



RUSSELL BRANDS, LLC

ASSESSMENT FOR ACCREDITATION

February 2011

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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, and is reevaluated every three years.



The FLA Board of Directors voted to approve the accreditation of Russell's compliance program on February 23, 2011, based on proven adherence to FLA's Workplace Code of Conduct and Obligations of Companies. Details on FLA's accreditation methodology can be found at www.fairlabor.org/accreditation.

RUSSELL'S CORPORATE SOCIAL RESPONSIBILITY PROGRAM

Russell is a branded athletic and sporting goods company with a history of over a century in marketing athletic uniforms, apparel and equipment for a variety of sports and fitness activities. Founded in 1902 in Alexander City, Alabama, Russell became a publicly-traded company in 1963; in 2006, it was acquired by Fruit of the Loom, Inc., a Berkshire Hathaway subsidiary with the two companies consolidating their operations. Russell's headquarters are located in Bowling Green, Kentucky.



Fruit of the Loom headquarters in Bowling Green, Kentucky.

Russell affiliated with the FLA as a Category B Licensee in 2002. In 2007, Russell was approved by the FLA Board as a Participating Company (PC). At the time of affiliation as a PC, Russell chose to implement the FLA program over a three-year period. Russell applicable brands under the FLA program are Russell Athletic, Jerzees, Cross Creek, Bike, Spalding, and Huffy Sports. Applicable brands are produced in company-owned/operated facilities (Fruit of the Loom factories) as well as in contract factories.

Russell's labor compliance program, which has been integrated with Fruit of the Loom's Corporate Social Responsibility Program, is headed by the Director of Social Responsibility. She reports directly to the Executive Vice President of Human Resources, who in turn reports to Fruit

of the Loom's CEO. In 2010, there were 4 full-time staff persons working in the Corporate Social Responsibility Department, three based in the United States and one based in Honduras. Under the leadership of the Director of Social Responsibility, these staff members oversee internal audits and develop and manage remediation activities. Russell engages third-party monitoring organizations to conduct internal monitoring for owned/operated contract factories.



Corporate training for workers in Honduras.

The table below describes Russell's supply chain over the period 2008-2010, as reported to the FLA. Russell sourced from 55 applicable facilities in 2008, 44 facilities in 2009 and 70 facilities in 2010. During this period, Russell's factories were subject to a total of 8 unannounced Independent External Monitoring events (IEMs) conducted by FLA-accredited independent external monitors. Information on the results of the IEMs, and the remediation undertaken by Russell in response to IEM findings, is discussed, as appropriate, in the next section.

RUSSELL'S APPLICABLE FACILITIES AND IEMS, 2008-2010						
COUNTRY	2008 APPLICABLE FACILITIES	2008 IEMS	2009 APPLICABLE FACILITIES	2009 IEMS	2010 APPLICABLE FACILITIES	2010 IEMS
Bangladesh	3		2		3	1
Cambodia	4		5		3	
Canada					1	
China	3		7		17	
Colombia			1		1	
Dominican Republic	4		1		4	
Egypt					2	
El Salvador	9	1	2		6	
Guyana	1				1	
Haiti	1		1		1	
Honduras	4		5		9	1
Indonesia	4		2		2	
Jordan	2	1	3		1	1
Kenya	1		1			
Lesotho	3		2		1	
Malaysia			1			
Mexico	3		2	2	2	
Pakistan	6		6		7	
Philippines					1	
Taiwan					1	
Thailand	3	1	1		3	
Turkmenistan	1					
United States	2		2		3	
Vietnam	1				1	
TOTAL	55	3	44	2	70	3

ANALYSIS OF RUSSELL'S SOCIAL COMPLIANCE PROGRAM USING THE FLA OBLIGATIONS OF COMPANIES AND EVALUATION WORKING GROUP BENCHMARKS

Most of the information used in this assessment originates from annual reports submitted by Russell to the FLA, verified through: (1) a visit to Russell's headquarters by FLA staff in August 2010 and to the opening of a facility in Honduras in January 2010; (2) shadowing of external monitors during audits and follow-up visits conducted by third-party auditors in China, Honduras and El Salvador; (3) observation of a training exercise in Honduras and El Salvador in the Fall of 2010; (4) information gathered via in-person interviews, phone interviews, and/or email correspondence with Russell's Director of Social Responsibility and other key staff; (5) results of IEMs of Russell applicable facilities conducted by the FLA and ensuing remediation during the implementation period; (6) interactions with Russell and stakeholders in the context of a Third-Party Complaint involving facilities in Honduras in 2008-2010; and (7) communications with stakeholders.

1. ADOPTS AND COMMUNICATES A CODE

1.1 Formally adopts a code that meets or exceeds FLA standards

Actions Taken:

Russell's Code of Conduct has gone through several iterations, based on internal and external stakeholders' feedback and organizational changes. The last two revisions were done in March 2008 and July 2010. Currently, Russell uses the Fruit of the Loom corporate Code of Conduct which meets FLA standards and contains additional elements.

Verification by FLA:

FLA staff has reviewed Russell's Code of Conduct to establish consistency with the FLA Workplace Code of Conduct. As a result of the integration of Russell into Fruit of the Loom, Russell adopted the Fruit of the Loom corporate Code of Conduct, which meets FLA standards and also includes standards on environmental compliance. Copies of the Code of Conduct are available at the FLA offices.

1.2 Informs all suppliers in writing

Actions Taken:

Owned/Operated Facilities

All Plant Managers receive Code of Conduct copies every time the document is updated. Plant Managers sign and return Code of Conduct copies once a year or every time there is an update or change in management.

Contract Manufacturing Facilities

Code of Conduct standards are communicated to new suppliers as part of the "Code of Conduct Compliance Suppliers Guidelines" during the pre-sourcing due diligence period, before purchase orders are placed. Meeting the Code of Conduct standards is included as a requirement in all purchase orders placed by Russell and is signed by all suppliers. Furthermore, Code of Conduct standards are included on the suppliers' Business Partners Certification forms (manufacturing agreements).

Verification by FLA:

During the headquarters visit, FLA staff reviewed signed copies of the Code of Conduct submitted to Russell by managers of owned/operated facilities. Staff also reviewed signed purchase orders and "Business Partners Certification" forms, whereby contract factories agree to Code of Conduct compliance.

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

Actions Taken:

All owned/operated and contract manufacturing facilities receive the Code of Conduct in the official local language(s). In the case of migrant workers, a Code of Conduct in the migrant workers language(s) is required if a group of migrant workers represents more than 25% of the workforce. All owned/operated and contract manufacturing facilities receive instructions to post the Code in a conspicuous location accessible to all employees and visitors.

Verification by FLA:

Russell provides Code of Conduct posters to factories as part of normal communications with new suppliers. Verification of the posting of the Code of Conduct is done through third-party audits.

During observation of internal audits conducted by Russell's third-party auditors in Honduras and El Salvador, FLA staff observed that both owned/operated and contract facilities had copies of the Russell/Fruit of the Loom Code of Conduct available at their offices and posters of the same were displayed in the local language in prominent areas of the factories.

IEMs conducted at contract suppliers in Thailand and El Salvador (2008) and Bangladesh (2010) found noncompliances regarding posting of the Code: the Code was not available in Burmese (to make it accessible to Burmese migrants workers, who represented 11% of the workforce) at the factory in Thailand and noncompliances regarding Code posting and communication were identified (in El Salvador and Bangladesh). These noncompliances were remediated by Russell.

FLA encourages Russell to work toward more consistency in Code of Conduct posting and communication, especially at contract suppliers, and to consider lowering the share of the workforce accounted for by a group of migrant workers that would trigger the obligation to translate the Code into their language.

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

Actions Taken:

At all Russell owned/operated facilities, where the large majority of production is concentrated, Code of Conduct training takes place during the employees' entrance orientation and subsequently once a year (in conjunction with Open Door and Freedom of Association policy training).

Contract suppliers are required to communicate the Russell Code of Conduct standards and implementation process to all employees. Social compliance and sourcing staff continuously reinforces the Code of Conduct elements at annual supplier sourcing summits, supplier meetings and during factory visits.

Verification by FLA:

FLA staff reviewed documentation and observed Code of Conduct training/education programs at owned/operated facilities. With respect to contract facilities, there is no specific requirement – in writing – for factory management to train their workforces about the Code of Conduct. Reinforcing this observation, IEMs at contract factories in El Salvador, Bangladesh and Thailand found noncompliances with respect to worker awareness of the Code of Conduct.

The FLA recommends that Russell require contract factories to create a program to provide workers with Code of Conduct training regularly. As is done with owned/operated factories, Code of Conduct training in contract factories should be part of the basic worker orientation at the time of hiring and should also be provided on an ongoing basis to take account of turnover.

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:

Receiving a compliance audit is required before starting and maintaining a business relationship. All noncompliances must be remediated in a timely manner. Requirement to post and meet the Code of Conduct standards are included on all suppliers' purchase orders and manufacturing agreements. Furthermore, at the beginning of each year, Russell informs all owned/operated and contract facilities about the FLA and the possibility of a FLA IEM through a letter that must be acknowledged, signed and returned by the facility's management.

Verification by FLA:

FLA staff reviewed materials at Russell headquarters that confirmed that the company has communicated about the FLA and IEM requirements at owned/operated and contract facilities by obtaining written agreement of suppliers to submit to internal/external monitoring, remediate noncompliances and inform workers about the Code of Conduct by posting it in a prominent area.

2. TRAINS INTERNAL COMPLIANCE STAFF

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

Actions Taken:

Russell has assigned three full-time employees at the corporate office to manage the social compliance program. Additionally there is one compliance manager in Central America. Sourcing managers also have responsibilities to communicate social compliance expectations to the facilities and properly follow up with compliance issues or initiatives.

All Code of Conduct compliance monitoring of owned and operated facilities and of contract manufacturing sources is conducted by third-party monitoring companies.

Verification by FLA:

FLA staff has had extensive communications with Russell's labor compliance staff during the implementation period, including during the headquarters visit; a visit to Honduras to attend the opening of a factory; FLA meetings; interactions with field staff during observation of training exercises and shadow audits of contract factories in El Salvador, Honduras and China; and meetings with compliance staff in the field and at headquarters to better understand the compliance program. FLA staff is familiar with the contract monitoring organizations used by Russell to conduct internal monitoring.

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:

Compliance employees receive training through interaction with stakeholders, NGOs, international labor experts and third-party monitoring companies. Additionally, compliance employees receive training through various means (webinars, seminars, vendors meetings, Six Sigma, CSR executive education programs, etc.) and participate in corporate training about leadership, management development and sustainability.

Third-party monitoring companies providing services to Russell have training programs in place for their staff that include classroom and field training, exams and auditor level classifications.

Verification by FLA:

Based on review of documents, FLA staff confirms training of internal compliance and sourcing staff by Russell. FLA staff reviewed records indicating that from January through October 2010, the social compliance staff received training on measuring progress in compliance, key performance indicators and matrix performance scorecard (which contains information on noncompliance findings, remediation and root cause analysis). FLA staff also examined documents and materials confirming training on the importance of social compliance, Code of Conduct and monitoring techniques was conducted in January 2010 and March 2010 in Japan and the United States for licensees as well as for sourcing and compliance staff.

FLA staff recommends additional training opportunities for the social compliance staff and third-party monitors on the topic of Freedom of Association, especially on how to gather or investigate and evaluate worker testimony in Freedom of Association cases drawing from experiences from a Third-Party Complaint involving the company in Honduras.

2.3 Updates that training at regular intervals

Actions Taken:

Corporate training modules are updated every quarter, focusing on different aspects of leadership and management. The corporate sustainability training module is updated twice a year. Internal compliance staff attends training involving webinars, sessions with monitoring companies and labor experts and executive education courses as they are offered.

Third-party monitoring companies conducting internal auditing services for Russell provide on-going training for their monitors in areas related to labor law, safety and health, interview procedures, conflict resolution, payroll and documentation review, assessment tools and others.

Verification by FLA:

FLA staff reviewed Russell's corporate training modules that include training opportunities being offered to managers, mid-level supervisory staff and employees at large. FLA staff also reviewed communication with third-party monitors regarding specific training requirements and expectations.

3. PROVIDES EMPLOYEES WITH CONFIDENTIAL REPORTING CHANNELS

3.1 Encourages the establishment of grievance procedures at supplier facilities

Actions Taken:

At owned/operated facilities, Russell implements an internal communication policy that encourages open dialogue between management and employees. The internal communication policy includes: open door policy, employee problem resolution policy (grievance procedures) and a global compliance hotline.

Verification by FLA:

During FLA staff shadowing of Russell's third-party audits in owned/operated and contract facilities in Honduras and El Salvador, FLA staff observed that factories (owned/operated and contracted facilities) are encouraged to create or maintain grievance procedures. In the case of owned/operated facilities, the hotline service was observed. It was also observed that worker interviews –conducted by third-party auditors- included questions about the existence and functionality of the factory's grievance procedures; this was consistent in shadow audits conducted by the FLA staff in China, Honduras and El Salvador.

Based on IEM performance, during the implementation period there were two instances in which contract factories did not have a grievance procedure established. Furthermore, FLA staff did not find any procedures to encourage grievance procedures at contract facilities. Normally, this is done informally.

The FLA recommends that Russell create consistency across owned/operated and contracted factories by including specific grievance procedures expectations and encouraging factories to create communication channels (especially at contract factories), including internal grievance policies and procedures. The FLA also recommends that Russell ensure training for management, supervisors and workers on grievance procedures at contracted factories.

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

Actions Taken:

Direct company contact information is provided in the Code of Conduct. The Code of Conduct must be posted in the local language at all contract and owned/operated facilities.

Additionally, for owned/operated facilities, as part of the internal communication policy, the company has implemented a hotline service available for all employees to contact the parent company directly from any country where the company has owned and operated locations. The hotline service is strictly confidential. Employees are trained annually on how to use the service.

Verification by FLA:

The FLA staff confirms that several grievance channels are available at owned/operated facilities, e.g., hotline service, email, and open door policy. The hotline service is operational only in owned/operated facilities; this was confirmed during the headquarters visit and during IEMs conducted at owned and operated and contract factories. No similar mechanism was found at contract facilities in Jordan, Bangladesh and El Salvador. In contract facilities the only channel for employees to reach Russell is through a U.S. phone number and mail. Copies of the Code on file at the FLA.

The FLA recommends that Russell develop alternative channels to receive worker complaints at contract facilities directly or via its third-party monitors and consider extending the hotline service to contract factories.

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

Actions Taken:

Through the company's internal communication policy, workers have the option to address problems face-to-face with management or use a confidential channel to contact the parent company directly. Regardless of the selected way of communication, the policy clearly states that workers cannot be punished or prejudiced for voicing their concerns.

Verification by FLA:

During field observations by FLA staff in Honduras and El Salvador, it was noted that written policies on reporting channels issued to contract factories do not explicitly cover protections against retaliation. The Code of Conduct has a phone number in the U.S. for workers to use, but it does not contain any non-retaliation guarantee.

The FLA recommends the inclusion of non-retaliation guarantee in the Code of Conduct to ensure that workers know about it. Furthermore, consider extending the hotline service or a similar process to contract facilities.

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:

Russell contracts with experienced third-party monitoring agencies to conduct all Code of Conduct compliance assessments. All internal, sourced and licensed manufacturing suppliers are monitored at least once a year either directly through a third-party audit scheduled by Russell or through an approved industry certification.

Verification by FLA:

FLA reviewed documentation indicating that in 2008, Russell audited 97% of its active factories (including contract suppliers), with some receiving more than one follow-up compliance visit. Similarly, FLA staff confirmed through the same means that in 2009, Russell audited 91% of suppliers (due to consolidation, fewer audits were conducted, but the percentage of factories audited remained over 90%). In 2010, Russell audited 89% of active factories. Documents reviewed by the FLA state that Russell's policy is to conduct 100% factory assessments annually.

During FLA staff shadowing of third-party auditors in Honduras, El Salvador and China, it was observed that the monitors followed standard audit procedures, with the exception of the China audit, where auditors did not perform an opening meeting or interview management. A good practice observed in the Honduras and El Salvador audits was that the monitor paid special attention to contribution and payment of social security and pension obligations, a problematic issue in the region. The Honduras and El Salvador audits were unannounced,

while the factory in China was given two-week’s advance notice. Monitors did not conduct consultation with civil society prior to the audit in any of the three audits. FLA staff has made some recommendations to Russell staff directly regarding improvement of its internal monitoring protocols and procedures.

4.2 Collects, verifies and quantifies compliance with workplace standards

Actions Taken:

Russell’s Social Responsibility Management system (SRM) is a database that houses and has the capability of managing audit data. Audit results are collected and analyzed and presented every quarter to the company’s social compliance committee. Russell uses compliance information to develop risk profiles of suppliers and rankings with respect to compliance performance.

Verification by FLA:

During the FLA staff’s visit to Russell’s headquarters, the SRM and its functionalities were demonstrated. FLA staff also reviewed Russell’s ranking of factories based on audit performance into four categories: Satisfactory, Needs Improvement, Unsatisfactory and Zero Tolerance. Compliance staff reviews factory ranking at its monthly meetings as does also the social compliance committee at its quarterly meetings.

4.3 Analyzes the monitoring results and implements remediation plans to address noncompliance issues

Actions Taken:

Audit results collected in the SRM are analyzed and used to develop remediation strategies. Russell requires that suppliers develop and put in place a corrective action plan to address each violation identified during a Code of Conduct assessment; the corrective action plan should describe the violation, its root cause, the recommended remediation plan and the actions to be taken by the supplier in order to sustainably address it. Corrective action plans should also include timelines or milestones for completion.

Verification by FLA:

At Russell’s headquarters, FLA staff reviewed analyses that identify the most pervasive noncompliances. Analyses take the form of reports for the use of the compliance staff in developing remediation plans and updating the grading of factories. FLA staff confirms that Russell has sought FLA support in developing appropriate and sustainable remediation associated with IEM/IEV assessments.

4.4 Tracks the progress of remediation

Actions Taken:

Russell tracks all CAPs with an expectation that violations will be remediated as quickly as possible. For suppliers receiving an “Unsatisfactory” ranking, Russell conducts follow-up assessments to verify that remediation has occurred.

Verification by FLA:

FLA staff reviewed and confirmed that Russell’s compliance staff uses the SRM database to track progress of factory remediation and corrective action plans. FLA staff confirms that Russell thoroughly pursues remediation, especially related to noncompliances arising during IEM/IEV assessments. FLA staff maintains a record of its correspondence with Russell compliance staff confirming IEM/IEV CAP remediation.

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:

Internal Audits

Third-party monitors conducting audits for Russell are required to review and discuss all noncompliances with management during an assessment's closing meeting. A copy of the violations and proposed corrective actions must be signed by the third-party monitor and the facility's management during the closing meeting. Once audit results are received at the corporate office, they are reviewed and then communicated to the facility along with the proposed corrective action plan format for review and feedback.

Independent External Monitoring

Once a FLA audit is completed, Russell staff communicates it immediately to the facility and works with the facility to develop a plan of action, due date and supporting documentation if applicable. Once it is approved by the FLA, the remediation plan is implemented.

Verification by FLA:

FLA staff reviewed email correspondence regarding development of a corrective action plan between Russell's compliance staff and factories that received a third-party audit or an IEM/IEV. The FLA review confirmed that Russell staff consistently followed its written procedures regarding remediation. During the implementation period, all eight facilities subject to IEM/IEVs accepted remediation plans developed with Russell's input. FLA staff reviewed the correspondence at Russell headquarters and can confirm Russell compliance staff's persistence in developing remediation plans in collaboration with the assessed factories.

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

Actions Taken:

Internal Audits

Corrective action plans developed by Russell focus on identifying root causes of the noncompliances and implementation of sustainable solutions. In the case of major violations, follow up audits are scheduled to verify that sustainable corrective actions have been taken.

Independent External Monitoring

Facilities are given 30 days (subject to remediation timeframes proposed by FLA) to review findings and provide a sustainable plan of action to effectively remediate all identified noncompliances.

Verification by FLA:

FLA staff confirms that Russell's compliance staff has developed and is implementing a factory tool for tracking noncompliances that enables factories to identify root causes and to create (jointly with Russell) the most appropriate remediation plan. FLA has reviewed the corrective action plan scoring matrix and encourages Russell to continue developing this type of tool. During the implementation period, Russell has increasingly been focusing on sustainable and preventive remediation.

FLA staff confirms efforts made to improve remediation through Russell's continuous factory improvement program in collaboration with [monitoring organization].

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:

Russell provides feedback to the FLA within the agreed timeframe for IEMs/IEVs.

Verification by FLA:

During the implementation period (2008-2010 IEM cycles), Russell's facilities were subject to 8 IEMs/IEVs. FLA staff confirms that in all 8 instances, Russell met the 60-day limit for corrective action plan submission.

5.4 Confirms the completion of remediation

Actions Taken:

The company regularly informs FLA of the progress of remediation, including completion.

Verification by FLA:

During the headquarters visit, FLA staff reviewed records of factory verification audits in which confirmation of remediation had been noted. Furthermore, Russell compliance staff has been diligent in following IEM procedures to ensure that all open issues are addressed and remediated within the expected timelines.

5.5 Conditions future business with contractors and suppliers upon compliance standards

Actions Taken:

Russell has procedures in place to ensure that all new or current suppliers present evidence of Code of Conduct compliance as a condition for doing business with the company.

Verification by FLA:

During the headquarter visit, and subsequent documentation review, FLA staff examined the Supplier Manufacturing Agreement and confirmed that Russell conditions business on Code of Conduct compliance.

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:

Russell uploads audit results into the SRM database. Every quarter, a comprehensive compliance report is generated and reviewed with senior management from different functional areas (sourcing, planning, quality, legal, etc., and including the CEO). The cross-functional meeting has the objective of informing all key areas about suppliers' status, seeing compliance trends, and identifying areas of opportunity for process improvement.

Verification by FLA:

FLA staff has reviewed materials prepared by Russell staff for cross-functional meetings and found them to be comprehensive and thorough.

6.2 Establishes and implements programs designed to prevent the major forms of such non-compliance

Actions Taken:

In mid-2010, Russell modified the corrective action plan format to include root cause analysis and sustainable actions to be implemented for all identified violations. Russell is currently working in conjunction with its third-party monitoring agencies and external consultants to develop training and capacity building programs targeting suppliers with major noncompliances. Factories not willing to go through capacity building initiatives or who do not respond to capacity building efforts, will be terminated as per standard procedures.

Verification by FLA:

FLA staff reviewed the newly created corrective action plan format that focuses on joint creation of remediation and relying on root cause analysis of noncompliances. FLA staff also reviewed training materials and other documentation regarding management training aimed at preventing persistent noncompliance issues.

The FLA recommends additional training for management and workers at contract factories and expansion to include noncompliance issues related to freedom of association requirements and expectations.

6.3 Takes steps to prevent recurrence in other Applicable Facilities where such noncompliance may occur

Actions Taken:

Russell's approach to preventing noncompliances in its supply chain relies on the identification of root causes and the creation of the appropriate management systems. For factories that do not have appropriate management systems of their own and are willing to improve labor and workplace safety standards, Russell is focusing on training and education rather than purely on monitoring via factory audits.

Verification by FLA:

Russell uses audit result analysis to develop training for staff and suppliers to address the most pervasive forms of noncompliance. For example, based on results from audit reports, Russell is requiring contract facilities to put in place policies and procedures to support sustainable remediation. Similarly, based on audit results, Russell has developed Supplier Guidelines that address pervasive noncompliances in the supply chain. During the headquarters visit, FLA staff reviewed supportive documentation as well as documentation and information related to increasing capacity building for suppliers at owned/operated and contract facilities.

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:

On a quarterly basis, as requested by the FLA, Russell provides a full and accurate factory list to the FLA. At the beginning of the year the company provides access letters to the FLA.

Verification by FLA:

During the implementation period, Russell has consistently provided the FLA with up-to-date factory lists, access letters, and other documents required to conduct IEMs/IEVs, in the proper format and on time. FLA staff reports that there were no aborted audits during the implementation period resulting from missing or inaccurate information.

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

Actions Taken:

All FLA-applicable suppliers are informed of a possible FLA audit and receive a copy of the access letter provided to the FLA. The requirement of cooperation with FLA audits is included in the standard Code of Conduct factory monitoring operating procedures.

Verification by FLA:

FLA staff confirms that Russell suppliers have fully cooperated with FLA-accredited monitors conducting IEMs/IEVs. During the implementation period, all Russell suppliers subjected to an IEM/IEV provided unfettered access to FLA-accredited monitors.

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

Actions Taken:

Russell follows FLA directives regarding information/clarification requests arising from IEMs and follow-ups.

Verification by FLA:

Russell has promptly and consistently responded to FLA requests for information or clarification regarding IEMs/IEVs and follow-ups.

8. COLLECTS AND MANAGES COMPLIANCE INFORMATION

8.1 Maintains a database

Actions Taken:

The SRM system developed by Russell serves as a repository of compliance information.

Verification by FLA:

Russell uses the SRM database to collect and maintain all IEM findings, remediation plans and follow-ups. This was corroborated during a viewing of the database by the FLA in the Fall of 2010.

8.2 Generates up-to-date lists of its suppliers when required

Actions Taken:

Since information on all suppliers is maintained on the SRM system, up-to-date factories lists can be generated at any time. Russell's compliance staff works closely with the sourcing team to ensure that changes in factory status are promptly and accurately reflected in the SRM system.

Verification by FLA:

Russell has provided the FLA with updated factory lists when requested.

8.3 Analyzes compliance findings

Actions Taken:

Using the SRM system, Russell's compliance staff classifies noncompliance findings by factory, country and code element. The data is analyzed based on number, type and severity of violations and remediation progress gauged from one time period to another (e.g., quarter, year).

Verification by FLA:

The FLA has on file samples of analyses of noncompliance findings, root cause analyses and the progress and impact of remediation at the factory level (both for owned/operated and contracted suppliers) conducted by Russell.

8.4 Reports to the FLA on those activities

Actions Taken:

Russell provides details of all requested compliance analyses and activities to the FLA, including in annual reports to the FLA.

Verification by FLA:

The FLA has on file samples of reports generated by Russell analyzing compliance findings.

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:

Russell frequently engages with civil society organizations in supplier countries, among them:

- Honduras: 11 [CSOs]
- El Salvador: 5 [CSOs]
- Mexico: 3 [CSOs]

Verification by FLA:

During the implementation period, Russell has established and maintained working relationships with CSO stakeholders, particularly in the Americas and around labor conflicts.

In the context of two Third-Party Complaints regarding its operations in Honduras, Russell engaged with a broad array of CSO stakeholders during 2008-2010. As a result of the settlement of the complaints, Russell established a close working relationship with [CSO] in Honduras and with local unions.

The FLA encourages Russell to seek to establish and develop links with CSOs in other countries and regions of the world where its suppliers are located.

9.2 Consults knowledgeable local sources as part of its monitoring activities

Actions Taken:

Russell is in frequent communication with the [union] (legally-constituted union at Russell's facility in Honduras) to identify potential areas of noncompliance in Honduras and enhance communication between management and employees. Russell is also in communication with other stakeholders in Honduras.

Verification by FLA:

FLA staff confirms Russell's engagement with labor rights organizations and with CSOs in sourcing countries, particularly in Honduras, among them [CSO] in Honduras, [CSO] in El Salvador. Russell has also been in contact with international stakeholders such as the [CSOs]. Contacts with these organizations provide important inputs into Russell's labor monitoring. FLA observation of internal audits in China, Honduras and El Salvador revealed that monitors did not carry out pre-audit investigation or consultation with local CSOs.

FLA staff recommends that Russell require third-party monitors to conduct a pre-audit investigation and consultation with CSOs in order to gain better understanding of factory conditions by knowledgeable sources.

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:

Management of company owned/operated [factory] in Honduras meets regularly with union representatives to review employee and management concerns and resolve issues. At contract manufacturing facilities where legally constituted unions are present, Russell requires that monitors engage with trade union members to obtain feedback about working and labor conditions at their facilities and the compliance monitoring process in general.

Verification by FLA:

FLA staff confirms Russell's on-going communication with the union representing workers at [factory]. As of the time of the writing of this report, Russell management and [union] were engaged in the negotiation of a collective bargaining agreement that would govern labor-management relations at the factory.

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

Actions Taken:

Russell respects collective bargaining agreements. Monitors are instructed to take collective bargaining agreements into account in their activities and reporting.

Verification by FLA:

The FLA staff has verified that Russell's audit questionnaire for workers includes questions about the presence of unions or any other worker representation committee. FLA staff reviewed communications between third-party monitors and the company in which it was confirmed that freedom of association questions are included in every worker interview.

10. PAYS DUES AND MEETS ITS OTHER PROCEDURAL REQUIREMENTS

10.1 Pays annual dues

Actions Taken:

Russell has paid all dues for 2010.

Verification by FLA:

Russell is up to date on payment of its annual dues. Documentation is available at the FLA offices.

10.2 Pays IEM administrative and monitoring fees

Actions Taken:

Russell has paid all IEM fees for 2010 as invoiced.

Verification by FLA:

Russell is up to date on payment of all relevant IEM-related fees to the FLA. Documentation is available at the FLA offices.

10.3 Signs and honors required FLA contracts

Actions Taken:

Russell has signed the 2010 Monitoring Services Agreement and has honored it.

Verification by FLA:

The FLA confirms that Russell has signed and honored required FLA contracts.

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

Actions Taken:

Russell has submitted factory lists on time when requested (every quarter). The 2009 annual report was submitted on time as requested.

Verification by FLA:

The FLA confirms that Russell has submitted factory lists, annual reports and other required information on a timely basis.

CONCLUSION

Accreditation of Russell'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 Russell. To check an affiliate's accreditation status, visit www.fairlabor.org/accreditation.