier Certification form are on file with the FLA.

Pursuant to staff observation of an Outdoor Cap staff visit to a Chinese supplier, the FLA recommends further in-person training by Outdoor Cap for suppliers on Code requirements, standards and expectations.

### 1.3 Posts the code in a prominent place in supplier facilities in the local languages of workers and managers

**Actions Taken:**
Outdoor Cap’s latest version of the COC with the addition of a non-retaliation statement was sent to each factory in December 2010. Posters were prepared in all local languages (factory and office) with an explanation that they are to be posted in common areas where all workers are able to see them. During overseas visits and third-party audits, Outdoor Cap verifies that the most current version of the COC is posted in proper locations, and confirmation photos are filed at Outdoor Cap headquarters.

**Verification by FLA:**
Outdoor Cap requires that the COC be posted in its facilities. This requirement is communicated via the company Welcome Kit. Outdoor Cap maintains photographic documentation of where the COC is posted within factories and the EVP of Global Procurement and Social Responsibility verifies that posters are present when she visits factories. The FLA has received translations of the COC posters into Bengali, Chinese, Korean, Sinhalese and Vietnamese. The FLA has photos of posted Outdoor Cap COC on file.

An FLA IEM visit in 2004 in Bangladesh identified a noncompliance regarding insufficient number of COC posted. The noncompliance was remediated by company and factory.

### 1.4 Ensures that workers are informed orally and educated at regular intervals (to take account of labor turnover)

**Actions Taken:**
Outdoor Cap’s COC is included in all employee manuals, which are given to workers at hiring, and COC training is provided to all new workers at hiring.

Outdoor Cap requires that all suppliers conduct, at a minimum, annual COC training for all workers and management. Dates and content of training, a brief profile of trainers who conducted the training, the number of workers who received the training in each factory, sign-in sheets for each training, and photographs are on file at Outdoor Cap headquarters. A worksheet tracking each factory’s COC training and each factory’s Social Responsibility Contacts is maintained at Outdoor Cap headquarters.
Verifications by FLA:
In the Welcome Kit, Outdoor Cap communicates the requirement for suppliers to inform workers of the provisions outlined in the Code. The company requires that its suppliers conduct annual COC training for workers and management.

In March 2008, [monitoring organization] conducted training for supervisors and managers at a facility in Bangladesh. The training focused on harassment and abuse, grievance procedures, the FLA COC, local law in the garment sector and a confidential reporting system. In June 2008, [monitoring organization] revisited the factory to oversee the worker training conducted by managers. FLA staff reviewed description of the COC training contents.

FLA staff has received a copy of training dates, contents, profile of trainers, and number of workers receiving COC training. FLA staff also shadowed a COC training at the Vietnam factory in July 2010.

FLA IEM visits (2004 in Bangladesh, 2005 in Bangladesh, 2007 in the United States, 2009 in Vietnam, and 2010 in Sri Lanka) identified noncompliances associated with lack of worker awareness of the COC as well as failure to conduct worker trainings on the COC. All noncompliances have been remediated by company and factory or remediation plans have been established and are being implemented.

1.5 Obtain written agreement of suppliers to submit to periodic inspections/audits, including by accredited external monitors, to remediate instances of noncompliances with FLA Workplace Standards that arise, and to inform employees about those standards

Actions Taken:
Outdoor Cap sends an Annual Supplier Certification Form to each new supplier in the Welcome Kit. Subsequently, each supplier receives the Annual Supplier Certification Form once a year. Management is required to sign the form, which indicates the supplier’s agreement to be subject to periodic audits by Outdoor Cap or external monitors, to remediate audit findings in a timely manner, and to educate workers and management on workplace standards. A copy of annual certification forms confirming factory management acknowledgment for each supplier is on file at Outdoor Cap headquarters.

Verifications by FLA:
The Outdoor Cap Welcome Kit states that suppliers may be subject to periodic compliance audits by Outdoor Cap officers, third-party auditors, or FLA accredited monitors and that such visits may be unannounced. Suppliers certify that they will allow monitors to enter their facilities and that monitors shall be granted access to documents, workers, management and factory premises. Suppliers are reminded of this annually in the Supplier Certification Form. These certification forms are signed by the supplier and returned to Outdoor Cap. The FLA has copies of signed Supplier Certification forms on file.

Outdoor Cap has strengthened its Supplier Certification form to now include agreement by suppliers to remediate audit findings in a timely manner, educate workers and management on social compliance issues and work closely with the company to strengthen the social responsibility program.

2. TRAINS INTERNAL COMPLIANCE STAFF

2.1 Identifies the staff or service provider responsible for implementing their compliance program

Actions Taken:
Outdoor Cap internal staff members with CSR responsibilities and their duties are clearly identified.

Outdoor Cap outsources auditing to FLA accredited third-party monitoring companies.

Verifications by FLA:
The Outdoor Cap compliance team currently consists of 3 full-time compliance staff and 2 staff with part of their responsibilities dedicated to compliance. FLA staff has on file copies of the following job descriptions in which compliance-related responsibilities are detailed – Social Responsibility Capacity Building Manager, Social
Responsibility Monitoring Manager, Sourcing Director, EVP of Global Procurement and Social Responsibility, and Supply Chain Management Director.

For internal audits, the company relies on third-party monitors that have been accredited by the FLA. In addition, several factories are subject to retail audits. Outdoor Cap conducts follow-up visits to track remediation progress and completion using third-party monitors and internal staff.

2.2 Ensures that they had training in all the areas under their responsibility, including, as appropriate, international and national labor standards, local languages, occupational and production risk factors, and techniques for monitoring, interviewing and remediating.

**Actions Taken:**
Outdoor Cap CSR staff participates regularly in continuing education courses related to the field. These may be on-site courses or webinars. Outdoor Cap CSR staff also attends FLA meetings.

**Verification by FLA:**
Compliance staff has participated in trainings led by [training organization] on topics such as reducing compliance risk, root cause analysis, capacity building and continuous improvement, and excessive working hours. In 2006, Outdoor Cap organized with other headwear companies and hosted a training led by [monitoring organization] and geared toward a deeper understanding of labor and compliance issues, skills and processes for a social compliance audit, elements of a social compliance management system, and special issues and best practices for certain Asian factories. FLA staff has reviewed training materials and minutes.

Company staff participates regularly in FLA Monitoring Committee and Board meetings. Company staff has also attended training provided by the FLA, including FLA 3.0 Training (Beaverton, OR, June 2007) company orientation training (Washington DC, October 2008), training on remediation (Los Angeles, March 2009), the FLA Beginner’s Guide to CSO Outreach activity led by the FLA’s NGO and Trade Union Coordinator (March-April 2008) and an IEM Program Webinar (November 2009).

The FLA recommends further training for the Social Responsibility Capacity Building Manager.

2.3 Updates that training at regular intervals

**Actions Taken:**
Outdoor Cap internal staff attends continuing education classes/webinars/training opportunities each year.

**Verification by FLA:**
As noted above, Outdoor Cap staff receives training regularly.

3. PROVIDES EMPLOYEES WITH CONFIDENTIAL REPORTING CHANNELS

3.1 Encourages the establishment of grievance procedures at supplier facilities

**Actions Taken:**
In 2009 and 2010, Outdoor Cap reemphasized to factory managers and owners the importance of establishing grievance procedures. Factories have installed suggestion/grievance boxes in areas away from the immediate view of management to promote workers’ comments. Outdoor Cap encourages a method at each factory to address suggestions/grievances that permits the workforce to know they are being heard. The policies and procedures for submitting suggestions/grievances are discussed at factory COC trainings. The importance of factory management supporting suggestion/grievance communication is discussed regularly at factory meetings.

Suggestion/grievance boxes are checked during internal monitoring audits. A logbook of suggestions and grievances at factories is maintained at Outdoor Cap headquarters.

**Verification by FLA:**
The FLA confirms that Outdoor Cap has communicated to its supplier factories the priority to establish internal grievance procedures, initially through the establishment of suggestion boxes.
As part of the 2008 COC training at a factory in Bangladesh conducted by [monitoring organization], the trainers covered the topic of grievance procedures. FLA staff reviewed materials from the training.

FLA staff also observed a Grievance Procedure Training in Vietnam in July 2010 conducted by [CSO]. The training covered topics including: definition of a grievance and complaint, guidelines on grievance policy, non-retaliation policy, responsibilities of supervisors and managers, various forms (formal and informal) for submitting grievances, and maintaining files and documents on grievances. FLA staff has a copy of the training materials on file.

FLA staff reviewed Outdoor Cap’s records on complaints (country, complaint, response) received through factory internal grievance mechanisms. In 2009, complaints were raised in factories in Sri Lanka, the United States and Bangladesh. No complaints were filed in factories in Vietnam and China. The FLA recommends further training of workers in Vietnam and China to make them aware of the grievance procedures and reassure workers that no retaliation would result if they use them.

3.2 Provides channels for Company employees and workers at those facilities to contact the Company directly and confidentially if warranted

**Actions Taken:**
Worker Confidential Reporting Channel posters are posted in prominent areas of all factories and offices in the local language of the workers. Posters contain local contact information as well as direct email contact to Outdoor Cap headquarters.

**Verification by FLA:**
FLA reviewed Outdoor Cap’s protocol for the confidential reporting channel. The company requires that Worker Confidential Reporting Channel posters be located prominently in all factories to communicate that workers can contact the person designated in their area to lodge complaints with Outdoor Cap. Posters include an Outdoor Cap email address as well as local contact information. The FLA has copies of the confidential reporting channel poster for Bangladesh, China, Hong Kong, Sri Lanka and Vietnam. Each poster is available in English and the local language and contains a phone number for company local representatives, in addition to an email address where workers may send written complaints directly to Outdoor Cap staff headquarters. Posters include statements that the workers’ complaints are kept in strict confidence. FLA staff has tested the phone numbers to verify that they are functioning channels.

The grievance procedure training at a supplier in Vietnam, observed by FLA staff, also covered information on the confidential reporting channel. The Outdoor Cap local representative in Vietnam presented during the training (attended by line leaders, supervisors, trade union representatives, heads of different departmental offices and managers).

The company received 2 complaints from workers in Sri Lanka in 2009 through the confidential channel. FLA staff reviewed Outdoor Cap’s records on complaints received through the confidential reporting channel in 2009 (country, complaint, response); the complaints in 2009 were related to using a punching clock for tea breaks and costs of bus transportation.

FLA IEMs in 2004 and 2005 (both in Bangladesh) identified noncompliances related to this obligation (no confidential channel in existence). The noncompliances have been remediated by company and factory.

3.3 Ensures the channel is secure, so workers are not punished or prejudiced for using it.

**Actions Taken:**
Outdoor Cap protects the identity of workers using the confidential channel and ensures that they are not punished or prejudiced for using the confidential channel.

In 2010, Outdoor Cap: (1) replaced the Worker Confidential Reporting Channel Posters with new posters that included a new non-retaliation statement; and (2) completed the Worker’s Confidential Reporting Channel and the Direct to Outdoor Cap Worker Comment or Complaint Protocol. Training is scheduled to begin in 2011.
**Verification by FLA:**
Outdoor Cap has created posters (in English and local languages) that explain that workers shall not be discharged, demoted, suspended, threatened, harassed or discriminated against for raising complaints and that workers may raise complaints without fear of retaliation or punishment. The FLA has copies of the posters on file.

The FLA has reviewed the statement in the company’s Welcome Letter and Annual Supplier Certification form that asks suppliers to acknowledge that supervisors, managers or workers are prohibited from engaging in retaliation, retribution, or any form of harassment directed against any employee who, in good faith, reports a compliance concern.

As observed by FLA staff in July 2010, Outdoor Cap staff visiting factories verifies that the channel posters are displayed in the factory and that they include the non-retaliation policy.

The FLA encourages Outdoor Cap to expedite training of individual local representatives designated to accept complaints on the company’s noncompliance reporting mechanism protocol and use of the complaint or comment form so that they are better able to perform their function.

### 4. CONDUCTS INTERNAL MONITORING

#### 4.1 Internally monitors an appropriate sampling of suppliers to assess compliance, which includes worker interviews, records review, occupational safety and health review, practices of suppliers in relation to the FLA Workplace Standards

**Actions Taken:**
Outdoor Cap internally monitors an appropriate sampling of suppliers. These audits include worker interviews, records review, management interviews and factory walkthrough.

**Verification by FLA:**
Outdoor Cap conducts unannounced internal audits of its suppliers using third-party auditors. FLA staff reviewed audit results at company headquarters as well as documents whereby suppliers are informed of the audit process, which includes worker interviews, records review, management interview, and factory walkthrough.

Outdoor Cap conducts pre-sourcing information gathering. FLA staff has reviewed the letter to suppliers and self-audit questionnaire for pre-sourcing audits. The self-audit questionnaire covers production capacity, child labor, hiring practices, wages and working hours, overtime, forced labor, harassment or abuse, health and safety, freedom of association, discipline, discrimination, environmental requirements, subcontractors, security, etc. The letter clearly communicates the company’s commitment to its code and corporate social responsibility. FLA staff has also reviewed notes from the EVP of Global Procurement and Social Responsibility related to her pre-sourcing visits to factories.

The FLA recommends more formal and comprehensive monitoring of the company’s domestic on-site facility.

#### 4.2 Collects, verifies and quantifies compliance with workplace standards

**Actions Taken:**
Outdoor Cap only works with FLA accredited independent monitors who are trained to collect, verify, and quantify compliance with workplace standards.

**Verification by FLA:**
Outdoor Cap created a compliance database in 2008 to store and analyze information gathered from audits. During the May 2010 headquarter visit, FLA staff reviewed the Outdoor Cap compliance database including its functionality in storing audit findings as well as remediation plans and status of remediation.
4.3 Analyzes the monitoring results and implements remediation plans to address noncompliance issues

**Actions Taken:**
Outdoor Cap's Monitoring Manager reviews the audit findings sent by the monitor and, as appropriate, follows up with respect to clarification or verification of findings. Information is also requested from the factory to get a better understanding of the factory’s perspective on the noncompliance findings prior to creating remediation plans. Previous audits are reviewed to analyze recurring noncompliances. Relying on information from the factory and the monitor, a remediation plan to address all noncompliances is developed with the factory.

**Verification by FLA:**
FLA staff reviewed remediation plans during headquarter visits and by requesting specific corrective action plans from the company. The Outdoor Cap database allows for analysis based on type of noncompliance and benchmark as well as by status of remediation.

As part of the company's annual reporting to the FLA, Outdoor Cap includes analysis of audit results.

4.4 Tracks the progress of remediation

**Actions Taken:**
Outdoor Cap tracks the remediation process by using Excel-based tracking sheets for each factory once the remediation plan has been developed with the factory. The tracking sheets are generated through the company’s online database. This tracking sheet is maintained throughout the remediation process. Email, video and telephone conference calls are utilized to communicate the needs, answer questions and track progress.

**Verification by FLA:**
FLA staff reviewed the compliance database maintained by Outdoor Cap and confirms that the status of remediation is maintained centrally and updated regularly.

Outdoor Cap also verifies the progress of remediation through in-person visits. FLA staff observed remediation discussions during a factory visit in China in July 2010 and reviewed information regarding other visits to follow up on remediation conducted by Outdoor Cap staff.

5. REMEDiates IN A TIMELY MANNER

5.1 Upon receiving the internal and Independent External Monitoring reports, contacts the supplier concerned (within a reasonable timeframe) to agree to a remediation plan that addresses all compliance issues identified by the monitor

**Actions Taken:**
Outdoor Cap's policy is to request additional information and clarification from the supplier within 30 days of receiving an audit report. During this time period, there is daily correspondence between the factory and Outdoor Cap for clarification and collaboration in preparation of the corrective action plan. Outdoor Cap policy is to send the factory the agreed upon corrective action plan within 60 days of receiving the report from the auditors.

**Verification by FLA:**
Upon completion of an internal monitoring visit, the third-party monitor engaged by Outdoor Cap and factory management discuss remediation plans in the closing meeting. A form called the Remediation Plan Documentation is signed by both parties and a copy sent to company headquarters. The Social Responsibility Monitoring Manager receives the full audit report and clarifies any issues with the monitor and communicates with the factory to ensure that factory is making progress in the remediation plan and is clear on next steps. The remediation plan is sent to the factory within 60 days of the audit and the factory is asked to sign a copy. FLA staff has copies of signed and dated remediation plans on file.
The implementation of remediation plans is verified when the EVP of Global Procurement and Social Responsibility visits facilities and follows-up on outstanding remediation items. She brings a brief with issues identified in the initial audit and action plans to verify and compare with remediation plans that had been developed. FLA staff has documentation and photos on file and was present during a remediation discussion with Chinese factory management in July 2010.

5.2 Implements a remediation plan regarding the noncompliances and the actions taken to prevent the recurrence of such noncompliances

**Actions Taken:**
Outdoor Cap remediates noncompliances with factories in a timely manner, and the remediation process has become an effective tool to track progress with factories.

**Verification by FLA:**
As observed by FLA staff during the May 2010 headquarters visit and in China in July 2010, Outdoor Cap staff receives verification of remediation completion through emails and also through in-person visits. During her trips to factories, the EVP of Global Procurement and Social Responsibility checks on the status of remediation. If more in-depth verification is required, Outdoor Cap will engage a third-party monitor to conduct a follow-up audit.

5.3 Within sixty (60) days, supplies the FLA with the remediation plan citing all progress made and a timeline for outstanding items

**Actions Taken:**
Outdoor Cap provides corrective action plans to the FLA (either directly or by posting on the Fair Factories Clearinghouse system) within the 60-day time limit.

**Verification by FLA:**
Outdoor Cap met FLA requirements for timely submission of remediation plans during the implementation period. As confirmed during the May 2010 headquarter visit, company compliance staff also track the development of remediation plans for each noncompliance (through Summary Audit Reports documenting remediation plans, and through the maintenance of compliance information in tracking charts and in the compliance database). The timelines for remediation are tracked so that pending, ongoing and completed remediation plan items are readily visible.

5.4 Confirms the completion of remediation

**Actions Taken:**
Outdoor Cap confirms the completion of remediation through different means, including photographs, correspondence and documentation from the supplier, visits to the factory to verify completion, and/or verification by third-party audits. Very frequent correspondence with supplier factories communicates the stages of remediation completion. Information is entered in the remediation tracking sheet maintained at Outdoor Cap headquarters.

**Verification by FLA:**
FLA staff verified during the headquarter visit that Outdoor Cap tracks and verifies the completion of remediation plans. The status of remediation is updated on factory tracking sheets and in the company’s compliance database. FLA staff reviewed follow-up reports where Outdoor Cap confirms the status of remediation plans. The EVP of Global Procurement and Social Responsibility also verifies the completion of certain remediation activities during her factory visits.

FLA staff observed remediation discussions between Outdoor Cap compliance staff and factory managers in China in July 2010. Outdoor Cap uses these opportunities to verify progress and completion of remediation. Outdoor Cap takes a proactive and supportive approach to discussions on remediation. FLA staff observed discussions regarding the root causes of remediation and creative solutions to challenging noncompliances.
5.5 Conditions future business with contractors and suppliers upon compliance standards

**Actions Taken:**
In an effort to further emphasize the importance of social responsibility to each supplier, in 2010, Outdoor Cap added a clause to the Annual Supplier Certification Form that is signed by each factory manager, which states, "I understand that a lack of commitment to a strong Social Responsibility Program could lead to a disruption or complete severance of our relationship with Outdoor Cap Company." Additionally, a similar clause was added to the Welcome Kit Letter.

Outdoor Cap attempts to form long-term relationships with factories that have the capacity and interest to be more socially responsible. If a factory is a good performer, Outdoor Cap attempts to help the factory learn how to grow and develop its own business so that it can continue to grow and is therefore able to provide for the workers. Outdoor Cap seeks to also balance orders for factories to ensure overtime can be managed.

**Verification by FLA:**
The FLA verified that the company conditions business on commitment to CSR. The company emphasizes compliance with CSR standards in pre-sourcing discussions and assessments; the pre-sourcing assessment includes an on-site visit by the EVP of Global Procurement and Social Responsibility.

In the Welcome Letter, Outdoor Cap communicates that a lack of commitment to CSR could affect a supplier’s relationship with Outdoor Cap. FLA staff confirms the addition of a clause to the Annual Supplier Certification Form and to the Welcome Letter that conditions commercial relationships on compliance. Copies of signed Annual Supplier Certification Forms and Welcome Kit Letters for each factory were reviewed by FLA staff during a visit to Outdoor Cap headquarters.

The FLA reviewed the company’s exit policy and recommends that it include warnings when there are repeated noncompliances or overall poor factory performance.

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

6.1 Analyzes compliance information to identify persistent and/or serious forms of noncompliance

**Actions Taken:**
At present, Outdoor Cap stores compliance information in tracking spreadsheets. Outdoor Cap regularly analyzes compliance information to identify positive trends as well as persistent forms of noncompliance and makes such analyses available to the FLA in its annual report.

In 2008 Outdoor Cap completed programming its OCSR Compliance Database, and in 2009 and 2010 worked toward populating it by entering historical audit records from the beginning of Outdoor Cap’s Social Responsibility Program. Outdoor Cap has completed 90% of data entry and is on track to complete the database by the second quarter of 2011. This database will allow Outdoor Cap to analyze compliance findings data more effectively and promptly and generate reports on all noncompliances, particularly regarding persistent and serious forms of noncompliance.

**Verification by FLA:**
Outdoor Cap’s analyses of noncompliances based on the Excel spreadsheets have been reviewed by the FLA. During a visit to Outdoor Cap's headquarters, FLA staff was given a demonstration of the capabilities and functionalities of the OCSR compliance database and reviewed samples of noncompliance analysis reports that could be generated from the database once it becomes fully operational later in 2011.

6.2 Establishes and implements programs designed to prevent the major forms of such noncompliance

**Actions Taken:**
Outdoor Cap’s Social Responsibility Team regularly engages with high-level factory management in understanding the importance of CSR and ways and means to prevent major forms of noncompliance. During discussions with factory managers and owners, Outdoor Cap staff seeks to identify systemic and persistent noncompliances and means to address them. The addition, in 2010, of the Capacity Building Manager to the
Social Responsibility Team allows Outdoor Cap to enhance its proactive approach to preventing major forms of noncompliance through training and development.

**Verification by FLA:**
As observed by FLA staff in July 2010, Outdoor Cap staff reinforces the message with suppliers that transparency is key to partnership with the company. During that visit, the EVP of Global Procurement and Social Responsibility discussed hours of work challenges with factory management in an open and collaborative manner. She also discussed at length other critical issues including the payment of proper wages, social insurance coverage, the voluntary aspect of overtime and the benefit of consulting with workers on setting production targets. The remediation plans discussed were communicated clearly, with associated deadlines and persons responsible.

FLA staff has reviewed meeting minutes from a June 2010 meeting between factory management (that oversee factories in Bangladesh and Sri Lanka) and Outdoor Cap compliance and sourcing staff. Items discussed included the timing of the literacy program supported by Outdoor Cap, payment increases due to recent local law changes, production targets, holidays, safe drinking water, hours of work, grievance mechanisms and a confidential noncompliance reporting mechanism, and COC trainings. Solutions that were discussed involved preventative actions such as trainings, systems and identifying persons responsible for action on an ongoing basis.

FLA recommends that Outdoor Cap work with factories to develop even more detailed remediation plans, as in the case of hours of work noncompliances discussed during the July 2010 observation.

6.3 Takes steps to prevent recurrence in other Applicable Facilities where such non-compliance may occur

**Actions Taken:**
Findings of noncompliance are discussed during each overseas visit by Outdoor Cap staff and during headquarters visits by factory owners and managers, as well as by daily correspondence between Outdoor Cap staff and factory owners and managers. These discussions cover audit findings, corrections that were made, and confirmation of remediation. Further, these discussions stress that remediation should be permanent to prevent recurrence of noncompliances. Policies, procedures, and training are discussed and implemented in an effort to stop the recurrence of noncompliances. For example, when remediating a China social insurance noncompliance with one China factory, Outdoor Cap began discussions about other factories operated by the same owners and discovered that another China factory was at-risk. Outdoor Cap asked the owners and managers to implement their new remediation plan in the at-risk factory, and they agreed. The final outcome will be determined at the time of the next audit.

**Verification by FLA:**
FLA staff reviewed Outdoor Cap’s training plans for 2010 which included trainings on recurring noncompliances and noncompliances that are common throughout the supply chain. Trainings covered topics such as Freedom of Association, COC and Grievance Mechanisms in China and Vietnam (July 2010 training in Vietnam observed by FLA staff), and COC trainings in China, the United States and Sri Lanka.

Outdoor Cap continues to partner with a factory group that has factories in Bangladesh, Sri Lanka and Vietnam. FLA staff has reviewed meeting minutes where noncompliance issues stemming from these factories are discussed with the common factory representatives. There was specific discussion of how successes and plans in one factory can be implemented in the other.

One Outdoor Cap supplier in Vietnam has taken the FLA’s Grievance Sustainable Compliance Assessment Tool.

7. **SUBMITS TO INDEPENDENT EXTERNAL MONITORING**

7.1 Provides the FLA with an accurate, up-to-date factory list, factory profile, access letters, etc.

**Actions Taken:**
Outdoor Cap provides quarterly factory lists and/or updates to the FLA in a timely manner. Access letters requested by the FLA are sent by the date requested. Additional documents are sent when requested by the FLA.
**Verification by FLA:**
Outdoor Cap has participated as a PC in the IEM program since 2004 with a total of 7 IEMs; Outdoor Cap was subject to 1 IEM as a Category B Licensee in 2003. Throughout its affiliation with the FLA, Outdoor Cap has submitted factory list information and required IEM documents (including Access Letters and Conflict of Interest forms) in a timely and mostly accurate manner (see below for an exception).

7.2 Ensures that the suppliers selected for IEMs cooperate with the FLA monitors

**Actions Taken:**
Outdoor Cap has on file at the headquarters annual certification forms signed by each factory manager, which state that each factory is aware of, and understands, the auditing process and will cooperate with auditors.

**Verification by FLA:**
FLA reviewed signed certification forms from suppliers acknowledging that they have been informed about the FLA program and agreeing to audits by FLA-accredited monitors. Outdoor Cap has had one instance of an aborted audit -- in 2009 at a factory that was de minimis for Outdoor Cap in China. Access was denied because, at the time of the attempted IEM, the factory no longer produced for Outdoor Cap.

7.3 Cooperates with FLA requests for information, clarification and follow-up in the IEM process

**Actions Taken:**
Outdoor Cap cooperates with any request for information made by the FLA.

**Verification by FLA:**
The company has been responsive and cooperative with FLA requests for information, clarification and follow-up in the IEM process.

Outdoor Cap is no longer active at 2 suppliers that were subject to IEMs (in 2003 while Outdoor Cap was a Category B Licensee and 2005). Outdoor Cap has submitted exit explanations for the IEMs as per the FLA IEM Procedures.

The FLA recommends that the company put a system in place to update the FLA on IEM remediation plans on a regular basis.

8. COLLECTS AND MANAGES COMPLIANCE INFORMATION

8.1 Maintains a database

**Actions Taken:**
Currently, Outdoor Cap stores compliance information in tracking spreadsheets. In 2008 Outdoor Cap completed design and programming of its OCSR database, a compliance database, and in 2009 and 2010 worked toward populating it by entering historical audit records from the beginning of Outdoor Cap’s Social Responsibility Program. Outdoor Cap has completed 90% of data entry and is on track to complete the database by the second quarter of 2011.

**Verification by FLA:**
Outdoor Cap has developed a database capable of collecting and managing compliance information and tracking remediation. FLA staff reviewed the current Excel-based database, which collects information according to FLA benchmarks, and confirmed its functionality. FLA staff also reviewed and was given a demonstration of the secure, online database under construction to store and manage compliance information. The majority of the historic audit information had been entered into the new database as of the time of the FLA visit to company headquarters. In 2011, Outdoor Cap expects that all current and past audit information will be housed in the new database.
8.2 Generates up-to-date lists of its suppliers when required

**Actions Taken:**
Outdoor Cap is able to generate up-to-date lists of suppliers as required.

**Verification by FLA:**
FLA staff confirmed that Outdoor Cap is capable of generating up-to-date supplier lists as required.

8.3 Analyzes compliance findings

**Actions Taken:**
Outdoor Cap regularly analyzes compliance findings to identify trends and persistent noncompliances.

**Verification by FLA:**
FLA staff reviewed analyses of compliance findings carried out by Outdoor Cap staff using the information gathered in the compliance database. The online OCSR compliance database, when fully operational, will facilitate analyses of compliance findings. The FLA confirms that the Social Responsibility Monitoring Manager compares audit reports across time and analyzes trends.

The FLA encourages Outdoor Cap to conduct further analysis of noncompliances and, going forward, to include more robust analysis in company annual reporting, taking fuller advantage of the functionalities of the OCSR database system.

8.4 Reports to the FLA on those activities

**Actions Taken:**
Outdoor Cap reports activities annually and when requested by the FLA.

**Verification by FLA:**
Outdoor Cap reports on analysis of compliance findings in its annual reports and as requested by the FLA.

9. CONSULTS WITH CIVIL SOCIETY

9.1 Maintains links to organizations of civil society involved in labor rights and utilizes, where companies deem necessary, such local institutions to facilitate communication with Company employees and employees of contractors and suppliers in the reporting of noncompliance with the workplace standards.

**Actions Taken:**
Engagement with CSOs has proved to be a challenge for small companies. Outdoor Cap has made efforts to build relationships with some organizations in specific settings. Outdoor Cap CSR staff continues to engage frequently with [CSO] in Bangladesh, a relationship that began several years ago. In 2010 Outdoor Cap began a relationship with [CSO] in Vietnam, and worked with [CSO] to put on a Grievance Training at the Vietnam factory.

**Verification by FLA:**
In March and April 2008, Outdoor Cap’s Social Responsibility Monitoring Manager participated in the FLA Beginner’s Guide to CSO Outreach activity, led by the FLA’s NGO and Trade Union Coordinator to encourage companies to reach out to CSOs where their supply base is located.

In September 2008, the EVP of Global Procurement and Social Responsibility and Purchasing Director met with [CSO] at a factory in Bangladesh to establish the beginning of a working relationship and to gain a fuller understanding of local and factory-specific conditions and implementation of remediation. The working relationship continued in 2009 and 2010 and is ongoing.
In August 2009, Outdoor Cap engaged with the [CSO] with respect to an investigation regarding the factory in Bangladesh. The [CSO] report was pursuant to the Los Angeles Sweat-Free Procurement Ordinance. Outdoor Cap cooperated with [CSO] on the verification of remediation. FLA staff has related communication on file.

The FLA has received copies of correspondence between Outdoor Cap and two CSOs in Bangladesh that are helping to develop a literacy program for factory workers.

FLA staff observed a grievance procedure training session in Vietnam facilitated by [CSO] in July 2010.

To date, Outdoor Cap has prioritized engagement with CSOs in Bangladesh. The company has researched and contacted organizations in China and Sri Lanka but has not yet engaged with civil society on a particular issue in these locations. The FLA encourages Outdoor Cap to make additional efforts with respect to civil society outreach in all manufacturing locations.

9.2 Consults knowledgeable local sources as part of its monitoring activities

**Actions Taken:**
Outdoor Cap CSR staff continues to work with [CSO] in Bangladesh in the context of monitoring activities.

**Verification by FLA:**
The FLA confirms that Outdoor Cap has consulted with [CSO] regarding audit findings and potential remediation plans for factories in Bangladesh.

9.3 Consults periodically with the legally constituted unions representing employees at the worksite regarding the monitoring process and utilize the input of such unions where appropriate

**Actions Taken:**
Outdoor Cap contracts the services of independent third-party monitors for its auditing program that are FLA-accredited. Outdoor Cap relies on third-party monitors’ experience in the field to stay abreast of current developments in the regional areas where they audit and relies on the third-party monitors to consult with union representatives.

**Verification by FLA:**
Outdoor Cap does not currently source from any factories with unions and/or collective bargaining agreements. Outdoor Cap uses an audit instrument which verifies the existence of unions as part of the audit process. The FLA confirms that questions about unionization are asked in the audit instrument.

9.4 Assures the implementation of monitoring is consistent with applicable collective bargaining agreements

**Actions Taken:**
Outdoor Cap Company contracts with third-party auditing firms that are FLA-accredited. The auditing firms monitor the factory against Outdoor Cap’s COC and the CBA (if a CBA exists).

**Verification by FLA:**
Outdoor Cap does not currently source from any factories with unions and/or collective bargaining agreements.

10. Pays Dues and Meets Its Other Procedural Requirements

10.1 Pays annual dues

**Actions Taken:**
Outdoor Cap has paid its annual dues to the FLA.

**Verification by FLA:**
Outdoor Cap is up-to-date on payment of its annual dues. Documentation is available at the FLA office.
10.2 Pays IEM administrative and monitoring fees

**Actions Taken:**
Outdoor Cap is up-to-date on all relevant fees to the FLA.

**Verification by FLA:**
Outdoor Cap has paid all relevant dues and fees to the FLA. Documentation is available at the FLA office.

10.3 Signs and honors required FLA contracts

**Actions Taken:**
Outdoor Cap submits factory lists, annual report and all requested information in complete form and in a timely manner.

**Verification by FLA:**
The FLA confirms that Outdoor Cap signs and honors required FLA contracts.

10.4 Submits factory lists, a standardized annual report and other information in complete form and on time

**Actions Taken:**
Outdoor Cap submits factory lists, annual report and all requested information in complete form and in a timely manner.

**Verification by FLA:**
The FLA confirms that Outdoor Cap has submitted factory lists and annual reports in complete form and in a timely manner.

**CONCLUSION**

Accreditation of Outdoor Cap’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 Outdoor Cap, and will reevaluate its accreditation status. To check an affiliate’s accreditation status, visit [www.fairlabor.org/accreditation](http://www.fairlabor.org/accreditation).