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Vetta takes its licensing directors from seven universities and one licensing agency representative to Vietnam to visit its largest strategic supplier.
INTRODUCTION

In October 2018, the FLA Board of Directors approved Vetta for accreditation; this report provides an assessment of the labor compliance program of Vetta, LLC and concludes with a recommendation to the FLA Board of Directors regarding the accreditation of the company’s program. When joining the FLA, Participating Companies and Participating Suppliers commit to implementing the FLA Workplace Code of Conduct, which ensures “respectful and ethical treatment of workers” and “promotes sustainable conditions through which workers earn fair wages in safe and healthy workplaces.” The Principles of Fair Labor and Responsible Sourcing / Production (“Principles”) serve as the bedrock upon which Participating Companies and Participating Suppliers are assessed towards an accreditation of their labor compliance program. Participating Companies and Participating Suppliers with accredited compliance programs have demonstrated that they have the systems and procedures in place needed to successfully uphold fair labor standards throughout their supply chains.

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

1) **Affiliate Headquarters Assessment**: Assessments at headquarters and field offices to interview staff involved in compliance and in other functions, and to review documentation, processes, and database capabilities. In some cases, the offices of agents are visited as well. In countries where the FLA is not able to conduct in-person assessments, interviews are conducted by phone with company staff involved in compliance and in other functions.

2) **FLA Factory-Level Assessments**: Independent External Monitoring (IEM), Independent External Verification (IEV), and Sustainable Compliance Initiative (SCI) assessments are all sources of information on compliance issues and remediation efforts.

3) **Annual Reports**: Affiliate reports for each year of implementation provide data on the evolution of an affiliate’s compliance program in line with FLA Principles.

4) **FLA Third Party Complaints**: Where relevant, an affiliate’s involvement in, and responsiveness to, FLA Third Party Complaints provide additional insight into compliance programs and remediation strategies.

5) **FLA Strategic Projects**: Where relevant, an affiliate’s participation in FLA Strategic Projects provides opportunities to learn about the affiliate’s compliance strategies for detecting and remediating complex issues.

6) **Observation**: Wherever possible, FLA staff accompanied affiliate compliance staff on internal audits, training sessions or remediation visits.

7) **Routine Interactions**: Information on the affiliate’s compliance program has also been collected through discussions and interactions with affiliate compliance staff in the course of each year’s program. Exchanges with civil society organizations and other stakeholders interacting with the affiliate provide additional perspective.
## SECTION 1: VETTA COMPANY AFFILIATE OVERVIEW

<table>
<thead>
<tr>
<th>Name of Company</th>
<th>Vetta, LLC</th>
<th>Category</th>
<th>Participating Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>Fowlerville, MI; Webberville, MI; Norman, OK; Columbus, OH; Hong Kong</td>
<td>Product/s</td>
<td>Apparel, Headwear</td>
</tr>
<tr>
<td>Current Number of Applicable Facilities</td>
<td>51</td>
<td>FLA Affiliation Month/Year</td>
<td>October 2013</td>
</tr>
<tr>
<td></td>
<td><strong>End of Implementation Period</strong></td>
<td></td>
<td>October 2018</td>
</tr>
</tbody>
</table>
| FLA Accreditation Lead/Support | Co-Leads: Jeff Sybertz (Accountability Associate); Tiffany Rogers (Business Accountability Program Manager) | Unique Company Characteristics | 1) Prior to the merge of J. America and Top of the World, both brands were FLA Participating Companies. Top of the World affiliated in 2004 and was accredited in February 2012; J. America affiliated in 2013 and was pursuing accreditation at the time of the merger.  
2) Vetta has licenses with over 700 schools across the country, including a lead license agreement with The Ohio State University and the University of Kentucky and a headwear lead license agreement with the University of Florida and the University of Oklahoma. Vetta also has a wholesale blanks division which sells J.America labeled apparel primarily to distributors, such as S&S and Alphabroder. |
| Summary of Key Strengths | 1) Prioritized centralization of the management of the corporate social responsibility (CSR) program after the merger of J. America and Top of the World and a top management commitment and accountability to uphold workplace standards;  
2) Comprehensive and regular training on Vetta's Code of Conduct, Workplace Standards and Responsible Purchasing Practices for key headquarters and regional office staff;  
3) Implementation of a supplemental audit tool to ensure that Vetta’s standards are being upheld throughout the supply chain, regardless of varying licensor audit standards;  
4) Implementation of worker engagement programs in strategic factories through worker surveys, focus groups, and confidential reporting channels;  
5) Collection and analysis of workers’ compensation data using the FLA’s Fair Compensation Toolkit; and  
6) Targeted civil society engagement based on social audit data in key sourcing countries. |
| Summary of Key Suggestions for Strengthening | 1) Continue to ensure workers have access to functioning grievance mechanisms;  
2) Continue to ensure that all third-party auditors are implementing Vetta’s monitoring procedures, and analyze trends and remediation progress of findings from Vetta’s supplemental audit tool;  
3) Analysis of compensation data while piloting solutions so that workers can receive a level of compensation that meets basic needs and provides some discretionary income;  
4) Continue to implement accountability mechanisms and training on responsible purchasing practices;  
5) Continue to facilitate root cause analysis with suppliers and service providers to ensure effective remediation plans are implemented; and  
6) Continue to engage with civil society organizations in other high-risk countries. |
Vetta, LLC (Vetta) was formed in January 2017 and serves as the parent company of J. America, LLC and Top of the World, LLC. The merger between J. America and Top of the World brings together two brands with complementary supply chains in the collegiate market and the wholesale blanks industry. Prior to the merger, Top of the World was a supplier of licensed collegiate headwear in the U.S. and J. America provided licensed and blank apparel. Vetta’s Brands have over 30 years of experience in the headwear and apparel industry and source from 51 factories, primarily in China and Vietnam. Both brands were FLA Participating Companies prior to the merger: Top of the World joined the FLA in 2004 and achieved accreditation in 2012, while J. America affiliated as a PC in 2013, selecting a 5-year implementation period, and was actively pursuing accreditation at the time of the merger. Prior to 2013, J. America was an FLA Category B Licensee.

Following the announcement of the merger, the FLA provided comprehensive recommendations to centralize the two social compliance programs for an accreditation of Vetta’s program, noting the strengths and weaknesses in both brands’ programs. The FLA noted the challenges relating to acquisitions of various brands, specifically with respect to social compliance programs, and commends Vetta’s prioritization of the social compliance program centralization process through the merger. Although J. America and Top of the World had complementary supply chains, many of the corporate functions have remained fairly decentralized. The Compliance Team has helped bring together the different teams and develop standards across the business.

The Vetta merger offers clients and licensors a “one-stop solution” for headwear and apparel, a growing trend for collegiate licensing companies in the apparel industry. Using the product strengths of each brand, Vetta is split into two business divisions: Top of the World representing the licensing business in headwear and apparel and J. America representing the wholesale blanks division. Top of the World now has licenses with over 700 schools across the country, including a lead license agreement with The Ohio State University and the University of Kentucky and a headwear lead license agreement with the University of Florida and the University of Oklahoma. Top of the World also has the exclusive U.S. wholesale rights for all adult John Deere headwear and apparel. Given Vetta’s business model, it is subject to a number of licensor audit requirements, including those of Disney, Vanity Fair, WalMart, and Fruit of the Loom.

Following the merger, Vetta appointed the Vice President (VP) of Marketing and Licensing from Top of the World to oversee the social compliance program and J. America’s CSR Manager to implement the program. A dedicated CSR Field Analyst in Hong Kong reports directly to the U.S.-based CSR Manager and is responsible for verification audits, compliance training, on-site visits, and remediation. Vetta has regularly attended FLA events and has remained engaged with the FLA throughout the merger process. Vetta’s VP of Marketing and Licensing represented the FLA’s Business Caucus in the University Principles Working Group; Vetta’s CSR Manager was part of the FLA’s Fair Compensation Practitioner’s Working Group. The company has made significant progress in strengthening the social compliance programs of J. America and Top of the World through the accreditation process. While there are areas for improvement to ensure consistency between the two divisions, Vetta has shown it is able to improve its implementation of the FLA Principles while merging the two businesses.
SECTION 2: VETTA SUPPLY CHAIN & FLA DUE DILIGENCE ACTIVITIES FROM 2013-2018

The above map shows Vetta’s sourcing countries in 2018 and the range of factories in each highlighted country. It shows Top of the World’s SCI Assessments following its accreditation in 2012 and J. America’s SCI Assessments following its affiliation as a Participating Company¹. Vetta sources from China, the United States, Vietnam, Pakistan, India, and Bangladesh and has a total of 51 applicable suppliers in its FLA scope. From 2013 to 2017, Vetta, Top of the World, and J. America received nine SCI Assessments in China, Vietnam, and Pakistan. FLA staff conducted two field observations of Vetta’s audits, one in 2016 in China and the other in 2018 in the U.S., and conducted a headquarters assessment in the U.S. in 2017.

¹ This map does not include IEMs from J. America’s affiliation with the FLA as a Category B or C Licensee.
SECTION 3: ANALYSIS OF VETTA’S LABOR COMPLIANCE PROGRAM FOR ACCREDITATION

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

1) An assessment at Vetta’s headquarters conducted by FLA staff in October 2017;
2) Information gathered in person, via phone interviews, and through email correspondence with Vetta staff;
3) Documentation review of supporting evidence submitted by Vetta;
4) Field observations of two factory-level assessments in China and the U.S.;
5) Results of FLA Independent External Assessments at Vetta’s applicable facilities conducted by FLA assessors and accredited service providers; and
6) Communication with stakeholders.

PRINCIPLE 1: WORKPLACE STANDARDS

Workplace Standards & Top Management Commitment
Vetta’s Code of Conduct is fully aligned with the FLA’s Code of Conduct and Vetta has adopted the FLA’s Compliance Benchmarks. Moreover, Vetta’s Code provides additional standards on grievance mechanisms and subcontracting. Vetta’s Code also includes the name and contact information for Vetta Brand’s CSR Manager, CSR Field Analyst, and local phone numbers in China, Vietnam, and Bangladesh as a confidential reporting channel. Throughout the merger and the accreditation process, the FLA has recognized Vetta’s top management commitment as a strength of the program. Management’s commitment to a centralized social compliance team ensures that Vetta’s workplace standards are upheld throughout the entire supply chain.

Vetta holds a quarterly CSR Committee meeting that involves senior leadership, including the CEO, the COO, the CFO, the presidents of its business divisions, the VP of Licensing, and the VP of Sourcing. During these meetings, the CSR Manager reviews the CSR program, training updates, supply chain overview, top supplier issues, aggregate level audit data, special projects, industry updates, and projects with factories to address systemic noncompliances. The FLA’s President, Director of Accountability, Business Accountability Program Manager, and Accountability Associate joined one of these calls to review Vetta’s accreditation progress with top management and to review the updates in implementing the FLA Principles from the CSR Manager.

The Vetta website has a section devoted to CSR which includes Vetta’s commitment to uphold the Workplace Code of Conduct, along with other CSR initiatives. As a best practice, the FLA recommends that Vetta continue to increase public reporting to further communicate Vetta’s CSR program and commitment to uphold workplace standards in the Vetta supply chain.

PRINCIPLE 2: RESPONSIBILITY & HEAD OFFICE TRAINING

Staff Responsibility for Implementing the Corporate Social Responsibility Program
The CSR Manager oversees the implementation of the program, analyzes aggregate data, provides strategic direction, trouble shoots problem resolution, provides CSR training, and implements high level aspects of the CSR Program. The CSR Analyst and the CSR Field Analyst implement the day to day
program requirements. The CSR Manager and the CSR Analyst are both based in the U.S., while the CSR Field Analyst is based in China. The CSR Manager reports to the Vice President of Marketing and Licensing, who reports directly to the President of the Top of the World Licensed business division. The FLA reviewed the job descriptions of the CSR Team members, verifying that responsibilities are articulated applicable to social compliance, which include developing an effective monitoring program, reviewing corrective action plans, coordinating the company’s civil society engagement strategy, ensuring grievance procedures are developed and implemented at the supplier level, and managing grievances submitted through Vetta’s confidential reporting channel.

Training Corporate Social Responsibility Team
Vetta’s CSR Manager has a strong background in social compliance and licensing, and continues to develop and expand her understanding of labor rights through participation in webinar trainings, FLA meetings, and other conferences. The CSR Manager has received training on the following: FLA Guidelines and Workplace Standards, responsible purchasing and planning practices, Recruiting and Human Trafficking and Forced Labor, CSO Engagement, Supplier Ownership Model for Managing CSR, and effective worker-management communication channels. The CSR Manager also recently completed a course through the Cornell University School of Industrial and Labor Relations, “Managing Conflict: Resolving Internal Union Conflict.” This 3-month course focused on interest based bargaining techniques, internal union disputes and disputes between unions and other constituent groups. The FLA has reviewed the syllabus for this course and interviewed the CSR Manager to verify that she has gained knowledge of union engagement and collective bargaining.

The CSR Field Analyst in Asia possess over ten years of experience managing compliance programs for global apparel brands. She also has experience in supply chain management and supplier performance evaluation. She has participated in 47 training modules since 2017 from the FLA, Elevate, Walmart, SMETA, SA8000, and other compliance standards. These trainings have focused on the FLA Principles, Health and Safety issues, country specific issues, and effective worker-management communication channels. Vetta also recently hired a CSR Analyst based in the U.S. and the FLA has verified that this Analyst has completed 27 various training classes through webinars and the CSR Manager on workplace standards. The FLA was able to verify the training content and materials for the CSR team during the headquarters assessment.

Training All Vetta Staff
Vetta’s CSR Manager provides initial and continuous training on the Code of Conduct, Responsible Purchasing Practices, and Workplace Standards for head office staff, regional staff, and agents. Vetta also shares its commitment to its Code of Conduct and Workplace Standards and other CSR updates through monthly company newsletters. The FLA has reviewed training materials and company newsletters, and interviewed various Vetta staff in the U.S. and Hong Kong offices to verify implementation of the training.

The company-wide online training included four modules on the FLA’s Principles of Fair Labor and Responsible Sourcing. The CSR Team tracks who has taken this training and also collects survey feedback to continuously update the training material. Vetta hired a Human Resource (HR) Director in 2017 who is responsible for developing an internal system to centralize and track all company training initiatives. The HR Director implanted a new HRIS system that includes a training module which assigns training schedules and content to each function in the organization. The HR Director works regularly with the CSR Manager to develop and deploy regularly scheduled training models that cover workplace standards and responsible planning practices. At the end of 2017, 85% of the head office and regional staff had received workplace standards trainings, including training on responsible purchasing practices. Some notable feedback from the participants includes: the role that Vetta
purchasing practices can play in negative outcomes and the relationship between better labor management systems and profitability.

**PRINCIPLE 3: SUPPLIER TRAINING**

**Supplier Commitment**
Vetta’s pre-approval process requires all potential suppliers to submit signed copies of the following: 1) Vetta Code of Conduct agreement letter, 2) New supplier letter, 3) Authorized manufacturing agreement, 4) Factory data form, 5) Full pre-audit questionnaire, and 6) Completed HR training and exercise workbook. These documents comprehensively outline expectations, processes, and procedures, and provide helpful guidance for suppliers that are required to abide by Vetta’s standards. Suppliers are required to update their commitment to uphold workplace standards on an annual basis via the completion of Vetta’s annual factory certification form. Additionally, suppliers are asked to provide current and updated factory information via the completion of an annual questionnaire.

Vetta’s Supplier Guidebook includes the Vetta Code, Vetta’s compliance benchmarks, and guidance on how to implement an integrated approach to social compliance. This guidance includes information on root cause analysis, responsible retrenchment, and how to implement each code element. The Vetta Code of Conduct agreement letter requires the supplier to commit to participation in various audits, including the FLA SCI Assessment, uphold workplace standards, and remediate noncompliances. The New Factory Pre-Qualification Guidelines include Vetta’s policies on issues such as unauthorized subcontracting, implementing grievance mechanisms worker committees, balanced production planning, and fair compensation.

**Conditioning Future Business on Suppliers’ Improvement of Working Conditions**
Vetta’s Code of Conduct agreement letter, new supplier letter, and annual factory certification form include provisions to facilitate periodic assessments and actively contribute to remediation activities. Once factories are approved, they must uphold their commitment to facilitate periodic assessments and actively contribute to remediation activities by updating Vetta on remediation progress twice a year and by undergoing at least one annual audit.

Vetta’s monitoring procedures include policies on repeat findings. When repeat findings are identified by the auditor, the auditor is to assess whether or not efforts were made to implement the CAP and what led to the lack of improvement. If, after an acceptable period of time, there have not been any improvements, the CSR Manager will escalate the issue to the CSR Committee and there will be a vote to dismiss the supplier based on a lack of CSR compliance. In the event there are repeated violations that are not remediated or there is no progress of remediation, Vetta may deem that a termination of the relationship with the factory is necessary. In this case, the CSR Manager presents information of the sub-standard factory performance to the CSR Committee, which will then decide whether to terminate the relationship. If the relationship is terminated and the factory still has outstanding orders, the production timeline will be reviewed and a final ship date will be confirmed with all parties and no further purchase orders will be issued. FLA verified this exit procedure through the review of emails regarding a facility where unauthorized subcontracting and egregious compensation violations were found, and Vetta ultimately decided to exit the facility.

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4 Principle 3: Company affiliate obtains commitment and trains relevant supplier management on workplace standards and tracks effectiveness of supplier workforce training.
Workplace Standards Training & Accessibility for Suppliers, Agents, Workers, Managers, and Supervisors
Vetta has translated its Code of Conduct into English, Chinese, Urdu, Vietnamese, Tamil, Bangla, and Spanish. These languages are the local languages of workers at its factory locations, including foreign migrant labor. Vetta provides the Code of Conduct with the accompanying Supplier Compliance Guidebook that outlines procedures for identifying responsible personnel assigned to implementing Code of Conduct training at the factory. It was verified through the FLA’s field observations that Vetta supplies larger posters of its Code of Conduct to its facilities in local languages so the standards are clear and legible to workers.

Vetta holds Supplier Summits in the Eastern and Western Hemispheres to ensure suppliers and agents understand Vetta’s workplace standards and CSR Program. Vetta has partnered with various service providers to present at these summits and provide further training on social compliance. Additionally, Vetta’s CSR Manager provides on-site training sessions and webinar training annually to agents and suppliers on Vetta’s Code of Conduct, aggregate audit data, program updates, CSR Program Direction, and the introduction of new resources and tools. The CSR Manager also issues a pre-test/post-test survey to ensure the training is effective.

To ensure that training on the Code is provided to workers, supervisors, and managers, assessors verify the training through the audit process. Documentation, such as training logs and quizzes, are reviewed to ensure workers received training and that the factory is assessing whether the training was effective. During both FLA audit field observations of Vetta assessments, the FLA verified that the assessors asked questions about workplace standards trainings during the worker interviews and reviewed training records during the document review.

Following an analysis of trends of Vetta’s audits in China, Vetta identified a need for more effective training for factories in China. Vetta, in collaboration with Verite, commissioned a video training series at eight factories in China that reached 1800 managers, supervisors, and workers. This video series focused on Chinese labor laws, Codes of Conduct/Human Rights, and Effective Communication Channels. These videos make workplace standards easier to understand.

PRINCIPLE 4: FUNCTIONING GRIEVANCE MECHANISMS

Assessing for Functioning Grievance Mechanisms
Vetta assesses grievance mechanisms during its audit process. The assessment tool includes verification of a confidential reporting channel, grievance system, regular investigation of submitted grievances, responses provided by management, and communication on the grievance procedures. Vetta’s assessor guidelines also include guidance on how to assess for functioning grievance mechanisms and questions to ask during worker interviews. Assessors are to review grievance logs and verify through worker interviews that they know how to use the channel. Vetta also provides guidance for suppliers on how to create and maintain functioning grievance mechanisms through the
Vetta Social Compliance Vendor Manual and through the CSR Field Analyst factory visits utilizing the CSR Site Visit Template. This guidance includes the need for multiple grievance channels, the importance of communication and training on the procedures, and assigning responsibility.

In the FLA audit field observations conducted, FLA observers found inconsistent application of the assessor guidelines. One of the audits observed was conducted using a licensor-required audit program and the FLA noted gaps in the tool related to effective grievance mechanisms. The FLA provided recommendations to Vetta to address these gaps and develop a supplemental audit tool for when Vetta is required to conduct the licensor-required audit. Vetta worked with its audit service provider, ELEVATE, to implement a supplemental audit tool that included further questions on grievance mechanisms. After the audit tool was provided to ELEVATE, Vetta shadowed ELEVATE audits to verify that the tool was being implemented. FLA reviewed these shadow assessments and confirmed that the supplemental tool was being used and auditors were distributing their contact information. Further information on the supplemental audit tool is described under Principle 5.

During an SCI assessment at a Vetta facility in Pakistan, the assessors found that the facility did not have grievance procedures that outlined multiple channels, confidentiality, non-retaliation, and documentation management. Moreover, the assessors determined that the identified confidential reporting channel (a suggestion box) was located near the main entrance near the security guard’s table, an area that was not sufficiently confidential. After receiving the SCI report, the Vetta CSR Manager worked with factory management to improve the grievance procedure to align with Vetta and FLA standards and to improve the confidentiality of the channel. The CSR Manager verified that the suggestion box was moved to a more private location. The FLA recommends Vetta continue to work with its suppliers to ensure workers have access to effective grievance mechanisms.

Confidential Reporting Channel to Vetta Headquarters
Included in the Vetta Workplace Code of Conduct is the CSR Manager’s email address and phone number, to which workers can submit grievances if they believe their rights have been violated or their factory’s grievances process has not met the worker’s expectations. The CSR Field Analyst’s name and contact information are listed on the Codes of Conduct in Chinese, Vietnamese, and Bangladeshi factories. Vetta’s procedures for addressing grievances submitted through the confidential channel are included in the Social Compliance Policy and Procedure Guidebook. During an audit field observation in the U.S. in February 2018, FLA staff observed that the Vetta-approved auditor did not provide their contact information to workers during the interview process. Since that field observation, Vetta established Third Party Field Instructions to instruct its third-party auditors to provide contact information during worker interviews as a safeguard against retaliation following the audit. To verify this policy was implemented, Vetta shadowed audits in China and in the U.S. which verified auditors provided their contact information to workers. The FLA reviewed the shadow audit reports provided by Vetta’s CSR analysts and verified Vetta requires auditors to distribute their contact information to interviewed workers and to record the number of business cards they give to workers.

Ensuring Training for Workers & Providing Support on Grievance Mechanisms for Suppliers
For workers, the audit process also includes verification of worker training on grievance mechanisms during the document review and questions about grievance mechanism training during the worker interviews. Also included in Vetta’s audit procedures is the request to collect documentation on grievances submitted by workers. The CSR team requests that suppliers submit evidence that workers understood the training on grievances mechanisms.

For suppliers, Vetta worked with Verite to develop a video training focused on grievance mechanisms. This video series was implemented in eight Chinese factories in 2017 and reached 1800 workers.
Vetta provided the participants pre- and post-surveys for this program and is using that information to inform the trainings going forward. The FLA reviewed these trainings and the surveys and verified that these trainings cover not only grievance mechanisms, but also other conflict resolution techniques.

Given that Vetta’s audit supplement tool was implemented in June 2018, the FLA recommends that Vetta continue to ensure that workers receive effective training on grievance mechanisms and support its suppliers, including through the mention of the grievance channels in all worker trainings, so that workers are aware of the options they have in addressing concerns about workplace conditions.

**PRINCIPLE 5: MONITORING**

**Pre-Sourcing Factory Assessments**
Vetta has developed comprehensive policies and standard operating procedures (SOP) for on-boarding new contract suppliers, which begin with conversations between the CSR and Sourcing Teams to understand the business need for a new supplier, the factory workplace environment, and any compliance risks. Vetta employs a scoring methodology to assess new factories which is based on a risk assessment perspective including criteria such as country, human/labor rights, factory profile, and past labor assessments. The factory completes the “Vetta Factory Data Form” which provides the following information about the factory: name, contact information, previous social audits, number of workers, union information, sourcing from other global brands, and any factory certifications. The factory must then submit a social audit less than 12 months old from an acceptable third-party monitoring firm or an audit conducted by an FLA Participating Company. If the factory does not have a previous social audit, the factory must undergo a Pre-Qualification Audit prior to being approved for production. Factories with any egregious issues (child labor, forced labor, serious health and safety hazards, acute harassment and abuse, etc.) will not be approved for production until the issues are addressed. If the audit does not identify an egregious issue, Vetta will work with the factory to remediate non-compliances using formal corrective action plans. Once a factory is approved, the CSR Manager must be notified prior to initial orders being placed with the factory and the factory must update their information once a year. Based on the pre-sourcing questionnaire and assessment, Vetta evaluates each facility on a set of 20 criteria, which include social compliance and other sourcing criteria. Each criterion is worth five points and suppliers must receive at least 70 points to be approved for production. No factory can be added without approval from the CSR Manager.

Once a supplier is approved, the CSR Analyst sends out a welcome email containing instructions and standards that the supplier must uphold. Within one week, the factory must complete, sign, and send back the following: 1) Vetta New Supplier Letter, 2) Vetta Code of Conduct Agreement, 3) Vetta Code of Conduct Posting, 4) Vetta Annual Certification Form, 5) Completed HR Training and exercise workbook, and 6) Applicable Authorized Manufacturing Agreements.

**Assessing Factory Conditions**
Vetta’s audit procedures are included in the Social Compliance Policy and Procedure Guidebook. Vetta employs a comprehensive factory audit selection process, which is based on production volume

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8 Principle 5: Company affiliate conducts workplace standards compliance monitoring.
and capacity, historical audit data, country-risk factors, social compliance trend analysis, and CAP performance. Each factory is rated using a color-coded system that ranks each factory assessment based on social compliance performance and CAP implementation. Vetta’s assessments are conducted by third-party service providers and include worker interviews, management interviews, documentation review, visual inspection, occupational health and safety review, and consultation with union or worker representatives. Vetta’s CSR Analysts also conduct periodic factory visits each year to verify the status of audit findings, provide training, capacity building, and other resources.

Vetta implements SMETA’s audit methodology and protocol throughout its global supply chain. These audits are conducted by ELEVATE, which has customized the SMETA audit tool to assess against Vetta’s Code of Conduct and FLA Compliance Benchmarks adopted by Vetta. As discussed below, the FLA found gaps between SMETA’s audit methodology and Vetta’s workplace standards, which were addressed by Vetta’s implementation of the supplemental audit tool.

**FLA Observations of Vetta Audits & Recommendations**

The FLA completed two audit field observations that verified Vetta includes a factory walkthrough, document review, worker interviews, management interviews, and union or worker representatives in the assessment process. During the first field observation, conducted in 2016 in China, the FLA verified that Vetta’s audit included all criteria included in Principle Benchmark 5.2. However, the FLA recommended that the auditors provide contact information to interviewed workers, ask the workers more questions about issues specific to China (such as social insurance and the Housing Provident Fund), and include root cause analysis in the final audit report.

During the second field observation in 2018 in the U.S., the FLA verified the implementation of the recommendations related to asking more comprehensive and targeted questions during the worker interviews. The FLA also verified that root cause analysis was included in the final report; however, the FLA provided an additional recommendation to conduct more comprehensive root cause analysis instead of utilizing a checklist. Additionally, the FLA noted that the auditor still did not provide contact information to interviewed workers and also noted some significant gaps between the SMETA audit methodology and Vetta’s workplace standards. Specifically, the SMETA methodology had gaps in ensuring standards in Employment Relationship, Non-Discrimination, Child Labor, Health and Safety, and Grievance Procedures were being assessed. In addition to this field observation report, the FLA provided specific recommendations to Vetta to create a supplemental audit tool and to develop Third Party Field Instructions that addressed these gaps.

The FLA supported Vetta in providing the gap analysis of the SMETA methodology against the Vetta’s workplace standards. Along with this gap analysis, the FLA provided Vetta with a series of questions to be included in the audit tool to ensure that Vetta’s workplace standards are being assessed. The FLA also provided additional questions based on its compliance benchmarks as adopted by Vetta that would be considered best practice to include in the audit tool. Vetta used this gap analysis and the list of questions to create an audit tool supplement that all auditors must use while conduct Vetta audits. Vetta shadowed audits in the U.S. and China to verify that the tool was being used appropriately by the auditors contracted by ELEVATE. Vetta provided the completed shadow reports and completed supplemental audit tools to the FLA.

Although Vetta’s audit supplemental tool has addressed the gaps in the SMETA audit tool, the FLA recommends the Vetta continue to work with its third-party auditors to ensure that audits are conducted to the standards and procedures of Vetta’s CSR program. The FLA also recommends Vetta continue to closely monitor and review all incoming audit reports, especially those using the SMETA audit methodology.
PRINCIPLE 6: COLLECTION & MANAGEMENT OF COMPLIANCE INFORMATION

**Vetta Data Management**

As part of Vetta’s supplier agreement, suppliers are required to complete a Pre-Audit Questionnaire that includes the following information: complete factory name, factory address, contact information, products produced, worker information, production capacity, other brands in the factory, primary production processes, applicable permits, historic audit data, previous labor disputes, incidents, accidents, root causes, grievance mechanisms, corrective action plans, training programs, fire safety competencies, and union information. The CSR Team manages this information through an Excel compliance spreadsheet. Vetta maintains parallel information systems – Fair Factories Clearinghouse (FFC) and its own Excel database – to document all audit data on noncompliance and remediation plans.

**Analyzing Social Compliance & Supporting Data**

Vetta uses Excel to analyze its social compliance data. On an annual basis, the CSR team collects and maintains all findings from the audit cycle. Trend analysis has helped the team identify the allocation of findings by country, allocation of findings by code element, allocation of findings by supplier, and progress of remediation implementation. Vetta conducts this analysis for all audits and SCI assessments.

In 2016, Vetta found that the key noncompliance findings in China, its main sourcing country, were health and safety, social insurance, excessive overtime, hours of work, transparency, and wage systems. This data prompted Vetta’s CSR Manager to create a new on the ground position in China, the CSR Field Analyst, to implement training and capacity building programs for its China suppliers. These identified trends also prompted Vetta to work with Verite on the video training program further discussed in Principle 3. The FLA recognizes Vetta’s utilization of social compliance data trends to make further strengthen the social compliance program. Given Vetta’s supplemental audit tool implemented in June 2018, the FLA recommends Vetta ensure that they are analyzing trends and the remediation progress of findings from this new audit tool.

PRINCIPLE 7: TIMELY & PREVENTATIVE REMEDIATION

**Tracking Remediation at the Factory-Level**

Vetta’s procedures for CAP Implementation and Follow-Up are included in the Remediation and Performance Management Procedures. Once Vetta receives an audit from the third-party monitoring firm, the CSR team works with the supplier to create realistic plans and timelines for remediation. The timelines for resolution vary based on the nature of the issue. All immediate action findings must be
resolved within 30 days, while sustainable improvement findings should be resolved in 60-90 days. Vetta gives more time for systemic issues in certain countries, such as social insurance in China.

The CSR Team maintains a tracker per audit cycle that includes all findings and the CAPs from that audit cycle. The information in the CAP tracker includes: factory information, finding explanations, local law or code requirement, the immediate and sustainable actions required, root causes, the proposed CAP, planned completion dates, and verification results. The CSR Team reviews the tracker and follow-ups with the suppliers to provide updates and documentation of remediation. Vetta also includes in both its Monitoring Procedures and Remediation and its Performance Management Procedures a process to incorporate union or worker representative feedback during the development of the CAP or during the development of improved policies, procedures, and practices that are a result of the CAP.

**Root Cause Analysis**
As per Vetta’s Remediation and Performance Management Procedures, the CSR Analyst collaborates with the factory to identify and address root causes for all critical and major findings during the audit. The CSR Analyst provides resources to the supplier to assist with remediation such as policy examples and Vetta and FLA resource documents.

Through the second audit field observation conducted by the FLA and by reviewing the CAP tracker, the FLA verified that root cause analysis is conducted to inform findings. However, the FLA provided guidance to show Vetta how root cause analysis can dive deeper to identify all the various causes of a finding. The FLA recommends that Vetta continue to work with its service providers and suppliers to further implement a collaborative and comprehensive approach in conducting root cause analysis to better support the development of effective remediation actions and provide context to the challenges suppliers have in implementing workplace standards.

**Effective Remediation**
Vetta has implemented multiple mechanisms to ensure that suppliers are incentivized to guarantee the remediation actions implemented are effective and mitigate the risk of repeat findings. Vetta staff discuss the audit findings and corrective action plans in person when possible. The Monitoring Procedures also include the follow-up audit process; audits are scheduled either one or two years after the initial audit based on the initial findings and the CAP process. For factories in which audit results show persistent and egregious noncompliances, Vetta will schedule verification audits three to six months after an initial or follow-up audit to verify that corrective actions have been resolved. If the noncompliances from the CAP have not been resolved, the supplier may be removed from the Vetta Approved Supplier List. The CSR Team tracks the progress of remediation and reports the progress of remediated findings to Vetta Executive Leadership team and top management during the annual CSR Management Review meeting. The FLA recommends Vetta continue to ensure remediation actions are applied consistently at the factory level to improve conditions for workers.

For more systemic noncompliance issues, Vetta invests in various programs to support sustainable factory remediation. For example, Vetta partnered with ELEVATE to implement a capacity building program at a facility in Vietnam. This program included reviewing CSR systems, reducing excessive overtime, improving management-worker communication and worker engagement, and improving health and safety conditions. ELEVATE also surveyed workers and supervisors before and after the program so that both could understand the impact.

The chart below shows the remediation status of certain benchmark violations for all of Vetta’s SCI assessments. The green shading represents issues that have been fully remediated, the yellow shading represents in-progress remediation, and the red shading represents planned remediation.
Although remediation is a continuous work in progress, Vetta has had success in remediating hours of work violations (HOW.1), particularly in China. For example, an SCI assessment at a Chinese factory uncovered legal violations of working hours. After the SCI assessment, Vetta worked closely with the factory and provided training on Chinese wage and overtime laws. Vetta also used the FLA Compensation Data Collection Tool to better understand hours of work and wage data in the factory. These trainings and the data tool helped the factory reduce overtime hours to comply with the legal limits.

**Fair Compensation**

As mentioned in earlier in this report, Vetta’s CSR Manager was part of the FLA’s Practitioner Working Group to support the implementation of the FLA’s Fair Compensation Work Plan. By participating in this working group, Vetta has tested and provided feedback to the FLA on the Compensation Data Collection tools for companies to use in their Tier 1 suppliers. In 2017 and 2018, Vetta collected compensation data from 15 suppliers in China, Vietnam, and Pakistan. At the June 2017 FLA Board Meeting, Vetta’s CSR Manager presented wage data analysis on the Fair Compensation Panel. This presentation chronicled Vetta’s wage journey and their strategy for using the wage collection tool.

The chart below shows the average net wages for all factories in China, in which Vetta has utilized the FLA’s Compensation Data Collection tool. Vetta has piloted the tool in China in 12 different factories; the average net wage of these 12 factories lands between the Average Wage for Migrant Workers and Asia Floor Wage. All 12 of the factories’ average net wage levels were above the legal minimum wage requirement and the World Bank Poverty Line; and seven of these factories’ average net wages were between the living wage benchmarks of the Average Wage for Migrant Workers (CNY 2623) and the Asia Floor Wage (CNY 3,624.64). Three factories’ average net wages were between the Asia Floor Wage and the Average Wage for Manufacturing Workers (CNY 3,666.19).
In Vietnam, Vetta has piloted the tool in two factories and the average net wages fall between the VGCL Union Wage Demand (VND 3,082,803) and the Global Living Wage Coalition’s Living Wage Estimate (VND 5,760,098). In Pakistan, Vetta piloted the tool in one factory and the average net wage in that factory fell between the Union Demand (PKR 30,000) and the Asia Floor Wage (PKR 31,197) but well above the legal minimum wage (PKR 5,586.33) and the Average Disposable Income for Urban Residents (PKR 12,642.40).
Vetta’s short-term fair compensation strategy is to continue to analyze the compensation data collected and continue to work with the FLA on in-country regional benchmarks. The FLA commends Vetta’s commitment to fair compensation and recommends Vetta continue to collect and analyze its factories’ compensation data to identify countries and/or regions in which factories have the highest wage gap with living wage benchmarks. FLA also recommends Vetta pilot solutions and develop e a long-term fair compensation strategy that would support workers in receiving a level of fair compensation that meets basic needs and provide some discretionary income.

PRINCIPLE 8: RESPONSIBLE PURCHASING PRACTICES

Vetta’s Corporate Responsible Purchasing Policy and Procedures
Prior to the merger of Vetta’s brands, J. America and Top of the World both were working to implement responsible purchasing practices with their sourcing, design, and production teams. Following the merger, the FLA discussed the importance of the centralization of the CSR program; however, it was understood that responsible purchasing practices may be different depending on the nature of the business of Vetta’s licensing and wholesale blanks business divisions. Vetta’s business divisions experienced changes in leadership, with a new CEO hired in 2017 and a new Chief Operations Officer hired in 2018. While the business divisions implemented the changes from the merger, the CSR Manager worked to collect and map the business divisions’ SOPs, workflows, and processes.

Vetta started to develop its Corporate Responsible Purchasing Practices Policy in May 2018; the FLA reviewed two drafts of the policy to provide further recommendations for improvement and Vetta provided the final draft in September 2018. In reviewing the policy, the FLA verified that the policy includes the complexities of the two business divisions and the differences in seasonal (spring and fall), non-seasonal stock replenishment, hot market, and one-peak season orders. The policy also includes the reporting structure of the sourcing departments for the business divisions and the responsibilities of the Product Development and Design Center, buyers, executive leadership, Hong Kong sourcing team, quality control and production staff in implementing the policy. Accountability among the CSR, Sourcing, and Product Development & Design Teams is clearly defined in the policy, as is how Vetta incorporates supplier feedback, regular training of Vetta staff, and evaluation and incentives for suppliers. As part of its feedback on the policy, the FLA recommended Vetta include a more clearly defined policy of financial terms, including penalties, and a responsible exit policy to mitigate the risk of retrenched workers. Given that the policy was finalized in September 2018, the FLA recommends Vetta evaluate the implementation and application of the Corporate Responsible Purchasing Policy to ensure that it is mitigating negative impacts on factory conditions. In addition, given the changes from the merger, the FLA also recommends that Vetta implement a standardized format to ensure all relevant departments have developed comprehensive procedures and workflows to uphold the policy.

Training Relevant Business Staff on Responsible Purchasing Practices
Vetta’s CSR Manager has provided regular training on responsible purchasing practices since 2016. Relevant staff in senior leadership, buyers, product development, merchandising, sales, Hong Kong Sourcing Team, operations, and department leads have received in-person or webinar training, including the FLA’s webinars on responsible purchasing practices and an in-person training from the FLA at its Hong Kong office. Additionally, Vetta’s CSR Manager and CSR Analyst in China provided training on Vetta’s Corporate Responsible Purchasing Policy in September 2018. This training included an overview of Vetta’s CSR program, FLA affiliation, sourcing locations, production volume by country, relevant purchasing practices to workplace conditions, challenges in implementing responsible purchasing practices, a review of the FLA’s Principle 8 Benchmarks and how they apply to Vetta, and

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9 Principle 8: Company affiliate aligns planning and purchasing practices with commitment to workplace standards.
the goal of fully integrating Vetta’s CSR program into its purchasing practices. The training also included group exercises in understanding product development workflows and incorporating worker feedback. Following the training, participating staff members were required to submit a feedback form evaluating the training, including questions to participants on what they had learned from the training. The FLA recommends Vetta continue to evaluate the effectiveness of the responsible purchasing practices training to ensure the policy is effectively implemented and incorporate supplier feedback in future trainings.

Holding the Relevant Business Staff Accountable to Purchase Responsibly
Vetta implements various tools and mechanisms to ensure that staff are held accountable for communicating with suppliers’ appropriate deadlines and upholding internal deadlines. Vetta’s internal production calendars serve as the primary mechanism to ensure all relevant teams are meeting internal deadlines to place purchase orders (POs) on time. Additionally, Vetta’s President and top management in marketing, logistics, merchandising, distribution and production, purchasing, product design and development, sourcing, and licensing have job descriptions that include relevant responsibilities for responsible purchasing practices and adherence to Vetta’s Code of Conduct.

As Vetta makes progress in fully implementing its responsible purchasing policy, the FLA recommends Vetta utilize metrics on internal calendar adherence and analyze its forecast accuracy to hold relevant staff responsible for the implementation of responsible purchasing practices to mitigate negative impacts on workers.

Dialogue with Relevant Business Staff & Suppliers to Implement Responsible Purchasing Practices
Vetta’s purchasing department is in daily communication with suppliers and reviews weekly supplier capacity reports. These weekly capacity reviews compare estimated available capacity with allocated orders, allowing for the purchasing team to adjust where needed. Additionally, Vetta’s 19-person team in its Hong Kong sourcing office helps assist the factories with on-site production issues and graphic design questions, enabling less back and forth and potential delays in production delivery.

The CSR Manager also meets with relevant business staff on a quarterly basis to provide updates to the CSR program and also engages in dialogue on implementation of responsible purchasing practices. The FLA verified through interviews at the HQ Assessment and through review of the weekly capacity reviews that Vetta’s relevant staff continuously communicates with its suppliers.

While the FLA recognizes the work Vetta has done to implement responsible purchasing practices, the FLA further recommends Vetta collect feedback from suppliers to ensure responsible purchasing practices are being implemented and a relationship of transparency is upheld. For example, in a case where unauthorized subcontracting was found and Vetta’s purchasing staff had pulled the order as a result, Vetta’s CSR Manager further communicated with the purchasing staff the repercussions for workers and the subcontractor as a result of pulling the order. The order was allowed to proceed; however, the subcontractor was audited according to Vetta’s workplace standards. The FLA had recommended Vetta continue to work with its suppliers to receive feedback on purchasing practices so
that suppliers can be transparent with Vetta when accepting orders that may result in excessive overtime or the need to use subcontractors to deliver the order on time.

**Incentivizing Suppliers to Improve Conditions for Workers**

Vetta utilizes a comprehensive scorecard to evaluate its suppliers on performance of quality, delivery, cost, and CSR. This scorecard is utilized to incentivize suppliers in providing formal and informal incentives. In September 2018, Vetta formalized its incentives program within its Corporate Responsible Purchasing Policy, including increased order allocation, less frequent CSR audits, funding of long-term capacity building projects, potentially paying for audits, and facilitation of long-term projects for strategic suppliers with civil society organizations and NGOs.

Through the HQ Assessment, the FLA verified that Vetta has provided some incentives to suppliers who have performed well in Vetta’s supplier scorecard. Vetta has implemented a long-term capacity building project with ELEVATE, discussed above in Principle 7, with a strategic supplier in Vietnam. Additionally, Vetta’s purchasing staff has provided increased order allocation to suppliers who have performed well. Vetta also invested in a capacity building project conducted by Verite for the top 5 apparel long term suppliers located in China. The project began in 2016 and concluded in 2017. Vetta recorded the improvements and impact and presented to each participant, sourcing staff, and Vetta Executive Leadership.

**PRINCIPLE 9: CONSULTING WITH CIVIL SOCIETY**

**Civil Society Engagement Strategy**

Vetta has developed a comprehensive civil society outreach and engagement strategy focused on engagement in East and Southeast Asia (China and Vietnam), due to Vetta’s high percentage of production volume from these sourcing countries. The civil society engagement strategy includes an analysis of country risks and trends, a prioritization of key noncompliance issues, based on internal aggregate audit data, summaries of internal sourcing challenges by factory; and lists of collaborative opportunities for civil society engagement. The ILO’s Retailer Country Risk Ratings and ELEVATE country reports inform the civil society strategy.

Vetta developed its Civil Society Engagement Strategy in 2017 shortly after the merger. The CSR Manager has regularly updated the strategy to reflect new internal audit data, sourcing decision changes, and potential civil society consultation opportunities. The CSR Manager informs executive leadership of previous civil society engagements and potential opportunities during the quarterly CSR Committee meeting. Throughout the merger, the CSR team has been able to maintain a sizeable budget for civil society engagement. Despite the finalization of the civil society engagement strategy, Vetta is continuing to map civil society organizations that Vetta has engaged and those that could be potential engagement opportunities. Although Vetta has had successful targeted engagements with civil society in China, Vietnam, and Bangladesh, the FLA recommends Vetta conduct a comprehensive mapping of key stakeholders in other high-risk sourcing countries, including Pakistan.

**Engaging Civil Society on Local Labor Issues and the Design & Implementation of Workplace Standards Strategies**

In tandem with developing and implementing Vetta’s Civil Society Engagement Strategy, the CSR Team conducted research on potential organizations that could support Vetta’s commitment to workplace standards in China. China was identified as Vetta’s top high-risk and high-production volume country; the team prioritized engagement with civil society in China, knowing that the landscape

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10 Principle 9: Company affiliate identifies, researches and engages with relevant labor non-governmental organizations, trade unions and other civil society institutions
for civil society there can be challenging. Vetta has engaged with the Center for Child Rights and Corporate Social Responsibility (CCR-CSR) since 2017. CCR-CSR specializes in capacity building projects to address child rights, specifically children with domestic migrant worker parents. The capacity building projects aim to strengthen migrant workers’ relationships with their children, who are often raised by other guardians while their parents live in the dormitories of the factories where they work. Vetta deployed CCR CSR’s Worker Well-Being Project in five core Chinese factories. Subsequent surveys found that two out of the five factories have at least a 70 percent migrant workforce and that 27 percent of the entire workforce were migrant parents. The surveys also indicated that workers would benefit from training on how to communicate effectively with children, make communication fun, get the most out of their time with their children, and how to deal with the emotional aspects of being away from their children. The plan is to use this information to assist in developing further civil society engagement strategies in China as well as determine how to work with factory management to develop programs that address worker’s needs.

In Bangladesh, Vetta is a signatory to the Accord on Fire and Building Safety in Bangladesh. The CSR Manager attends the quarterly webinars. Vetta plans to continue working with the Accord. Additionally, the CSR Manager recently attended the FLA’s roundtable discussions with local NGOs in Bangladesh, including the Awaj Foundation. The CSR Manager invited Vetta’s suppliers in Bangladesh to also attend the roundtable, which included local NGOs, suppliers, and FLA brands and which focused on female workers’ maternity and childcare rights. The goal of the roundtable was to understand how collaboration between workers, suppliers and brands could help address these issues. Vetta has also worked with Phulki, another local Bangladeshi NGO, to increase worker understanding and use of proper communication channels and confidential reporting. This engagement led to improved communication channels and fewer conflicts between workers and management. In Vietnam, Vetta worked with the Life Centre, a local NGO, on projects focused on healthcare and quality of life issues. Although Vetta does not have as much production in Bangladesh and Vietnam as in China, the FLA recognizes Vetta’s willingness to collaborate to improve workers’ rights in these countries.

The FLA supports Vetta’s progress towards greater civil society engagement and recommends Vetta continue to identify civil society organizations with which it can collaborate to improve the lives of workers in its supply chain, particularly in the high-risk and high-production volume countries.

Unions & Worker Representative Structures

11 The FLA recognizes that legal restrictions on trade unions and CSOs present challenges for company’s implementation of Principle 9. The FLA recognizes the restrictions that have been included in the newly passed Overseas NGO Management Law of the People’s Republic of China, applicable to foreign non-governmental organizations (NGOs) and civil society organizations (CSOs) operating in China. It is expected that this law, once implemented, may present new restrictions on legal registration, funding and scope of activities. Over the course of 2015, space for labor-focused civil society groups and legal aid centers to operate has been further restricted, and 2016 saw additional restrictions placed on foreign nongovernmental organizations operating in China. The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union – the All China Federation of Trade Unions. According to the International Labor Organization, many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike.
Vetta’s field instructions with ELEVATE require auditors to understand the supplier relationship with a union or worker representative structure in place. Although neither field activity that the FLA observed had a union or worker representative structure in place, FLA staff reviewed other audit reports and verified that union representatives and/or worker representatives were included in the worker interviews, opening, and closing meetings. Vetta’s remediation procedures also require unions and/or worker representatives to be included in the creation of corrective action plans. The FLA encourages Vetta to work with its factories to establish effective worker representative structures.

Vetta was previously a buyer from a facility that was involved in a Third Party Complaint. Vetta is not named in the FLA’s complaint because the facility is owned by an FLA Category C Licensee which is responsible for the remediation actions. However, the Workers Right Consortium (WRC) engaged Vetta about the complaint and Vetta has since exited the facility and ceased the business relationship with the licensee.

**PRINCIPLE 10: VERIFICATION REQUIREMENTS**

Vetta has remained engaged and supportive of the FLA’s mission and regularly attends FLA Board Meetings. The CSR Manager is a member of the Practitioner’s Working Group for Fair Compensation and presented Vetta’s wage data analysis to the Fair Compensation Panel at the June 2017 FLA Board of Directors Meeting. The CSR Manager has also been an active participant in responsible planning and purchasing discussions. Top of the World’s Vice President of Marketing and Licensing also participates in the University Principles Working Group.

Vetta’s commitment to the FLA and fulfillment of FLA obligations is integrated throughout the CSR program and specifically discussed in the department’s CSR Policies & Standard Operating Procedures. The FLA confirms that Vetta has completed all administrative requirements including payment of annual dues, submission of its annual self-assessment, and submitting updates to SCI assessments.

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12 Principle 10: Company affiliate meets FLA verification and program requirements.
SECTION 4: CONCLUSION AND RECOMMENDATION TO THE BOARD OF DIRECTORS

This review of the Vetta, LLC labor compliance program is intended to help inform the decision of the FLA Board of Directors on whether to accredit the company’s program.

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

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

Strengths of Vetta’s labor compliance program include:

1) Prioritized centralization of the management of the corporate social responsibility (CSR) program after the merger of J. America and Top of the World and a top management commitment and accountability to uphold workplace standards;
2) Comprehensive and regular training on Vetta’s Code of Conduct, Responsible Purchasing Practices, and Workplace Standards for key headquarters and regional office staff;
3) Implementation of a supplemental audit tool to ensure that Vetta’s standards are being upheld throughout the supply chain, regardless of varying licensor audit standards;
4) Implementation of worker engagement programs in strategic factories through worker surveys, focus groups, and confidential reporting channels;
5) Collection and analysis of workers’ compensation data using the FLA’s Fair Compensation Toolkit; and
6) Targeted civil society engagement based on social audit data in key sourcing countries.

Suggestions for strengthening Vetta’s labor compliance program include:

1) Continue to ensure workers have access to functioning grievance mechanisms;
2) Continue to ensure that all third-party auditors are implementing Vetta’s monitoring procedures, and analyze trends and remediation progress of findings from Vetta’s supplemental audit tool;
3) Analysis of compensation data while piloting solutions so that workers can receive a level of compensation that meets basic needs and provides some discretionary income;
4) Continue to implement accountability mechanisms and training on responsible purchasing practices;
5) Continue to facilitate root cause analysis with suppliers and service providers to ensure effective remediation plans are implemented; and
6) Continue to engage with civil society organizations in other high-risk countries.
APPENDIX A: THE VETTA CODE OF CONDUCT

CODE OF CONDUCT

EMPLOYMENT RELATIONSHIP

Harassment or abuse shall be treated with respect and dignity. No employee shall be subjected to any form of verbal, mental, physical, psychological or verbal harassment or abuse.

FORCED LABOR

No person shall be employed under the age of 16 or under the age of compulsory education, whichever is higher.

HEALTH, SAFETY AND ENVIRONMENT

Employers shall provide a safe and healthy workplace free from threats and injury to health arising out of risks with the environment and operations, prevention or the operation of employees' facilities. Safety and health applicable measures to mitigate negative aspects that the workplace has on the environment.

HOURS OF WORK

Employers may not require workers to work more than the regular working hours allowed by the law of the country or VETTA Code of Conduct. The regular working week shall not exceed 48 hours and should not exceed 12 hours in a day. 24 consecutive hours of rest in every seven-day period. All overtime work shall be compensated.

LIBERATION

Employers shall not require overtime on a regular basis and shall compensate all overtime hours at a premium rate. Other than in exceptional circumstances, such as emergency, holiday, or natural disasters, employers shall pay at least 30% more than the minimum wage, whichever is higher, to employees that work in excess of normal working hours.

COMPENSATION

Employers shall provide a basic wage that is sufficient to meet the basic needs of workers and provide a minimum wage. Employees shall also receive a wage that is at least 30% more than the minimum wage, whichever is higher, to compensate for any additional work, including overtime, that goes beyond the regular working hours.

www.fairlabor.org