TOP OF THE WORLD
ASSESSMENT FOR ACCREDITATION

February 2012
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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 Top of the World’s compliance program on February 19, 2012, 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.

TOP OF THE WORLD’S LABOR COMPLIANCE PROGRAM

Top of the World, LLC is a headwear manufacturing company, headquartered in Norman, Oklahoma. Products are sold through retail stores under the brand names Top of the World and Captivating Headgear. In addition to manufactured collegiate headwear, the company domestically enhances blank caps with collegiate and corporate logos. Top of the World holds licensing contracts with over 250 universities. The company has included the following brands as applicable brands under the FLA scope: Top of the World, Captivating Headgear, Anheuser Busch, Disney, Hard Rock and all brands and products produced under university licenses.

Top of the World first affiliated with the FLA as a Category C Licensee in April 2002. In April 2004, Top of the World requested affiliation with the FLA at the level of Participating Company (PC). The FLA Board of Directors approved the affiliation at such level with an implementation period of 3 years.

Top of the World’s labor compliance program has experienced important changes in terms of staffing and structure within the company since its affiliation with the FLA. At the time of affiliation as a PC, compliance responsibilities resided with the President and Vice President of Operations. Day-to-day management of compliance issues and FLA participation shifted for several years to a Compliance Officer, a full-time position created in May 2007. When that individual transferred to another department within the company, the Licensing Director
became the primary contact for compliance responsibilities. Since 2010, four Top of the World senior staff serve as primary contacts for corporate social responsibility within the company. The CEO directs the compliance program and leads engagement with civil society organizations (CSOs). Additional responsibilities are shared among the Licensing Director (university licensing, administration of FLA affiliation), Logistics Manager & Compliance Director (engagement with factory staff, logistics and internal monitoring) and the VP of Operations (training oversight). The company’s President directs orders and purchasing and adds his leverage to discussions with factory management. Top of the World also employs a part-time Compliance Field Representative in Bangladesh.

In February 2007, the FLA Board of Directors established a Working Group to analyze and make recommendations regarding the accreditation of small or low-revenue PCs (low-revenue PCs were defined as those with consolidated revenue under $300 million). The rationale for the establishment of the Working Group was that small or low-revenue PCs faced challenges in meeting all of the FLA company obligations 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 Top of the World’s labor compliance program follows the guidelines for low revenue PCs approved by the Board in October 2007.

The tables below describes Top of the World’s supply chain from 2004-2011, as reported to the FLA. Top of the World product is made primarily at two factories (one in Vietnam where approximately 85% of the company’s production takes place, and the other is in Bangladesh).
During these 8 years, Top of the World factories were subject to 7 unannounced Independent External Monitoring (IEM) visits conducted by FLA accredited independent external monitors. In 2008, Top of the World did not participate in the IEM program because of an aborted audit. Information on the results of the IEMs and the remediation undertaken by Top of the World in response to IEM findings are provided in FLA IEM reports online and discussed, as appropriate, in the next section.


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### TOP OF THE WORLD APPLICABLE FACILITIES AND IEMS, 2008-2011

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ANALYSIS OF TOP OF THE WORLD’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 Top of the World to the FLA verified through: (1) headquarter visits by FLA staff in July 2007, July 2010 and November 2011; (2) interactions with Top of the World representatives at meetings of the FLA Monitoring Committee and Board of Directors; (3) interviews with field staff in Bangladesh in August 2007; (4) shadowing of a company internal monitoring visit and Code of Conduct training in September 2007 (China) and an internal monitoring visit in July 2011 (Bangladesh); (5) information gathered via in-person and/or phone interviews, and/or email correspondence with Top of the World staff, monitors, factory management and other key stakeholders; and (6) analysis of results of IEMs and ensuing remediation.

1. ADOPTS AND COMMUNICATES A CODE

1.1 Formally adopts a code that meets or exceeds FLA standards

**Actions Taken:**

**Verification by FLA:**

FLA confirms that the company has revised its Code of Conduct in light of the 2011 revisions to the FLA Code of Conduct.

The company also utilizes the 2011 version of the FLA Compliance Benchmarks.

1.2 Informs all suppliers in writing

**Actions Taken:**
All supplier factories are advised of the Code and Top of the World requires that they follow the Code in order to do business with the company.

Each factory must return signed documents stating they understand and agree to follow the Code.

**Verification by FLA:**
During headquarter visits, FLA staff reviewed the welcome packet provided to Top of the World suppliers. The packet includes a copy of the company’s Code of Conduct and a supplier certification form, signed annually by suppliers.

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

**Actions Taken:**
The company Code of Conduct is posted prominently in all supplier facilities in the local languages of workers and management. Code posting is checked during audits and staff visits to the factories.

**Verification by FLA:**
FLA has on file translations of the Top of the World Code of Conduct in all applicable languages (English,
Mandarin, Vietnamese and Bengali). FLA staff viewed the Code of Conduct posted at the company headquarters’ on-site facility and has on file photos of the posted Codes of Conduct in appropriate languages at all Top of the World supplier factories. The company is in the process of communicating out the newly revised Top of the World Code of Conduct to all suppliers and has been keeping FLA staff apprised of the progress.

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

**Actions Taken:**
Each factory has training on a regular basis and the training covers the Code of Conduct, confidential reporting channels, health and safety, and other social compliance issues. Semi-annual employee training occurs in addition to training every two months for new employees.

**Verification by FLA:**
In 2007, FLA staff observed a Code of Conduct training in China by a Top of the World representative/internal auditor. The training was co-led by the factory general manager and human resources manager. The audience of the training included production managers, supervisors and worker representatives. FLA staff noted that the content of the trainings was sound but recommended that future trainings promote greater interaction between trainers and participants.

In the period from 2004-2011, five of a total of seven IEMs revealed that workers were unaware of their rights under the Code of Conduct. Top of the World has since provided supporting documentation that these noncompliances have been remediated and training has been provided. Through IEVs, the FLA was able to verify that Code awareness training at two factories has been conducted.

FLA staff has reviewed factory health and safety training materials and has on file copies of training schedules for Top of the World’s on-site facility as well as for factories in Vietnam and Bangladesh. A primary focus of Top of the World’s project with [CSO] at the Vietnam factory (described in sections below) is to increase worker awareness of their rights at work and communication with management.

FLA recommends further emphasis on training for workers to ensure that they are informed orally and educated at regular intervals.

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:**
As part of the welcome packet, Top of the World obtains written agreement from suppliers to submit to periodic inspections/audits (internal company audits and external audits). All suppliers agree to remediate noncompliances and to educate employees about the standards. Signed agreements from each supplier are on file at Top of the World headquarters.

**Verification by FLA:**
During headquarter visits, FLA staff verified that at the start of each year suppliers are asked to acknowledge receipt of the welcome packet and return a signed annual certification form to the company. Staff reviewed signed acknowledgment forms received from Top of the World suppliers. The welcome packet also includes letters describing the company’s relationship with the FLA and setting out that business is contingent on cooperation and compliance, that the factories may be subject to periodic inspections (including unannounced visits) and that the supplier shall post the Code of Conduct in the appropriate languages and in locations that are accessible to all employees. FLA has on file signed copies of all relevant documents from the Top of the World welcome packet.
2. TRAINS INTERNAL COMPLIANCE STAFF

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

Action Taken:
The following Top of the World senior staff persons have responsibilities related to the compliance program – the CEO, the VP of Operations, the Logistics Manager & Compliance Director, and the Licensing Director.

Top of the World also employs a part-time Compliance Field Representative in Bangladesh. The Compliance Field Representative serves as an internal monitor for Top of the World, conducting some initial audits though his focus is primarily on follow-up audits and verification of remediation. He reviews payroll, conducts health and safety inspections and fills a checklist provided to him by company headquarter staff. His role in developing remediation plans is limited.

Top of the World also contracts with [monitoring organization] to conduct monitoring visits for the internal monitoring program. [Monitoring organization] was chosen due to its status as a FLA accredited monitoring organization.

Verification by FLA:
From 2007 to 2011, FLA staff has conducted multiple interviews with all Top of the World senior staff with compliance-related responsibilities. FLA staff has reviewed job descriptions for key compliance staff.

In addition to key account sales and sourcing, the CEO is primarily responsible for the design and implementation of the company’s compliance program. He also has primary responsibility for the company’s outreach to CSOs.

The Logistics Manager & Compliance Director is responsible for a portion of the company’s internal auditing as well as the compliance database, factory relations, customs and sourcing issues.

The VP of Operations helps to coordinate internal monitoring and follow-through on FLA IEM visits. He also oversees training at the headquarter level.

The Licensing Director coordinates the compliance program with the CEO and factory staff and has been involved in communication with the FLA. He has been turning over more direct responsibility of the compliance program, including database management, to the Compliance Director.

Since May 2007, Top of the World has had a part-time Compliance Field Representative based in Bangladesh. The position reports to the Compliance Director. The position is designed to support the company’s compliance program and objectives in Bangladesh while providing a confidential noncompliance reporting channel for workers. The Compliance Field Representative is fluent in Bengali, English, Hindi and Urdu; prior to contracting with Top of the World his experience with compliance was related to the implementation of human resource software for leave and overtime and general knowledge of buyers’ compliance standards. He makes 1-2 unannounced visits per month to the 3 factories from which Top of the World sources in Bangladesh. The individual is expected to place special emphasis on the analysis of health and safety benchmarks and to participate in any relevant training. FLA staff has interviewed the Compliance Field Representative and has on record his resume as well as the position description.

The FLA is familiar with the [monitoring organization’s] auditors employed by Top of the World to conduct internal monitoring visits. [Monitoring organization] is a FLA accredited monitoring organization. FLA staff has observed the lead auditor from this organization successfully conduct audits on a number of occasions.

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

Action Taken:
Top of the World has engaged several monitoring companies to conduct training to its key staff. Most recently, Top of the World contracted with [monitoring organization] to conduct training in September 2010 on internal monitoring and interview techniques. The Top of the World CEO, President, VP of Operations, Compliance Director and Licensing Director attended.
Company staff has attended various training courses and meetings held by the FLA. The Compliance Field Representative keeps abreast of local issues in Bangladesh. The company relies on the Vietnam factory staff to do the same there. Top of the World staff covered local labor issues with [monitoring organization] during the 2010 training.

**Verification by FLA:**
FLA staff reviewed documentation and interviewed company staff to verify that in 2004, Top of the World participated in trainings conducted by [monitoring organization], and in 2005 and 2006 participated in trainings conducted by [monitoring organization]. These trainings were attended by the person then in place as the Compliance Officer as well as the Licensing Director and the VP of Operations.

During the observation of an internal monitoring visit in China in 2007, FLA staff noted that though the internal monitor’s performance was satisfactory in technical areas (health and safety issues, in particular), there were weaknesses in worker interviews. This concern was discussed with Top of the World officials during FLA headquarter visits and the Compliance Director (the company’s internal auditor) has taken further training. FLA staff reviewed materials from the 2009 and 2010 trainings provided by [monitoring organization] as verification of participation. The Compliance Director has also participated in the FLA’s recent trainings on the Sustainable Compliance Initiative (SCI). Third-party assessors for Top of the World have registered to attend the FLA’s SCI trainings in Q1 2012.

In accordance with FLA recommendations, the company Compliance Field Representative has focused on receiving more formal training. In November 2011, he attended a 5-day [monitor training] course.

FLA recommends that the company compliance staff sign up for list-servs, alerts and other free resources to remain up-to-date on changing labor conditions and laws in sourcing countries.

### 2.3 Updates that training at regular intervals

**Actions Taken:**
Company staff has attended trainings on an annual basis. Annual training seminars for internal compliance staff are required.

**Verification by FLA:**
FLA has reviewed the company’s yearly workplace standards compliance training schedule for headquarter staff.

### 3. PROVIDES EMPLOYEES WITH CONFIDENTIAL REPORTING CHANNELS

#### 3.1 Encourages the establishment of grievance procedures at supplier facilities

**Actions Taken:**
Top of the World encourages factories to establish grievance procedures as well as a worker committees in order to handle and reduce grievances.

Suggestion boxes are available to workers. Factory staff contact information is available, along with local trade union contact information, where appropriate.

Top of the World has worked with [CSO] in Vietnam on enhancing worker-management communication.

**Verification by FLA:**
FLA staff has reviewed the complaint resolution procedure for the Top of the World headquarter staff and interviewed staff responsible for responding to complaints at the on-site facility.

Top of the World has focused efforts related to grievance mechanisms at the facility in Vietnam, where 85% of the production is placed. FLA staff has reviewed the grievance procedure (covering hotline and suggestion box) for the factory in Vietnam. The Vietnam factory’s procedure includes an opportunity for workers to submit complaints anonymously, an investigation period, a step for meeting with trade union representatives, communication with various factory departments, and resolution. FLA staff has on file the list of complaints
raised by workers in the Vietnam factory in 2009 (5) and 2010 (7). The complaint records include the date of receipt, the method of receipt, the position of the complainant, the issue, solution, and date of resolution. The grievances raised were related to food quality, verbal harassment, bonuses and benefits.

In Vietnam, Top of the World has developed a partnership with a [CSO]. They have designed and executed a project in 2011 with 3 goals: (1) build trust between workers and management; (2) improve supervisors’ skills in handling work situations; and (3) create an open working environment where workers can raise suggestions. FLA staff has received report updates on this project and reviewed documentation, including communication leaflets and bulletin boards for workers, competitions for workers to propose solutions to workplace issues, results of self-assessments taken by supervisors and project evaluations.

FLA staff recommends extending lessons and principles learned from the project in the Vietnam factory so that they may be utilized with other suppliers. FLA staff recommends further worker awareness training on grievance mechanisms at the Bangladesh suppliers and encourages the expansion of such trainings to the supplier in China. (One of the suppliers in China is a Participating Supplier with the FLA and, as such, has primary responsibility for this obligation). FLA staff also recommends the use of management self-assessment tools available through the FLA to assess grievance procedures in the supply chain.

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

**Actions Taken:**
Top of the World provides each supplier with an email address so that workers can contact the company with grievances, if necessary. Instructions are posted in English and the local languages. Employees are trained on the complaint mechanisms during initial orientation when they are hired as well as during annual compliance training.

In 2010, Top of the World compliance staff received a total of 12 complaints (from the factory in Vietnam, two factories in Bangladesh and the company headquarter facility combined). Top of the World compliance and human resource departments document the grievance process. All matters are handled by Top of the World human resources staff in a confidential manner. Other staff members may be interviewed as necessary, as well as the worker who submitted the complaint to protect their anonymity, when necessary.

**Verification by FLA:**
In a Bangladesh factory that received an IEM in 2005, monitors found that no confidential reporting mechanism was available to workers. The same finding arose during the FLA verifications at this facility in 2007 and 2009. The company has since reported to the FLA that a communication channel has been created and communicated to workers and submitted photos to the FLA documenting that the channel has now been communicated to workers. FLA has on file copies of the worker confidential reporting channel poster in Bengali. The local contact information provided is of Top of the World’s part-time Compliance Field Representative in Dhaka – his name, email and phone number are listed. Workers are also invited to send an email directly to the Top of the World headquarters. During an observation in July 2011 in Bangladesh, FLA staff noted that the contact information for this individual was not posted in the factory. This was brought to the attention of Top of the World and is now corrected. An IEM conducted later in 2011 in Bangladesh verified that the Top of the World communication channel had been made available to workers.

The FLA recommends further training for workers on the grievance mechanisms available to them in the factory, including the opportunity to raise a complaint with the Top of the World local representative in Bangladesh. FLA staff has reviewed plans with a third-party monitor in Bangladesh to distribute laminated leaflets with the Code of Conduct and confidential reporting mechanism.

In the 2006 IEM in China monitors found that no confidential noncompliance reporting mechanism was available to workers. The company has since submitted photos and training records to indicate that the channel has been created and communicated to workers.

FLA staff has on file copies of the confidential reporting mechanism (email address to Top of the World headquarters) available to workers at the factory in Vietnam.
The FLA has reviewed the company’s plans to engage [CSO] to receive confidential grievances from workers. The FLA recommends a similar approach for workers at the China facility. The FLA recommends that the person that accepts complaints there be trained to receive the information in a confidential manner, document them, communicate a non-retaliation policy, and track follow-up on the complaint.

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

**Actions Taken:**
All employees at the on-site facility are protected from repercussions for the submission of grievances/concerns, per company policy. If reprisal occurs, the manager or supervisor is disciplined and possibly terminated, if allegations of reprisal are found to be true.

Workers at overseas suppliers are protected by company policy which has been reinforced in discussions with factory staff and workers. Top of the World compliance staff confirm with factory management that punishment is not permitted if and when workers raise concerns.

**Verification by FLA:**
FLA staff has reviewed Top of the World’s policy that the name of the worker will be kept in strict confidence and only the subject matter of the complaint or comment will be brought to the attention of factory management in order to resolve the issue.

FLA staff recommends continued training for all workers, supervisors, and factory management on the security of the channel and reinforcement of the principle that retaliation is not acceptable.

### 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:**
Top of the World audits one-third of its supplier base annually. Prior to conducting the audit, the company sends out a pre-audit questionnaire to factory management. The company alternates in conducting audits annually at the company’s two main suppliers in Vietnam and Bangladesh as well as regular audits to the supplier in China. Follow-up visits are conducted as needed. The factories in Bangladesh are visited (one supplier per month) by the Compliance Field Representative.

Top of the World created an audit instrument based on the FLA’s tool along with elements from [monitoring organization] audit tool.

Auditors conduct worker interviews, records reviews and health and safety reviews as part of their monitoring methodology. Worker interviews are vital to the monitoring procedure. Top of the World continues to use FLA guidance as well as guidance of third-party monitors in order to develop and refine auditing tools and practices.

Code of Conduct elements are used as a guideline for the monitoring visits. IEMs and corrective action plans are also used as guides for previous noncompliance issues that should be addressed and checked. Fifty percent of audits are unannounced.

**Verification by FLA:**
FLA staff has reviewed completed copies of the pre-audit questionnaire issued to factory management. The pre-audit profile covers all Code of Conduct elements.

During headquarters visits, FLA staff has reviewed completed audit instruments and interviewed staff on monitoring methodology. Documents and interviews confirm that internal audits are conducted by [monitoring organization], occasionally by other third-party monitors as well as by the Top of the World Compliance Director. Internal audits have been conducted at all suppliers, including the on-site facility at company headquarters. The senior company staff with compliance responsibilities meets regularly to discuss factory compliance and progress.
on remediation; there is open dialogue and a readiness to strategize on future monitoring activities (e.g. planning another follow-up visits).

As verified through headquarter visits, the Top of the World compliance team follows certain steps in its internal monitoring program:

1. Analysis of noncompliances to develop risk assessments, determine the audit schedule and identify whether an announced or unannounced audit shall be conducted
2. Pre-audit questionnaire (management self-assessment)
3. Internal audit
4. Post-audit meeting by compliance staff and creation of the remediation plan
5. Remediation steps communicated to all relevant parties and timeline established with factory to ensure completion
6. Implementation of training programs, as necessary
7. Post-audit verification visit
8. Follow-up communication, including on training and CSO engagement, as applicable

FLA staff observed an audit at a factory in China in 2007. The audit was conducted by the company’s internal auditor (now the Compliance Director). The audit spanned one and a half days and included the following activities: a meeting with the factory’s owner, an on-site meeting with senior factory management, a factory walkthrough and worker interviews. The internal auditor verified the progress of remediation from the previous year’s IEM at that location. The internal monitor was complete and thorough in his observations and provided guidance to management on how to manage health and safety risks in the factory. FLA staff noted some challenges in conducting worker interviews due to language and cultural differences. The Compliance Director has since participated in trainings on auditing, including the FLA’s SCI training in early 2012.

FLA staff observed an audit conducted by [monitoring organization] at a factory in Bangladesh in 2011. During this observation, and as verified through interviews with the local company representative and the third-party monitoring firm, the auditor was not instructed to use Top of the World’s reporting method and instead used that of [monitoring organization]. FLA staff recommends clarifying the method of audit reporting to be used by every monitor (internal and third-party). The company plans to implement SCI tools and methodology beginning 2012 for all internal monitoring.

One of the factories that Top of the World contracts with is operated by a FLA Participating Supplier. This supplier is primarily responsible for internal monitoring of its facility.

FLA encourages the company to continue to partner with other companies sourcing from the same factories to cut down on audit fatigue and maximize leverage.

4.2 Collects, verifies and quantifies compliance with workplace standards

**Actions Taken:**
Top of the World provides the supplier with a written description of the findings. All audit results are maintained in a central electronic filing system at company headquarters. Supporting photos, documents, policies, procedures and communications are saved there.

**Verification by FLA:**
During headquarter visits, FLA staff observed the compliance program’s record-keeping and tracking systems. The company now uses a central shared filing system to collect all compliance-related information.

FLA staff has verified that the company requests and files supporting evidence that remediation plans are being implemented. Company compliance staff readily sends verification to FLA staff upon request.

The company plans to implement the SCI approach in its internal monitoring program and to take advantage of the quantitative analysis that will then be available.
4.3 Analyzes the monitoring results and implements remediation plans to address noncompliance issues

**Actions Taken:**
Top of the World compliance staff works with factory management to develop corrective action plans for every finding.

**Verification by FLA:**
During headquarter visits and through interviews with staff and factory management, FLA has verified that the company works with factory management to develop and implement remediation plans that address the noncompliances raised.

4.4 Tracks the progress of remediation

**Actions Taken:**
Top of the World tracks the progress of each supplier as they complete remediation.

Top of the World staff has email communication with factory staff on file and updates the central database regularly.

**Verification by FLA:**
During headquarter visits, FLA staff has reviewed remediation plans for the company’s internal monitoring program and confirms that the company has made significant strides in ensuring that remediation is implemented. FLA staff interviewed the Vietnam factory manager and confirmed the company’s practice of regular calls and communication to follow through on remediation plans. FLA staff reviewed evidence on file at company headquarters indicating progress of remediation. FLA staff interviewed compliance personnel on their efforts to mark progress. The company has provided up-to-date information on the progress of remediation for all IEMs and IEVs.

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:**
Top of the World works with suppliers to remediate all noncompliances.

Top of the World compliance staff create corrective action plans based on each audit. The remediation plans, including details and timelines, are discussed with factory staff.

The company works with suppliers on the remediation plans as soon as possible after receiving the audit information. The company has open and frequent communication with the main supplier in Vietnam.

**Verification by FLA:**
Over the years, the FLA has observed (through staff interviews, interviews with factory management, and copies of communication between parties) that Top of the World has long-standing relationships with its suppliers and good working relationships with factory management. The company leverages its influence with factories, positively impacting remediation of noncompliances.

As verified with staff in 2007, the Compliance Officer received information and the status of remediation plans from the Compliance Field Representative in Bangladesh. The Compliance Officer prioritized the issues and communicated directly with the factory manager on remediation and next steps. The factory responded with agreements and timelines for implementation. During the subsequent visit to the factory, the Compliance Field Representative checked on such implementation.

During subsequent visits to company headquarters, FLA staff reviewed email communication between company staff and suppliers outlining remediation plans. In an interview with the owner of the Vietnamese supplier, FLA...
staff confirmed that the company quickly contacts the supplier if a noncompliance arises during an audit and works with the supplier to address the issue.

As an example of remediation agreed upon by factory and company, during the 2009 IEV at a factory in Bangladesh (observed by FLA staff) monitors saw a child on the factory premises. The orphan whose uncle worked on the premises had no other care and so was on-site. Top of the World worked swiftly to address this issue with factory management. In addition to taking steps to care for the financial and employment situation of the uncle, the schooling and well-being of the specific child, and the refurbishment and maintenance of the on-site childcare facility, Top of the World hired [monitoring organization] to implement a training program and a re-evaluation of the factory.

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

**Actions Taken:**
A remediation plan is issued to each supplier following an audit. Progress is tracked through to completion.

**Verification by FLA:**
FLA staff has reviewed email correspondence between factories and company staff with remediation plans. FLA staff has observed considerable improvement in the development of remediation plans and tracking of remediation plans through to completion.

FLA staff recommends continued emphasis on creating corrective action plans that address root causes and that seek to prevent recurrence of the noncompliances.

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:**
Top of the World has made progress on this objective and now submits remediation plans within 60 days.

**Verification by FLA:**
Though there have been delays historically in receiving remediation plans from the company, the FLA confirms that Top of the World’s remediation plans for IEMs since 2009 have been received within the 60 day period.

5.4 Confirms the completion of remediation

**Actions Taken:**
Updates on remediation plans are recorded in the company’s database. Updates to IEM corrective action plans are updated with the FLA.

**Verification by FLA:**
FLA staff reviewed communication and meeting agenda records from visits between company staff and factory representatives that show that the company follows up to receive updates on remediation implementation. Company staff request, receive and file evidence of implementation.

5.5 Conditions future business with contractors and suppliers upon compliance standards

**Actions Taken:**
Top of the World begins all relationships with new factories with a welcome packet which outlines the company’s participation in the FLA.

Top of the World has included contract language conditioning business on compliance with the Code of Conduct.
In 2010, Top of the World placed small, test orders with 3 new factories. At the beginning of the business relationship, Top of the World discussed each company's compliance goals and confirmed that the potential suppliers had shared objectives. Top of the World asked for factory audit information as a condition of doing business. Orders were placed to test which would be best suited for future business in terms of Code compliance, product quality and delivery.

During annual meetings, the company representatives discuss past assessments and future compliance-related goals with suppliers.

**Verification by FLA:**

Through interviews with company staff, FLA confirmed that the message of conditioning future business with suppliers upon compliance standards is communicated to factory management.

Top of the World has long-standing relationships with several suppliers. For example, Top of the World executives have worked with the owner of a factory in Vietnam for over 20 years and have excellent communication. In an interview with the factory manager, FLA staff verified that the commitment to compliance was shared and that the factory and company have worked for many years on developing new initiatives in the factory that will benefit workers in a sustainable and meaningful manner.

During a headquarter visit (2010) and through phone calls, Top of the World indicated that it has considered withdrawing from one its suppliers in Bangladesh due to the factory’s lack of commitment and progress on compliance issues. The factory remains on the factory list at present.

### 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:**

Top of the World has analyzed systemic noncompliances in its factories and sought out the root-causes. Persistent findings include:

1. **Overtime** – The company has seen overtime hours especially during May, June, July and August. The company continues to plan purchase order placement earlier in the production season to help alleviate the necessity of overtime hours. Steps taken to prevent noncompliances on hours of work include, but are not limited to, scheduling enhancements, extending production timelines, the addition of new test factories to help disperse the workload during peak seasons, and cross-training for employees.

2. **Noise Reduction** – This issue was common in audits but is also an area where the company has seen improvements.

3. **Health & Safety** – The company has had ongoing concerns with a factory in Bangladesh and has set up a plan for the factory to address all health and safety issues in 2011 and 2012. The factory understands that future business is contingent on improvement.

4. **Worker/Management Communication** – In Vietnam, the company has worked with a local CSO and trade union officials and worker representatives to address concerns over benefits for meal and travel allowances. Top of the World and the local CSO have worked on a project to improve worker-management dialogue at the factory.

**Verification by FLA:**

Peak seasons are part of the nature of hat production for the collegiate market. As discussed with FLA staff, the company has looked into the root causes of this issue and experimented with ways to alleviate the pressure on the factory and workers. During headquarter visits, reviews of company/supplier meeting minutes, and interviews with the factory manager in Vietnam, FLA staff confirm that company senior staff and factory managers work together to address persistent and/or serious forms of noncompliance, such as excessive overtime hours. In the 2006 IEM at the factory in China, the monitor uncovered two findings related to overtime. Top of the World developed a remediation plan with another FLA company and they have provided updates to the FLA which indicate that the excessive working hours have diminished. In the interview with the factory manager in Vietnam, FLA staff again heard accounts of the various efforts taken by both company and factory to address overtime hours.
During the walkthrough of the onsite facility, FLA staff shared best practices related to noise reduction in the embroidery department, a persistent challenge.

During the 2010 headquarter visit FLA staff discussed ongoing concerns with health and safety issues in Bangladesh factories and received an update on progress during the 2011 headquarter visit.

FLA staff has reviewed the [CSO] project materials related to worker-management communication. The project details are described elsewhere in this report.

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

**Actions Taken:**
The company has considerable leverage with the factory in Vietnam due to the volume of orders there. When the factory was opened, one of the primary goals was to develop a mature compliance program as the factory owner wants the factory to be a model on worker conditions, quality, and delivery.

**Verification by FLA:**
As noted during the 2009 IEM in Vietnam, the FLA considers there to be an automatic noncompliance regarding Freedom of Association in all IEMs in that country. Nevertheless, Top of the World has partnered with a CSO in Vietnam on a project to improve worker-management dialogue in the factory in Vietnam. Top of the World provided FLA staff with evidence of how the factory management works with trade union representatives to address worker grievances.

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

**Actions Taken:**
Top of the World headquarter policies are at times used as guides for factory policies, where applicable.

**Verification by FLA:**
FLA staff recommends that Top of the World considers how the learnings from the company’s engagement with [CSO] may be shared with other suppliers.

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:**
Top of the World supplies the FLA with up-to-date factory information, access letters and all other IEM related documents.

**Verification by FLA:**
FLA staff confirms that the company provides the FLA with accurate, up-to-date factory lists, access letters and other IEM related documentation.

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

**Actions Taken:**
Top of the World requires all suppliers to sign an acknowledgement that they may be subject to FLA IEMs.

**Verification by FLA:**
Top of the World has participated in the IEM program in 2004, 2005, 2006, 2007, 2009, 2010 and 2011. In 2008 the company had an aborted audit and did not participate in the IEM program. According to the FLA’s IEM Procedures, the company should have had one verification audit that year. A factory was selected and monitors arrived at the factory. The monitors were denied access to the facility as factory management indicated that all production had been shifted to another Top of the World supplier in Vietnam. The FLA had not been informed of
FLA staff has on file copies of signed acknowledgment forms from suppliers indicating that they may be subject to FLA IEMs.

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

**Actions Taken:**
Top of the World staff cooperate with all FLA requests for information, clarification and follow-up in the IEM process.

**Verification by FLA:**
Over the course of the company’s affiliation with the FLA, this has been an area of improvement. FLA staff has recognized an increased response rate as well as an increase in the frequency and depth of communication with FLA staff in relation to the IEM program. Top of the World staff now respond promptly and completely to all requests for information, clarification and follow-up.

8. COLLECTS AND MANAGES COMPLIANCE INFORMATION

8.1 Maintains a database

**Actions Taken:**
Top of the World maintains a central database for all factory and compliance information. Senior staff has access to all compliance-related information.

**Verification by FLA:**
At the time of the 2007 headquarters visit, Top of the World had created an Excel-based database for compliance information and individual violations were being entered into the system. By the time of the 2010 headquarters visit, the compliance database was more complete. During the 2011 headquarters visit, FLA staff verified that the central compliance database was fully functional, up-to-date and accessible by all relevant company staff.

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

**Actions Taken:**
The company keeps an up-to-date list of suppliers at all times.

**Verification by FLA:**
FLA staff confirms that Top of the World is able to generate an up-to-date list of its suppliers, whenever required.

8.3 Analyzes compliance findings

**Actions Taken:**
Top of the World’s database allows for basic analysis of compliance findings for all audits at supplier facilities.

**Verification by FLA:**
The company sources from few suppliers and analyzes trends where possible. Further analysis of compliance information and findings may be possible through the SCI approach that the company will adopt in 2012.

8.4 Reports to the FLA on those activities

**Actions Taken:**
Top of the World reports on its compliance activities through IEM reports, internal audits, and the annual public report. Top of the World also regularly contacts the FLA to discuss complex remediation issues or to get input on draft documents or new initiatives.
**Verification by FLA:**
Top of the World has regularly submitted annual reports. The reports include information on the compliance activities from the year. FLA staff has regular calls and email exchanges with Top of the World staff whereby the company keeps the FLA up-to-date on initiatives.

### 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:**
In late 2010, Top of the World began a working relationship with [CSO], a non-governmental organization in Vietnam. The initial goal of the partnership was to help build trust and communication between workers and management at a supplier facility. The project included meetings with management, survey interviews with workers and meetings with stakeholders such as Top of the World representatives, factory representatives, factory manager, and worker representatives.

The in-country field representative in Bangladesh consults with local organizations.

**Verification by FLA:**
At the time of the 2007 and 2010 headquarter visits there was no evidence of consultations with CSOs in sourcing countries. Since then, Top of the World has conducted civil society outreach in Vietnam in relation to the factory that represents over 85% of the company’s production.

FLA staff reviewed the proposal for the [CSO] project, received phone updates on implementation and interviewed the factory manager on the project’s effectiveness and next steps. During the 2011 headquarter visit, FLA staff was updated on the project and draft plans for a subsequent phase. The successes of the project include the involvement of workers in addressing workplace concerns (with awards to those with the best solutions), regular communication to workers about workplace issues, and training to supervisors on effective worker-management communication.

The in-country field representative’s consultations with Bangladesh CSOs could not be verified during the FLA observation.

#### 9.2 Consults knowledgeable local sources as part of its monitoring activities

**Actions Taken:**
Top of the World consults with monitoring organizations with local staff as part of its compliance program.

**Verification by FLA:**
During the observations of internal monitoring activities in 2007 (China), the Top of the World representative/internal monitor did not consult knowledgeable local sources as part of its monitoring activities. During the internal monitoring visit observed by FLA staff in 2011 (Bangladesh), the third-party monitors did no pre-audit consultation with CSOs.

FLA recommends consulting with local sources as a regular part of the company’s internal monitoring activities.

During the headquarter visit, FLA staff noted that company staff remain up-to-date on changes in local labor conditions through their engagement with monitoring organizations such as [monitoring organization] and [monitoring organization].

#### 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:**
Top of the World uses an audit instrument that verifies the existence of unions as part of the audit process.

**Verification by FLA:**
Union representatives have been consulted and involved in the execution of the [CSO] project in Top of the World’s supplier in Vietnam.

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

**Actions Taken:**
Top of the World does not currently source from any factories with a collective bargaining agreement (CBA). Top of the World uses audit tools that check if a CBA is in place.

**Verification by FLA:**
The FLA confirms that the audit instrument used by Top of the World asks questions about CBAs.

10. **PAYS DUES AND MEETS ITS OTHER PROCEDURAL REQUIREMENTS**

10.1 Pays annual dues

**Actions Taken:**
Top of the World has paid its annual dues to the FLA.

**Verification by FLA:**
Top of the World is up-to-date on its annual dues. Documentation is available at FLA headquarters.

10.2 Pays IEM administrative and monitoring fees

**Actions Taken:**
Top of the World is up-to-date on all relevant fees to the FLA.

**Verification by FLA:**
Top of the World has paid all relevant dues and fees to the FLA. Documentation is available at FLA headquarters.

10.3 Signs and honors required FLA contracts

**Actions Taken:**
Top of the World has signed and honored required FLA contracts.

**Verification by FLA:**
The FLA confirms that Top of the World 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:**
Top of the World submits factory lists, annual reports and all requested information in a complete and timely manner.

**Verification by FLA:**
The FLA confirms Top of the World has submitted factory lists and annual reports in complete form and in a timely manner. This is an area of improvement over the course of the company’s affiliation with the FLA.
CONCLUSION

Accreditation of Top of the World’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 Top of the World. To check an affiliate’s accreditation status, visit www.fairlabor.org/accreditation.