

As Amended, October 4, 2017

CHARTER DOCUMENT
FAIR LABOR ASSOCIATION

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PREAMBLE

WHEREAS, the members of the Apparel Industry Partnership announced the adoption of a “Workplace Code of Conduct” and “Principles of Monitoring” to the President of the United States and to the public on April 14, 1997 (each of which has been subsequently amended from time to time);

WHEREAS, in order to achieve its objective to establish a means to provide the public with confidence of the implementation of the Workplace Code and the Monitoring Principles, the members of the Apparel Industry Partnership then adopted this Charter (as subsequently amended from time to time) for the formation and governance of the Fair Labor Association;

WHEREAS, since the formal establishment of the Association in 1999, the Association’s focus has expanded beyond the apparel and footwear industries to include a variety of products made by College or University Licensees and other companies affiliated with the Association; and

WHEREAS, the Mission of the Association is to combine the efforts of business, civil society organizations, and colleges and universities to protect workers’ rights and improve working conditions worldwide by promoting adherence to international labor standards.

NOW, THEREFORE, the Association shall have, inter alia, the following purposes:

- To accredit Independent Providers and set standards for FLA Assessors and ensure high professional standards in the conduct of independent external monitoring and assessments;
- To independently verify, evaluate and publicly account for the internal compliance programs of each Participating Company so as to serve as a source of information to consumers;
- To determine whether the Applicable Products of each Participating Company are produced in Compliance with the Fair Labor Association Standards;
- To conduct programs that allow all licensees of College or University Affiliates to become Participating Companies or to enroll in other categories explicitly created for College or University Licensees;
- To work with agents and suppliers to facilitate programs that lead to greater and sustainable commitment and capacity of individual factories to respect labor rights and improve conditions of work;
- To increase consumer awareness about issues related to working conditions and workers’ rights and encourage consumers to purchase goods produced under socially responsible conditions;

- To continue to address questions critical to the elimination of unfair labor practices; and
- To serve as a source of information to the public about the Workplace Code and the Monitoring Principles.

I. DEFINITIONS

The following capitalized terms shall have the following meanings when used in this Charter:

“Alleged Noncompliance” shall mean any significant and/or persistent pattern of noncompliance, or any individual incident of serious noncompliance, with the Workplace Code or Monitoring Principles, alleged by a Third Party.

“Applicable Facilities” shall mean the Facilities of a Participating Company other than its De Minimis Facilities, producing its Applicable Products.

“Applicable Products” shall mean all Products and/or Brands of a Participating Company for which the Participating Company is seeking a finding by the Association that such Products and/or Brands are produced in Compliance with the Fair Labor Association Standards.

“Applicant” shall mean a Company, Retailer or Supplier which has applied to become a Participating Company.

“Association” or “FLA” shall mean the Fair Labor Association.

“Association Public Report” shall mean the public report evaluating a Participating Company’s Compliance with the Fair Labor Association Standards in the production of Applicable Products, as more fully described in Section VII of the Charter.

“Board” or “Board of Directors” shall mean the Board of Directors of the Association.

“Board Member” shall mean a member of the Board, including the Chair.

“Brand” shall mean a trademark or logo affixed to a product that is either owned or controlled by a Participating Company or which the Participating Company has the right to use under license.

“Business Caucus” shall mean the group of all Participating Companies.

“Business Day” shall mean any day which is not a Saturday, Sunday or a Federal holiday in the United States.

“Category B Licensee” shall mean a College or University Licensee (a) with (i) total annual consolidated revenues in excess of Fifty Million Dollars (\$50,000,000), and (ii) either (1) total annual consolidated revenues from Products made under licenses with

colleges or universities in excess of Five Million Dollars (\$5,000,000), or (2) ten (10) or more retail, production and/or manufacturing facilities in its collegiate supply chain, (b) which is not a Participating Company, but which submits a Monitoring Plan to the Association covering all Products made under license for FLA College or University Affiliates, and (c) whose participation in the Association has been approved by the Board.

“Category C Licensee” shall mean a College or University Licensee (a) with total annual consolidated revenues in excess of Two Million Five Hundred Thousand Dollars (\$2,500,000) that does not otherwise fall within the definition of “Category B Licensee,” (b) that is not a Participating Company, and (c) whose participation in the Association has been approved by the Board, according to requirements established by the Board.

“Category D Licensee” shall mean a College or University Licensee with total annual consolidated revenues less than Two Million Five Hundred Thousand Dollars (\$2,500,000) that meets such other criteria established for this category by the Board.

“Category E Licensee” shall mean a College or University Licensee with total annual consolidated revenues less than Twenty Five Thousand Dollars (\$25,000) that meets such other criteria established for this category by the Board. Category E Licensees may also include artisans and photographers with revenue greater than \$25,000.

“Chair” shall mean the individual selected by the Board to serve as Chair of the Board.

“Charter” shall mean this Charter of the Association.

“College or University Affiliate” shall mean a member of the University Advisory Council in good standing as defined by the University Advisory Council.

“College or University Licensee” shall mean a manufacturer or supplier of Products which bear the name, logo or trademark of a College or University Affiliate pursuant to a licensing agreement between the licensee and the College or University Affiliate or between the licensee and another party authorized by the College or University Affiliate to act as the College or University Affiliate’s licensing agent.

“Company” shall mean a company which participates in the Association which is not a Retailer or Supplier.

“Complaint” shall mean a complaint which sets forth a claim of Alleged Noncompliance that is submitted by a Third Party to the Association.

“Compliance with the Fair Labor Association Standards” shall mean, with respect to a Participating Company: (i) effective implementation of an internal compliance program and independent external monitoring and assessments consistent with the Monitoring Principles; (ii) timely remediation of noncompliance with the Workplace Code or Monitoring Principles found by internal monitors or Monitors; and (iii) in situations where monitors have found a significant and/or persistent pattern of noncompliance, or instances of serious noncompliance, with the Workplace Code or Monitoring Principles,

the taking of adequate steps to prevent recurrence in other Applicable Facilities where such type of noncompliance may occur.

“De Minimis Facilities” shall mean Facilities (i) with which the Participating Company contracts for production for six months or less in any twenty-four (24) month period or (ii) in which the Participating Company accounts for ten percent (10%) or less of the annual production of such Facility. In no event shall De Minimis Facilities constitute more than fifteen percent (15%) of the total of all Facilities of a Participating Company, and the list of Facilities designated as De Minimis by the Participating Company is subject to the approval of the Association.

“Executive Director” shall mean the Executive Director of the Association. For any period of time during which the Association does not have an Executive Director on staff, all references in this Charter to the Executive Director shall be deemed to refer to the President.

“Facilities” shall mean the retail, production or manufacturing facilities of a Participating Company and its majority-owned subsidiaries and of such Participating Company’s or its majority-owned subsidiaries’ licensees, contractors (where the Participating Company is a manufacturer, including a retailer acting as a manufacturer) and suppliers (where the Participating Company is a retailer, including a manufacturer acting as a retailer), where such Facilities are involved in the production or manufacturing of Applicable Products.

“FLA Assessor” shall mean an FLA employee or consultant who meets the standards set by the FLA pursuant to Section VIII of the Charter for conducting sustainable compliance initiative (SCI) assessments.

“Independent External Monitor” shall mean an independent monitor who has been accredited by the Association pursuant to Section VIII of the Charter to conduct independent external monitoring.

“Independent Provider” shall mean each Independent External Monitor and each Independent Service Provider.

“Independent Service Provider” shall mean an independent service provider who has been accredited by the Association pursuant to Section VIII of the Charter to conduct sustainable compliance initiative (SCI) assessments.

“Initial Implementation Period” shall mean the implementation period during which a Participating Company is seeking an initial finding that its Applicable Products are produced in Compliance with the Fair Labor Association Standards. This period shall be for a term of two or three years, at the discretion of the Participating Company.

“Labor/NGO” shall mean consumer, human rights, labor rights, labor union, religious and other public interest organizations (including student groups), related to fair labor standards which affiliate with the Association.

“Monitor” shall mean each Independent External Monitor, each Independent Service Provider and each FLA Assessor.

“Monitoring Plan” shall mean the monitoring plan submitted to the Association by each Applicant that describes with specificity the Applicant’s proposed internal compliance program, including the implementation of internal monitoring and remediation processes.

“Monitoring Principles” shall mean the Principles of Fair Labor and Responsible Sourcing and Obligations of Monitors attached to this Charter.

“Participating Company” shall mean a Company, Retailer or Supplier that has agreed to submit all its Applicable Products to the Association’s program and whose participation in the Association has been approved by the Board.

“President” shall mean the individual selected by the Board to serve as President of the Association. References to responsibilities and obligations of the President throughout this Charter shall be deemed to refer to the President, or such other officers of the Association to whom the President may delegate such responsibilities and obligations in his/her discretion.

“Product” shall mean any item which is produced, manufactured, supplied or sold to the public by a Participating Company.

“Retailer” shall mean a company which is primarily engaged in the business of directly selling Products to the public.

“Safeguards” shall mean a set of tools the Association can use to address instances of significant and/or persistent patterns of noncompliance with the Workplace Code of Conduct in the Facilities of Participating Companies and College or University Licensees, which include but are not limited to, the Third Party Complaint Procedure, Company-commissioned independent investigation with FLA verification, and FLA-commissioned special independent investigation.

“Senior Officers of the Association” shall mean the President and Executive Director of the Association together with any person(s) having the title Chief Executive Officer, Chief Operating Officer, Chief Information Officer, Chief Financial Officer or Chief Communications Officer of the Association.

“Simple Majority Vote” shall mean a vote requiring the approval of at least one more than one-half (1/2) of all of the Board Members, with the Chair voting on the matter. In the event of a tie vote, with all Board Members voting, the vote of the Chair shall be determinative.

“Supermajority Vote” shall mean a vote requiring the approval of at least two-thirds (2/3) of all of the business Board Members and at least two-thirds (2/3) of all of the Labor/NGO Board Members and at least two-thirds (2/3) of the university Board Members, with the Chair having no vote on the matter.

“Supplier” shall mean any supplier or contractor with one or more Facilities, which is engaged in a manufacturing process, including cutting, sewing, assembling and packaging.

“Third Party” shall mean any person or organization that has initiated a Complaint with respect to a Facility, other than a Monitor who has rendered a service for such Facility in the six months prior to the Complaint.

“University Advisory Council” shall mean the advisory council to the Association consisting of colleges, universities, other institutions of higher learning and other entities involved in collegiate licensing. The University Advisory Council is governed by a set of bylaws adopted by the affirmative vote of a majority of the College or University Affiliates present at the first meeting of the University Advisory Council and which are subject to amendment by the affirmative vote of a majority of College or University Affiliates present at any subsequent meeting of the University Advisory Council.

“University Liaison” shall mean a member or members of the staff of the Association who serve as a liaison between the Association and the College or University Affiliates.

“Workplace Code” shall mean the FLA Workplace Code of Conduct and Compliance Benchmarks attached to this Charter.

II. GOVERNANCE OF THE ASSOCIATION

A. Structure

The Association is constituted as a nonprofit association under the laws of the District of Columbia. The Association has obtained Section 501(c)(3) status as a tax-exempt organization.

B. Board of Directors of the Association

The Board of Directors of the Association shall consist of six business representatives, six Labor/NGO representatives, six university representatives and a Chair. The business Board Members shall be selected by the Business Caucus. The Labor/NGO Board Members shall be selected by a majority of the then-serving Labor/NGO Board Members. The College or University Affiliate Board Members shall be chosen by the University Advisory Council. The Chair shall be selected in accordance with the procedure specified below.

Each Board Member shall be committed to the Mission of the Association in promoting adherence to international labor standards and improving working conditions worldwide. Persons employed or retained by, or agents of, Independent Providers or entities whose applications for accreditation are pending shall not be eligible to serve as Board Members. Officers, directors and employees of Participating Companies, College or University Affiliates and Labor/NGO entities may serve as Board Members. No more than one Board Member may be from any individual Participating Company, College or

University Affiliate or Labor/NGO entity. The Board shall adopt appropriate screening and recusal policies in order to address any potential conflict of interest issues.

Each Board Member shall serve a term of no longer than three years, although terms are renewable. The Board shall be staggered so that each year the terms of at least two business Board Members, at least two Labor/NGO Board Members, and at least two university Board Members shall expire. The terms of the business and Labor/NGO Board Members shall expire at the end of December, and the terms of the university Board Members shall expire at the end of May. Any Board Member whose term is expiring shall continue to serve until his/her successor has been named. The Chair shall serve for a three-year term, and may serve such additional terms as determined through the normal Chair selection process set forth below.

C. Selection Process and Qualifications for Chair

A Nominating Committee made up of two business Board Members, two Labor/NGO Board Members and two university Board Members shall be appointed by the Board. The Nominating Committee shall actively identify and assess the potential interest of qualified candidates and present one or more candidates to the Board for consideration. The Chair shall be selected by a Supermajority vote of the Board.

In selecting the Chair, Board Members shall seek individuals with the following qualifications:

1. A commitment to the Mission of the Association in promoting adherence to international labor standards and improving working conditions worldwide;
2. Knowledge of business operations, including, but not limited to, labor issues affecting companies, and
3. Independence.

Factors to be considered in determining independence include whether a person or his or her spouse or immediate family holds any position with or is rendering paid services to, or has held any position with, or rendered any paid services to, any of the following: (i) an Independent Provider, (ii) a company which does a significant amount of business in the apparel, footwear or any other industry in which the Association has significant involvement or , (iii) a Participating Company, (iv) a College or University Licensee, or (v) a Labor/NGO entity.

4. The Chair must be willing to divest of any directly held (i.e., not held through a mutual fund or in a blind trust) equity securities or any other financial interest in any Independent Provider, any Participating Company and any College or University Licensee. Any nominee must also disclose all such holdings as well as any contributions made at any time during the past three years to any Labor/NGO entity or College or University

Affiliate.

D. Issues for Board Consideration

The Board shall have responsibility for approving the following matters by the affirmative vote indicated below for each specific matter:

1. The amendment of the Charter, the Workplace Code or the Monitoring Principles: Supermajority Vote;
2. The amendment of the Bylaws or Articles of Incorporation of the Association: Supermajority Vote;
3. The appointment or removal of the President or the Executive Director: Supermajority Vote;
4. The appointment or removal of Senior Officers of the Association other than the President and the Executive Director: Simple Majority Vote;
5. The adoption of the annual operating plan and budget for the Association, including the identification of funding sources and the setting of annual dues and assessments for Participating Companies, College or University Licensees and College or University Affiliates: Simple Majority Vote;
6. Any amendment to the Association's accreditation criteria for Independent Providers or standards for FLA Assessors: Supermajority Vote;
7. Any amendment to the Association's baseline monitoring procedures: Supermajority Vote;
8. Any amendment to the range of percentages of Applicable Facilities of Participating Companies required for inspection by Monitors on a prospective basis: Supermajority Vote;
9. The decision whether to accredit a particular Independent Provider for a two-year period: Simple Majority Vote;
10. The decision whether to renew the accreditation of a particular Independent Provider for an additional two-year period: Simple Majority Vote;
11. The decision whether to suspend the accreditation of an Independent Provider for a period determined by the Board: Simple Majority Vote;
12. The decision whether a particular Company, Retailer, Supplier or College or University Licensee is eligible to participate in the Association: Simple Majority Vote;

13. The decision whether initially to approve a finding by the Association that the Applicable Products of a Participating Company are produced in Compliance with the Fair Labor Association Standards, based on reports of Monitors, and the approval of the initial Association Public Report regarding such Participating Company: Simple Majority Vote;
14. The decision whether, every three years after an initial finding, to approve a new finding by the Association that the Applicable Products of a Participating Company are produced in Compliance with the Fair Labor Association Standards, based on reports of Monitors, and the approval of the Association Public Report regarding such Participating Company: Simple Majority Vote;
15. The decision whether to suspend the finding by the Association that the Applicable Products of a Participating Company are produced in Compliance with the Fair Labor Association Standards and place the status of such Participating Company or a Category B Licensee on a ninety (90) day special review, or to extend such special review period: Simple Majority Vote;
16. In the event that the status of a Participating Company or Category B Licensee is placed on special review, the decision whether such Participating Company or Category B Licensee shall have its participation in the Association terminated following the special review period: Supermajority Vote;
17. Any amendment of the “Third Party Complaint Procedure” set forth in Section XI of the Charter by which Complaints are addressed by the Association: Simple Majority Vote;
18. The adoption and any amendment of a procedure to address complaints concerning the conduct of independent external monitoring or assessments by specific Monitors: Simple Majority Vote; and
19. Other appropriate issues critical to the elimination of unfair labor practices, including any amendment of the “Special Country Guidelines” set forth in Section X of the Charter and any adoption of additional country guidelines: Supermajority Vote.

E. Executive Staff of the Association

The Association shall employ a full-time professional staff, including a President and/or an Executive Director. Responsibilities of the staff shall include:

1. Promoting public education about conditions of work, the implementation of the Workplace Code and the Monitoring Principles;
2. Reviewing applications of Independent Providers for accreditation, and for

renewal of accreditation, based on the accreditation criteria set forth in Section VIII of the Charter; conducting monitor and assessor training in FLA procedures and methodology; and recommending Independent Providers to receive accreditation to the Board of Directors;

3. Developing standards for FLA Assessors.
4. Reviewing applications of Companies, Retailers, Suppliers and College or University Licensees to participate in the Association, based on the participation criteria set forth in Sections III, IV, V and VI of the Charter, and recommending the eligibility of such Applicants to the Board of Directors;
5. Conducting programs that allow all licensees of College or University Affiliates to become Participating Companies or to enroll in other categories explicitly created for College or University Licensees;
6. Providing an objective assessment of the efficacy and progress of the compliance programs of Participating Companies and College or University Licensees so as to serve as a source of information to consumers;
7. Making recommendations to the Board concerning questions critical to the elimination of unfair labor practices;
8. Conducting oversight of Monitors, and addressing complaints concerning monitoring activities of Monitors; and
9. Addressing Complaints, pursuant to the “Third Party Complaint Procedure” set forth in Section XI of the Charter.

A designated individual or individuals on the staff of the Association shall serve as the University Liaison. The University Liaison shall have full access to all information concerning College or University Licensees to which the President and the Executive Director have access, provided that the University Liaison maintains the confidentiality of such information. The University Liaison may provide to each College or University Affiliate such information concerning its College or University Licensee as the College or University Affiliate and the College or University Licensee have mutually agreed shall be provided by the University Liaison and in accordance with Sections IV.C.6. and IX.A. of the Charter. The University Liaison shall be designated by the Board of Directors only with the approval of at least two-thirds (2/3) of the university Board Members. The performance of the University Liaison shall be reviewed annually by the Executive Director and the university Board Members. The University Liaison shall not be removed from office without the consent of two-thirds (2/3) of the university Board Members.

III. PARTICIPATION CRITERIA FOR COMPANIES, RETAILERS AND SUPPLIERS

A Company, Retailer or Supplier that desires to participate in the Association shall submit to the Association an application consisting of a Monitoring Plan that describes such Applicant's internal compliance program, including the implementation of internal monitoring, independent external monitoring and assessments, and a system of remediation (as described in more detail in Section IX of the Charter) and an agreement by the Applicant to undertake in good faith the following:

- A. To adopt, and cause its applicable licensees, contractors and suppliers to adopt, the Workplace Code in the manufacture of its products;
- B. To formally convey the Workplace Code (in the applicable local language) to its factories, and applicable licensees, contractors and suppliers, and communicate the Applicant's commitment to comply with the Workplace Code to senior officers, managers and employees of both the Company, Retailer or Supplier (as the case may be) and its applicable licensees, contractors and suppliers;
- C. To implement a system of internal monitoring that complies with the Monitoring Principles;
- D. To submit its Applicable Facilities to monitoring visits conducted by Monitors assigned by the FLA staff (as described in Section IX.C. of the Charter);
- E. To pay annual assessments to the Association. Assessments shall be determined by the Board of Directors of the Association based on a formula related to the annual revenues of each Participating Company; and
- F. To provide a report to the Association every twelve months, in a format approved by the Board, describing the activities of the Participating Company over the prior twelve month period to implement its obligations as a Participating Company. The staff of the Association shall review the Participating Company's report, the reports prepared by Monitors with respect to the Participating Company's inspected Applicable Facilities, the status and results of investigations of any Third Party Complaints involving the Participating Company or its Applicable Facilities, and any other relevant information in order to provide feedback to the Participating Company on its progress in implementing its compliance program.

The staff of the Association shall recommend to the Board of Directors whether such Applicant is eligible to participate in the Association based on the Applicant's satisfaction of the foregoing. With respect to the Applicant's Monitoring Plan, the staff of the Association shall review each plan to determine whether it (i) complies with the Monitoring Principles and the requirements for Monitoring Plans set forth in Section IX of the Charter, (ii) assigns specific responsibilities for implementing the commitments contained therein to appropriate officers, (iii) establishes a system of accountability, and (iv) sets forth an operational structure for implementing the plan.

If the Board of Directors approves the participation of such Applicant in the Association, the Applicant shall thereafter be referred to as a “Participating Company”.

IV. AFFILIATION CRITERIA FOR COLLEGES AND UNIVERSITIES

A college, university or other institution of higher learning, or other entity involved in collegiate licensing, that desires to become affiliated with the Association as a College or University Affiliate shall:

- A. Participate in the University Advisory Council;
- B. Pay annual dues to the Association; and
- C. If the College or University Affiliate has a licensing program, it shall require each of its College or University Licensees to become either a Participating Company or be accepted by the Association in an appropriate College or University Licensee category and to meet the requirements associated with such applicable category. In accordance therewith, such College or University Affiliate shall:
 1. Cause each of its College or University Licensees with (a) total annual consolidated revenues in excess of Fifty Million Dollars (\$50,000,000), and (b) either (i) total annual consolidated revenues from Products made under licenses with colleges or universities in excess of Five Million Dollars (\$5,000,000), or (ii) ten (10) or more retail, production and/or manufacturing facilities in its collegiate supply chain, either to (i) become a Participating Company in the Association and include among its Applicable Products all of the products it makes under license from the College or University Affiliate or (ii) become a Category B Licensee, in which case it shall submit to the Association a Monitoring Plan covering all of the Facilities that produce or manufacture products under license from the College or University Affiliate. With respect to all products made under license from such College or University Affiliate, each Category B Licensee shall be required to undertake in good faith the same obligations of Participating Companies and such additional obligations as may be agreed to between such College or University Licensee and its College or University Affiliate, provided, however, that a Category B Licensee with only one Facility shall undergo an inspection by a Monitor once every three (3) years.
 2. Submit to the Association a certified list of all College or University Licensees, with sufficient information for the Association to determine the type and volume of products made under license from the College or University Affiliate by each such College or University Licensee and such other information concerning the College or University Affiliate’s relationship with such College or University Licensee as determined necessary by the staff of the Association;

3. Cause each of its Category C Licensees to meet the criteria for participation established by the Board of Directors of the Association and pay fees as established by the Board of Directors of the Association;
4. Cause each of its Category D Licensees to meet the requirements established for such Licensees by the Board of Directors of the Association;
5. Cause each of its Category E Licensees to meet the requirements established for such Licensees by the Board of Directors of the Association;
6. Unless a College or University Licensee is a Participating Company, it may not publicize or advertise that it is a Participating Company but may only state that it is enrolled in the FLA Licensee category in which it is, in fact, enrolled; and
7. In cases where a College or University Affiliate has a policy that requires each of its College or University Licensees to share monitoring reports and a College or University Licensee has agreed by contract with its College or University Affiliate to do so, the University Liaison may provide copies of the monitoring reports to such College or University Affiliate if both the College or University Affiliate and its College or University Licensee request that the University Liaison do so.

V. ADDITIONAL REQUIREMENTS FOR SUPPLIERS

Any Supplier which is a Participating Company, shall undertake the following in addition to, or in lieu of its obligations as a Participating Company:

- A. Provide to each Participating Company which purchases goods from any of its Facilities a copy of its Monitoring Plan, all updates to its Monitoring Plan and all reports from headquarter reviews performed by the Association.
- B. Facilities of Suppliers will not be subject to internal monitoring or inspections by Monitors during the first year of the implementation of its Monitoring Plan.
- C. Following the first year of implementation of its Monitoring Plan, a Supplier shall provide reports and remediation plans from its internal monitoring to any Participating Company that purchases goods from its Facilities upon request. Participating Companies that purchase goods from such Facilities shall have no obligation to perform internal monitoring at such Supplier's Facilities.

VI. ADDITIONAL REQUIREMENTS FOR RETAILERS

Any Retailer which is a Participating Company, shall undertake the following in addition to, or in lieu of its obligations as a Participating Company:

- A. All vendors of a Retailer shall be treated as if they are licensees of the Retailer in the same manner as College or University Licensees, and the obligations of a Retailer as a Participating Company shall be applied thereto in the same manner as applied to Colleges and Universities with respect to College or University Licensees.
- B. In connection with its Monitoring Plan, a Retailer and the Association shall determine which Products and Product Lines shall initially be subject to internal monitoring and independent external monitoring and assessments, and the time period during which other Products and Product Lines shall be included.

VII. COMMUNICATIONS TO THE PUBLIC

In the event that the Board of Directors approves the participation of a particular Company, Retailer or Supplier as a Participating Company, then such Participating Company, as well as the Association, may communicate to the public that such entity is participating in the Association, and such entity and the Association may disclose the Applicable Products for which the Participating Company is seeking a finding that such Applicable Products are produced in Compliance with the Fair Labor Association Standards.

A Participating Company cannot make any public announcement or other communication to the public that all or some of its Products are produced in Compliance with the Fair Labor Association Standards and shall not have the right to use the service mark of the Association (if any) for any purpose unless: (a) such Products have been determined by the Association to be produced in Compliance with the Fair Labor Association Standards; and (b) the Participating Company continues to satisfy the criteria set forth above for participation in the Association. If these conditions have been met, then the Participating Company shall be entitled to communicate to the public that the Association has found that such Products have been produced in Compliance with the Fair Labor Association Standards and shall be entitled to use the service mark of the Association (if any) in product labeling, advertising and other communications to consumers and shareholders.

Neither the Board of Directors nor any member of the Association's staff shall disclose to the public any information relating to any Participating Company or College or University Licensee which is confidential or proprietary, including any detailed information or assessment regarding (i) the overall status of such Participating Company or College or University Licensee in the Association or (ii) the status of a particular unresolved Complaint relating to a Participating Company or College or University Licensee, except as expressly allowed in this Charter. However, the status of such Participating Company in the Association, as well as the identification of the Applicable Products for which it is seeking a finding by the Association that the Applicable Products of a Participating Company are produced in Compliance with the Fair Labor Association

Standards and whether such a finding has been approved shall be publicized by the Association and the Association shall issue public reports with respect to each Participating Company as provided in Section IX E. of the Charter. The Board of Directors shall establish further guidelines for responding publicly to inquiries regarding Complaints. Such guidelines shall preserve the integrity of the process by which the Association investigates Complaints, facilitate the ability of Companies, Retailers and Suppliers to remedy problems in their Facilities, and provide the public with assurance of the independence and integrity of the Association.

The Association shall issue an annual report each year, the content and format of which shall be determined by the Board of Directors.

VIII. ACCREDITATION CRITERIA AND STANDARDS FOR MONITORS

A. Independence

1. A prospective Independent Provider shall not be eligible to conduct independent external monitoring or assessments of the Facilities of a Participating Company or College or University Licensee unless such provider is independent from such Participating Company or College or University Licensee as well as its applicable licensees, contractors and suppliers to the following extent:
 - (a) Neither the Independent Provider nor any of its employees personally involved in the monitoring or assessments of a Participating Company or College or University Licensee shall have any business or financial relationship with, including holding any equity or debt securities of, the Participating Company or College or University Licensee, or any of its applicable licensees, contractors or suppliers that would conflict with or compromise its ability to conduct monitoring or assessments in a neutral, impartial manner; and
 - (b) The Independent Provider shall not provide other services to the Participating Company or College or University Licensee, or shall not have provided other services to the Participating Company or College or University Licensee in the twenty-four (24) month period prior to its consideration to be an Independent Provider, if the value of all such other services exceeds One Hundred Thousand Dollars (\$100,000) or if the value of all such services has or shall account for twenty-five percent (25%) or more of the Independent Provider's annual revenue. Other services may include, among other things, monitoring, assessments, remediation, training, or product and quality testing. The Executive Director, however, may waive the application of this provision on a case-by-case basis upon a good faith showing that the Independent Provider has established effective mechanisms to eliminate any significant

risk to the independence of its monitoring or assessments. The Independent Provider shall continue to maintain any mechanisms implemented by it to protect the independence of its monitoring or assessments.

If accredited by the Association, the Independent Provider must pledge to continue to comply with the foregoing independence criteria throughout the period of its accreditation.

2. An Independent Provider shall be selected by the FLA staff to conduct independent external monitoring or assessments of a particular Facility of a Participating Company or a College or University Licensee.
3. An Independent Provider shall not conduct independent external monitoring or assessments of any Facility where the provider has, in the last twelve (12) months, rendered any labor compliance service for such Facility.
4. An Independent Provider shall pledge to conduct its monitoring and assessments in a neutral, impartial manner and shall pledge that the content of its monitoring or assessment report shall be accurate and not misleading.
5. An Independent Provider shall have the obligation to report to the Association any breach of any mechanism established by such Independent Provider to protect the independence of its monitoring and assessments and any steps taken by such Independent Provider to remedy such breach.
6. An Independent Provider shall exercise professional judgment at all times and not allow any fees or business relationships to influence its findings or reporting.

B. Qualifying Characteristics of Independent External Monitors

In order to qualify as an Independent External Monitor of the Association, a prospective monitor (which may be one or more individuals or a separate legal entity) shall demonstrate the following core competencies for each country for which it seeks accreditation:

1. **Background Knowledge**
 - (a) Working knowledge of the standards to be applied in the conduct of monitoring, (e.g., the Workplace Code, applicable laws and regulations in the country where monitoring shall take place, and applicable international labor standards).
 - (b) Knowledge of prevailing industry practices and local workplace

conditions.

- (c) Knowledge of local social and cultural conditions to be applied in the conduct of monitoring, such as culturally appropriate interview methods.
- (d) Linguistic skills appropriate to each country or region to be monitored, as needed for each aspect of the Workplace Code to be monitored.

2. Monitoring Workplace Conditions

- (a) Demonstrated ability to conduct independent external monitoring, including the professional competence, capacity and relevant skills or technical qualifications necessary to perform each of the following processes to assess compliance with the Workplace Code:
 - Gathering information from local knowledgeable sources
 - Interviewing Facility workers
 - Interviewing Facility management
 - Visual inspection of the Facility
 - Review of personnel, payroll and timekeeping records
- (b) Ability to maintain the confidentiality of information and confidence of those interviewed.
- (c) Ability to synthesize, cross check, and verify information gathered in the monitoring process from all relevant sources.

3. Analysis and Reporting

- (a) Ability and commitment to conduct an impartial and objective evaluation of the information gathered to assess compliance with the Workplace Code.
- (b) Professional competence in reporting instances or situations of Workplace Code noncompliance to the Participating Company or College or University Licensee and to the Association, including methods for substantiation of findings.
- (c) Capacity to report findings in a timely fashion using the reporting document prescribed by the Association.
- (d) Ability and commitment to maintain accountability for information gathered from the monitoring process.

C. Application Requirements for Prospective Independent External Monitors

A prospective Independent External Monitor may seek accreditation to conduct monitoring in one or more countries, and for one or more areas of the Workplace Code.

In seeking accreditation, a prospective Independent External Monitor shall:

- (i) submit to the Association an application demonstrating satisfaction of the foregoing criteria of independence and qualifying characteristics;
- (ii) agree to undergo training in FLA standards and methodology as deemed appropriate by the Executive Director;
- (iii) conduct a trial audit with an observer appointed by the Executive Director; and
- (iv) agree to undergo any other application requirements as specified by the Executive Director or Board of Directors.

Prospective monitors shall also demonstrate the capacity to ensure the ongoing quality, integrity and independence of their monitoring work, including internal controls and professional staff development. Once accredited, an Independent External Monitor must submit to the Association a binding statement of intent to disclose any material change that may affect its ability to meet the independence criteria or qualifications of Independent External Monitors listed above.

D. Accountability of Independent Providers

An Independent Provider shall be accountable to the Association for professional misconduct or gross negligence in the conduct of its monitoring or assessments or the preparation or content of its monitoring or assessment reports. If a complaint concerning the professional misconduct or negligence of an Independent Provider is submitted to the Association, the Executive Director shall assess the reliability and severity of the complaint and inform the provider of the contents of such complaint. In the event that the Executive Director determines that an Independent Provider has committed such alleged misconduct or negligence, the Executive Director shall recommend to the Board the appropriate sanction. The Board shall have the authority to restrict, suspend, and/or remove all or part of the accreditation of such Independent Provider.

Independent External Monitors shall be accredited for a two-year period, which accreditation can be renewed for successive two-year periods thereafter. In applying for reaccreditation with the Association, the Independent External Monitor shall:

- (i) disclose to the Association any material change to its original application that may affect its independence or qualifications under the criteria set forth above;
- (ii) pass an evaluation at head office and at field level as deemed appropriate by the Executive Director; and

- (iii) agree to an annual audit by FLA staff of the Independent External Monitor's internal records that pertain to its monitoring performed under the auspices of the Association.

E. Nondisclosure by Independent Providers

The Association shall have the right to enter into a confidentiality or nondisclosure agreement with an Independent Provider with respect to nondisclosure to any party other than the Association or the applicable Participating Company or College or University Licensee of information deemed by the Association or such Participating Company or College or University Licensee to be proprietary or confidential; provided, however, that any such confidentiality or nondisclosure agreement shall expressly permit the Independent Provider to disclose (i) to the Association, all information concerning the Participating Company or College or University Licensee, its Applicable Products and its Facilities as expressly required to be disclosed in this Charter and (ii) to the Executive Director, all other information which the Executive Director reasonably may require in order to carry out the purposes of the Association.

The Association also reserves the right to make the findings of the Independent Provider publicly available, and disclose the name of the provider responsible for conducting the independent external monitoring visit or assessment.

F. Accreditation Guidelines and Procedures for Independent Service Providers.

The Association shall develop qualifying characteristics and requirements for accreditation of Independent Service Providers, as well as related application and reaccreditation procedures, that are reasonably equivalent to those for Independent External Monitors. Such requirements and procedures shall be developed in consultation with the Monitoring Committee of the Board and shall be approved by the Board.

G. Standards for FLA Assessors.

The Association shall develop standards and requirements for FLA Assessors that are reasonably equivalent to those for Independent Providers. Such standards shall be developed in consultation with the Monitoring Committee of the Board and shall be approved by the Board.

IX. THE MONITORING PROCESS

A. Monitoring Plan

Each Applicant shall submit to the Association for review and approval a Monitoring Plan that describes with specificity the Applicant's proposed internal compliance program. The Monitoring Plan must describe the strategy and process by which the Applicant shall implement its compliance program in accordance with the Monitoring Principles and whether the Applicant determines to opt for an Initial Implementation Period of two or three years, which period shall commence when an Applicant is approved by the Board to participate in the Association. The Applicant shall identify in

its Monitoring Plan those Facilities which the Applicant considers to be De Minimis Facilities, citing the reason for such designation.

The Monitoring Plan of each Applicant also shall describe which Products or Brands of the Applicant shall be deemed to be Applicable Products for which the Applicant shall seek a finding that such Products are produced in Compliance with the Fair Labor Association Standards. Unless other criteria for defining an Applicant's Applicable Products are proposed by the Applicant in its Monitoring Plan and approved by a supermajority vote of the Board before the Initial Implementation Period, the Applicant shall, at a minimum, designate the following as Applicable Products:

- a. The Product or Brand that accounts for the greatest percentage of the Applicant's annual consolidated revenues;
- b. Any individual Product or Brand that accounts for more than thirty percent (30%) of the Applicant's annual consolidated revenues¹; and
- c. Any Product or Brand which bears the Applicant's name²;

provided, however, that: (i) it shall be within the discretion of such Applicant to designate as Applicable Products those Products or Brands under which it produces under license for Third Parties; (ii) it shall be within the discretion of such Applicant to exclude particular product lines of an Applicable Product if such product lines are produced by Third Parties under license from the Applicant, but in no event may an Applicant exclude under this provision product lines which, in the aggregate, comprise more than thirty percent (30%) of such Applicant's annual revenue derived from such Applicable Products; and (iii) where a Brand is used across various product lines, the Applicant shall seek a finding by the Association that such Brand is produced in Compliance with the Fair Labor Association Standards as used for its major product lines and, within its discretion, for other product lines³. Following the Initial Implementation Period, the Participating Company shall commit to progressively seek a finding by the Association that its other major Products and Brands are produced in Compliance with the Fair Labor Association Standards, with a view toward achieving full participation among all of its Products and Brands.

¹ In the event that no single Product or Brand of an Applicant accounts for thirty percent (30%) or more of such Applicant's annual consolidated revenues, then the Applicant and the Association shall reach an agreement as to which Products or Brands of the Applicant constitute significant Products or Brands which shall be included as Applicable Products.

² A product line of a Brand may be designated as an Applicable Product for which the Applicant seeks to participate during the Initial Implementation Period provided that such product line accounts for thirty percent (30%) or more of the Applicant's revenues.

³ In the event that such designated product lines account for less than thirty percent (30%) of the Applicant's annual consolidated revenues derived from such Brand, then the Applicant and the Association shall reach an agreement as to which product lines within such Brand constitute significant product lines to be initially included in the monitoring process.

Among the information to be provided in each Applicant's Monitoring Plan shall be: training materials for internal monitors; job descriptions of the employees responsible for the Applicant's internal compliance program and the conduct of internal monitoring; a list identifying the number of the Applicant's Applicable Facilities in each country; data on the number and frequency of on-site inspections of Applicable Facilities; and evaluation and reporting forms for internal monitoring. As part of its application, the Applicant shall also disclose any pertinent citations issued against the Applicant by a competent authority, in the areas of labor relations, wage and hour, and occupational safety and health, in the five years prior to its application to the Association. No later than ten (10) Business Days after the approval by the Board of the Applicant's Monitoring Plan, the Applicant shall provide to the Executive Director of the Association a complete list of its Facilities in a format prescribed by the Association together with access to all relevant information pertaining to each Facility that is necessary to carry out the Applicant's Monitoring Plan. The identity of such Facilities shall be maintained in strict confidence by the Executive Director (and, with respect to Facilities of College or University Licensees, the University Liaison), and such list of Facilities, shall be disclosed only to those key staff members of the Association whose duties reasonably require them to have access to such information and shall be maintained in strict confidence by such staff members, subject to appropriate confidentiality agreements between the Association and its staff members. In cases where a College or University Affiliate has a policy that requires each of its College or University Licensees to disclose such information and a College or University Licensee has agreed by contract with its College or University Affiliate to do so, the University Liaison may share such information with such College or University Affiliate, if both the College or University Affiliate and its College or University Licensee request the University Liaison to do so.

A Participating Company shall be required to keep its Monitoring Plan up-to-date, by notifying the Association of any material changes to its Monitoring Plan. A Participating Company shall report to the Association annually on its ongoing activities to implement its Monitoring Plan with respect to additional Products and Brands. In addition, should a Participating Company at any time acquire any additional Products or Brands, then the Participating Company shall provide the Association with a plan for participation of such Products or Brands in the Association.

B. Internal Compliance Program

Each Participating Company shall implement an internal compliance program consistent with the Monitoring Principles covering at least one-half (1/2) of all Applicable Facilities during the first half of the Initial Implementation Period, and covering all of its Facilities during the second half of the Initial Implementation Period. As part of its internal monitoring, the Participating Company shall conduct periodic internal monitoring visits of its Applicable Facilities in accordance with its Monitoring Plan by the end of the Initial Implementation Period. Following the Initial Implementation Period, a Participating Company shall continue to fully implement the Monitoring Principles in all of its Applicable Facilities.

In order to verify, evaluate and publicly account for the compliance program of a Participating Company, staff members of the Association will conduct an internal audit of the compliance program of the Participating Company on at least an annual basis. The Participating Company will facilitate the visit and provide the FLA staff with access to information related to the monitoring of its Applicable Facilities and any remediation conducted in such Facilities. The Participating Company will maintain monitoring reports and, where applicable, remediation plans for each Facility monitored or assessed by internal monitors or Monitors, which shall include: (a) a description of any significant and/or persistent patterns of noncompliance, or instances of serious noncompliance, with the Workplace Code or Monitoring Principles found at the Applicable Facility by the monitor, (b) a description of the remedial steps taken by the Participating Company at such Applicable Facility in response to the provider's findings of noncompliance with the Workplace Code or Monitoring Principles; and (c) a description of remedial actions taken by the Participating Company to prevent the recurrence of such noncompliance at the Applicable Facility. These reports and remediation plans will be made available, upon request, to FLA staff conducting the oversight of the Participating Company's compliance program. FLA staff will also make field visits to observe the work of the Participating Company's local compliance staff and assess factory conditions.

C. Independent External Monitoring and Assessments

A Participating Company shall agree to subject its Applicable Facilities to monitoring visits and assessments conducted by Monitors. The FLA staff will determine which Facilities will be subject to independent external monitoring and assessments, based on risk factors and using a random sampling methodology, and will schedule and assign the monitoring visits and assessments to Monitors.

The Association's criteria for risk assessment will include, but is not limited to, the following factors:

- Any record at a particular Applicable Facility of unremediated, substantiated violations of the workplace standards set forth in the Workplace Code or of credible complaints with respect to such violations;
- The risk of noncompliance presented in the country (or, where appropriate, region of such country) in which the Applicable Facility is located; and
- Size of the Applicable Facility, in terms of the number of employees, volume of production, and percentage of the Participating Company's production sourced at such Applicable Facility.

The FLA staff will conduct due diligence in the selection of Facilities and of Monitors to ensure no conflicts of interest or errors of fact. Credit shall be given to a Participating Company if one of its Applicable Facilities is already subject to independent external monitoring and assessments conducted on behalf of another Participating Company using the same Facility, provided that the Monitor for such Facility is independent (as determined by Section VIII.A. of the Charter) of the Participating Company receiving

such credit. As in the case of internal monitoring, De Minimis Facilities need not be subject to independent external monitoring and assessments.

Following the Initial Implementation Period, Monitors shall continue independent external monitoring and assessments of the Applicable Facilities of each Participating Company. The initial level of monitoring and assessments shall be five percent (5%) of a Participating Company's Applicable Facilities. At its discretion, a Participating Company may elect to include a higher percentage of its Applicable Facilities.

The Association shall gather information and consult with experts in sampling techniques in order to determine the level of independent external monitoring and assessments to be undertaken after the Initial Implementation Period, sufficient for the Association to verify, evaluate and account for the internal compliance program of a Participating Company. The Board of Directors shall consider such information and may modify the level of independent external monitoring and assessments by a Supermajority Vote of the Board.

D. Costs of Independent External Monitoring and Assessments

The Association has established a wholly-owned subsidiary, FLA Independent External Monitoring LLC ("FLA IEM, LLC"), to be used exclusively for independent external monitoring and assessments. Each Participating Company shall pay assessments at regular intervals to FLA IEM, LLC to cover costs incurred by the Association with respect to the independent external monitoring and assessments of the Participating Company's Applicable Facilities. Assessments paid to FLA IEM, LLC that are not used in any one assessment period will either be reimbursed to the Participating Company or carried over into the next period to cover independent external monitoring and assessments. Any interest earned or accrued on advance payments to FLA IEM, LLC shall be retained to support the administrative costs of FLA IEM, LLC and other costs of the Association's Monitoring Program. Each Participating Company shall also bear all costs, within reasonable and expected limits, of any verification visits of Applicable Facilities in connection with the remediation of instances of significant noncompliance with the Workplace Code or Monitoring Principles found at such Applicable Facilities.

E. Reporting on Independent External Monitoring and Assessments

Each Monitor conducting an independent external monitoring visit or assessment of an Applicable Facility of a Participating Company shall provide to the Association and the Participating Company a standardized report on such Facility, describing any significant and/or persistent patterns of noncompliance, or instances of serious noncompliance, with the Workplace Code or Monitoring Principles found at the Applicable Facility by the Monitor. No later than sixty (60) days after the receipt of each such report, the Participating Company shall provide to the Association a remediation plan for the Facility which shall include: (a) a description of the remedial steps taken by the Participating Company at such Applicable Facility in response to instances of noncompliance with the Workplace Code or Monitoring Principles found by the Monitor;

and (b) a description of remedial actions taken by the Participating Company to prevent the recurrence of such noncompliance at the Applicable Facility.

Subsequent to each independent external monitoring visit or assessment of an Applicable Facility of a Participating Company, the FLA staff will analyze and verify the findings of the Monitor and the remediation plan implemented by the Participating Company. Drawing from these results and from information from the Participating Company, the Association will publicly disclose on its website information related to each Facility that has been subject to independent external monitoring and assessments, including the following: (i) the name of the Participating Company producing in the Facility; (ii) the country and/or region of the Facility; (iii) the product type; (iv) the approximate population of the Facility workforce; (v) the name of the Monitor; (vi) the date and length of the monitoring visit or assessment; (vii) the noncompliance issues identified; (viii) the remediation instituted; (ix) the status of the remediation; and (x) any best practices. The goal shall be to provide information sufficient to describe the Facility in depth while maintaining its anonymity.

F. Determinations of Compliance

At the end of the Initial Implementation Period, and every three years thereafter, the Executive Director of the Association shall advise the Board of Directors whether the production of the Applicable Products of a Participating Company should be found to be in Compliance with the Fair Labor Association Standards and shall recommend the level of independent external monitoring and assessments to be undertaken by the Participating Company in the following year. In making such findings, the Executive Director and the Board of Directors shall evaluate the following factors:

- Effective implementation by the Participating Company of an internal compliance program and independent external monitoring and assessments consistent with the Monitoring Principles;
- Timely remediation by the Participating Company of instances of noncompliance with the Workplace Code or Monitoring Principles found by internal monitors or Monitors; and
- In situations where monitors have found a significant and/or persistent pattern of noncompliance, or instances of serious noncompliance, with the Workplace Code or Monitoring Principles, the taking of adequate steps by the Participating Company to prevent recurrence in other Applicable Facilities where such type of noncompliance may occur.

G. Public Reporting on Participating Company Compliance

Immediately following a finding by the Association that the Applicable Products of a Participating Company are produced in Compliance with the Fair Labor Association Standards, the Association shall issue a report describing the activities of such Participating Company to implement the Workplace Code and Monitoring Principles.

The report shall summarize the activities and findings of the Participating Company's internal compliance program and the activities and findings of External Monitors. The report shall describe the steps taken by the Participating Company to prevent the noncompliance found by either internal monitors or Monitors in the Participating Company's Applicable Facilities from recurring in other Applicable Facilities where such type of noncompliance may occur. The report also shall include the information described in subparts (v) through (xi) below and shall describe the remedial actions taken by the Participating Company in response to any significant and/or persistent patterns of noncompliance, or instances of serious noncompliance, with the Workplace Code or Monitoring Principles found by either internal monitors or Monitors at Applicable Facilities.

The staff of the Association shall use materials provided by the Participating Company, the reports on inspected Applicable Facilities prepared by Monitors, investigations of any Third Party Complaints and the Association's review of the Participating Company's internal compliance program to prepare such public report, which shall contain:

- (i) A finding as to whether the Participating Company has effectively implemented an internal compliance program and independent external monitoring and assessments consistent with the Monitoring Principles;
- (ii) The number of Applicable Facilities inspected by internal monitors during the implementation period and the countries where such inspections occurred;
- (iii) A finding as to whether the Participating Company has timely remediated instances of noncompliance with the Workplace Code or Monitoring Principles found by internal monitors or Monitors;
- (iv) A description of the Participating Company's Applicable Products, and the annual consolidated revenues or percentage of sales of the Participating Company attributable to each such Applicable Product⁴;
- (v) A list of the countries and, where appropriate, regions of such countries, in which the Participating Company's Applicable Products are produced, manufactured or supplied;
- (vi) A summary of the Participating Company's internal monitoring process, including the level of training of internal monitors, materials provided to internal monitors and the administration of the internal monitoring process;

⁴ To the extent such information is confidential or proprietary for privately owned Companies, Retailers or Suppliers, the Association shall not disclose such information to the public, and shall work with such Companies, Retailers and Suppliers to substitute other meaningful information in the public report which is not confidential or proprietary.

- (vii) The countries and, where appropriate, regions of such countries in which Monitors conducted independent external monitoring and assessments of Applicable Facilities, and the identity of such Monitors;
- (viii) The number of Applicable Facilities subject to independent external monitoring and assessments during the period;
- (ix) A summary of specific aspects of the Participating Company's internal compliance program that are particularly innovative or exemplary;
- (x) A summary and assessment of any significant and/or persistent patterns of noncompliance, and instances of serious noncompliance, with the Workplace Code or Monitoring Principles found in the production of any Applicable Products, identifying, where appropriate, specific countries and evaluating such information in the context of the human rights situation in the particular country (based on information contained in reports on country practices from governmental and intergovernmental organizations); and
- (xi) A summary and assessment of the remediation steps taken or initiated by the Participating Company to prevent the recurrence of any significant and/or persistent patterns of noncompliance, or instances of serious noncompliance, with the Workplace Code or Monitoring Principles, found in the production of any Applicable Products.

The content and public release of such report shall be subject to the approval of the Board of Directors of the Association. The report shall be released to the Participating Company five Business Days prior to its public release. The report shall exclude information determined by the Association, in consultation with the Participating Company, to be of a proprietary or confidential nature.

All reports and other confidential or proprietary information provided to the Association by Participating Companies and Monitors (other than reports intended for public dissemination) shall be disclosed only to those staff members of the Association whose duties reasonably require them to have access to such information and shall be maintained in strict confidence by such staff members. Employees of the Association shall be required to execute confidentiality and nondisclosure agreements with respect to such information.

Similar reports shall be issued at the time each Participating Company's compliance is reviewed every three years thereafter, in such format as may be determined by the Board of Directors. The Board also shall determine appropriate public reporting procedures regarding the status and participation of Category B College or University Licensees.

H. Special Review

If a Participating Company or Category B Licensee fails to meet or maintain the participation criteria set forth in Section III of the Charter, or if the Participating

Company or Category B Licensee fails to achieve or maintain Compliance with the Fair Labor Association Standards with respect to its Applicable Products, the Participating Company's or Category B Licensee's status may be placed on a ninety (90) day period of special review by the Board of Directors. During a such special review period, neither such Participating Company or Category B Licensee, nor the Association shall identify the Participating Company or Category B Licensee as being in Compliance with the Fair Labor Association Standards. Upon the expiration of the ninety (90) day special review period, the Board may extend such special review period for such time as the Board reasonably believes the Participating Company or Category B Licensee needs to effectively address the issues which required such special review period or otherwise to achieve Compliance with the Fair Labor Association Standards with respect to its Applicable Products. During such extended special review period, the Participating Company shall have the status of a Participating Company, and a Category B Licensee shall have the status of a Category B Licensee.

I. Termination of Participation

Following any period of special review, whether or not such period has been extended by the Board, the Board of Directors may terminate the participation of a Participating Company or Category B Licensee in the Association if the Participating Company or Category B Licensee has not effectively addressed the issues which required such special review period and the Board finds that the Participating Company or Category B Licensee is still not in Compliance with the Fair Labor Association Standards with respect to its Applicable Products. The fact that a Participating Company's or Category B Licensee's participation has been terminated shall be made public by the Association.

X. SPECIAL COUNTRY GUIDELINES

Implementation of some of the standards contained in the Workplace Code may be problematic in certain countries where the rights embodied in the standards are not fully recognized or enforced either through law or practice. Despite these difficulties, one of the principal goals of the Association is to promote and encourage positive change in these countries so these standards become fully recognized, respected and enforced. When deemed necessary and appropriate by the Board, the Association shall provide Participating Companies and College or University Licensees with appropriate country guidelines to address such special problems. The Association staff also shall provide to Participating Companies and College or University Licensees periodic reports on country practices from sources such as the International Labor Organization, local and international non-governmental organizations and the annual U.S. State Department human rights country reports.

With regard to the standard on freedom of association and collective bargaining contained in the Workplace Code, the Association expects all Participating Companies and College or University Licensees to address this issue by taking steps to ensure that employees have the ability to exercise these rights without fear of discrimination or punishment. Such steps include contracting with factory owners that understand and recognize these rights and who shall not affirmatively seek the assistance of state

authorities to prevent workers from exercising these rights. The resort to violence by either employers or employees shall be considered inconsistent with the right to freedom of association and collective bargaining, as provided by ILO Conventions 87 and 98.

XI. THIRD PARTY COMPLAINT PROCEDURE

The Third Party Complaint Procedure is a Safeguard measure that can be initiated by any third party after local remedies have been used to investigate allegations of significant and/or persistent noncompliance with the Workplace Code or Monitoring Principles in the Facilities of Participating Companies and College or University Licensees. A key part of the Third Party Complaint Process is remediation of any verified instances of noncompliance through corrective action.

A. The Third Party Complaint Process

Step 1: **Receiving the Complaint**

Any party may lodge a Complaint with the Executive Director of the Association regarding a Facility, unless that party is a Monitor which has rendered a service for the Facility in the six months prior to the Complaint. The Complaint must contain reliable, specific and verifiable evidence or information that the Alleged Noncompliance has occurred. Promptly after the filing of a Complaint, the FLA will consult with the Third Party to make a preliminary assessment of whether to move forward with the process. In assessing the Complaint the FLA staff will consider the reliability of any past Complaints made by the Third Party. If the FLA staff decides to move forward, the process goes to Step 2; if the FLA staff decides not to move forward, the Executive Director will inform the Third Party in writing of such decision, with an explanation for such decision; if the FLA determines to pursue the Complaint through another Safeguard mechanism, the Executive Director will inform the Participating Company or College or University Licensee and the Third Party in writing of its determination, with an explanation of the Safeguard measure and the process.

The Third Party has the option of asking the Association to keep its identity confidential. If the Third Party elects to make its identity not confidential, then the Executive Director may publicly acknowledge the identity of the Third Party.

Step 2: **Internal Assessment of the Complaint by the Participating Company or Licensee**

The Executive Director will inform any Participating Company or College or University Licensee involved in such Facility that a Complaint has been filed, and will provide the Participating Company or College or University Licensee with the information supplied by the Third Party. The Association will also provide a preliminary indication as to which Workplace Standards are potentially noncompliant. The Participating Company or College or University Licensee may

request that the process go directly to Step 3 or will be permitted up to forty-five (45) days to investigate the Alleged Noncompliance internally.

If the Participating Company or College or University Licensee elects to carry out its own assessment:

1. Within the first 15 days, the Participating Company or College or University Licensee will provide to the FLA in writing a plan of action on how it will look into the allegations raised in the complaint and, to the extent applicable, how it will remediate. The FLA will evaluate the submitted plan and, if the FLA agrees to it, will provide the Participating Company or College or University Licensee 15 additional days to implement the plan. If the FLA does not agree with the plan, the FLA may choose to move the complaint directly to Step 3 of the Procedure.
2. Within 30 days, the Participating Company or College or University Licensee will provide to the FLA in writing a report detailing the findings of the investigation, remediation plan with timeline and, to the extent applicable, summary of corrective action taken. The FLA will inform the Third Party and seek information that confirms/rebuts the report and recommendations that enhance remediation efforts. FLA may choose to provide the affiliated company an additional 15 days to continue its remediation work or determine to move the complaint directly to Step 3 of the Procedure.
3. Within 45 days, the Participating Company or College or University Licensee will provide in writing to the FLA a summary of its activities and a plan with further actions. The FLA will inform the Third Party and seek information that confirms/rebuts the report and recommendations that enhance remediation efforts.

If the Association agrees with the Participating Company's or College or University Licensee's assessment then the Third Party shall be so informed, in writing. If the Third Party is not able to provide information which reasonably rebuts such conclusion, then the Executive Director will terminate the process and provide a Summary Report to both the Participating Company or College or University Licensee and the Third Party. If the process is not terminated at this point then it will proceed to Step 3.

If at any point during this or succeeding steps the Executive Director determines that immediate action is required (for example, that there is retaliation against workers or that workers and/or management are in danger of imminent harm), the Association reserves the right to take such action, within reason and consistent with the Charter. Depending on the severity of the situation, such action might include, but would not be limited to, one of the following: asking the Participating Company or College or University Licensee to intervene; sending an observer to the Facility; or asking local authorities to intervene. Actions of this kind should be reviewed on a timely basis with the Executive Committee of the Board.

Step 3: Assessing of the Complaint by FLA

The Association will determine whether to proceed with further assessment through use of either an expert or a Monitor. If the Association decides after consultation not to proceed then the Executive Director will terminate the process and provide a Summary Report to the Participating Company or College or University Licensee, the Third Party, and the Board of Directors, explaining the decision to terminate the process. If the decision is to proceed but using another Safeguard mechanism, the Executive Director will terminate the process and notify the Participating Company or College or University Licensee and the Third Party in writing of its determination, with an explanation of the Safeguard measure, and the process. If the decision is to proceed then further assessment will take place. The Participating Company or College or University Licensee will ensure that the assessor has access to any and all information the assessor feels is necessary. The assessor will perform the work in a timely manner and, where applicable, in accordance with FLA monitoring guidelines. The assessor will prepare a report describing the work and any findings.

The Participating Company or College or University Licensee will pay or reimburse the Association for the cost of the assessment but may, at the sole determination of the Association, have it counted as part or all of an independent external monitoring event.

If the Participating Company or College or University Licensee declines to proceed with the monitoring process then the Executive Director will terminate the process and provide a Summary Report to the Participating Company or College or University Licensee, the Third Party and the Board of Directors, describing the Participating Company's or College or University Licensee's decision to terminate the process.

Step 4: Remediation

If the assessor finds a significant likelihood that the Alleged Noncompliance occurred, then the Participating Company or College or University Licensee will work with the Association to develop an appropriate remediation plan and implement it to the satisfaction of the Association. If the Participating Company or College or University Licensee fails to do so, then the Executive Director will terminate the process and provide a Summary Report to the Participating Company or College or University Licensee, the Third Party, and the Board of Directors.

If the Association determines that no suitable conclusion is achievable through a remediation plan but rather through another Safeguard mechanism, the Executive Director will terminate the process and notify the Participating Company or College or University Licensee and the Third Party in writing of its determination, with an explanation of the Safeguard measure and the process.

If the Participating Company or College or University Licensee agrees to proceed with the remediation then it will provide a draft remediation plan within thirty (30) days. The Association will prepare and post a standard Tracking Chart of the event on its website no later than ninety (90) days after the Executive Director's receipt of the assessment. Any remediation that has occurred, or that is in process, will be included in the Tracking Chart.

The Association will prepare a Summary Report of the Complaint and its progress to date and provide that report to the Participating Company or College or University Licensee, the Third Party and the Board of Directors. The Summary Report will include the information already provided in any posted Tracking Chart and may include additional information about the process that has occurred. The report will state whether the Alleged Noncompliance (actual or likely) has been remediated to the satisfaction of the Association; and if not, whether a process of on-going remediation that is satisfactory to the Association is still in progress. In the case of such on-going remediation the Association will continue to report on it to the Participating Company or College or University Licensee and the Third Party until such time as the Association determines that either a sufficient level of remediation has been achieved, or that it is unlikely it will be achieved; at that point the Association will prepare a final Summary Report and provide it to the Participating Company or College or University Licensee, the Third Party and the Board of Directors.

B. Public Statements by the Parties

When the Association receives a Complaint at Step 1, it will publically note the date the complaint was received, the country where the Facility is located, name of the complainant (if not confidential), and the complaint status. If, following Step 1, the Executive Director determines to pursue the Complaint using another Safeguard mechanism, the Facility name and Participating Company or College or University Licensee will be publically disclosed.

It is intended that the Third Party Complaint Procedure will take place in a context free of public allegation and innuendo. From and after Step 2 of the Third Party Complaint Procedure, the Association and any of the parties to the complaint may state publicly that a Complaint has been filed involving the Participating Company or College or University Licensee, the Facility, and that the Complaint is at the specified step in the Third Party Complaint Procedure. The Association will make public all Summary Reports. If a Participating Company or College or University Licensee or Third Party elects to make public statements regarding the substance of a Complaint then the Executive Director may disclose information which, in his or her judgment, corrects any misrepresentation of the situation. In extreme cases the Executive Director may find that public statements (i) by a Participating Company or College or University Licensee constitute noncompliance with the Association's program, or (ii) by a Third Party provide grounds for dismissal of a Complaint.

C. Complaints Concerning College or University Licensees

In addition to the foregoing procedure, with respect to any Complaint which involves a College or University Licensee, the Executive Director shall consult and coordinate regularly with the University Liaison in the assessment of the reliability of such Complaint and in the evaluation of the College or University Licensee's response to the Complaint. The Executive Director shall inform the University Liaison of any Complaint that involves the subcontractors and suppliers of Category C or D Licensees. In the case of College or University Licensees, all Summary Reports will be made available to each College or University Affiliate which has a licensing contract with such College or University Licensee.

XII. ASSOCIATION RESOURCES

The Association must secure a multi-year financial commitment that allows it to carry out its responsibilities as set forth in this Charter. While the long-term economic viability of the Association shall depend on funding from Participating Companies based on annual assessments scaled according to each Participating Company's annual consolidated revenues and from College or University Affiliates based on annual dues, the Association also shall seek assistance from the government, foundations and other non-profit sources.

FLA Workplace Code of Conduct and Compliance Benchmarks

Revised October 5, 2011

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PREAMBLE

The FLA Workplace Code of Conduct defines labor standards that aim to achieve decent and humane working conditions. The Code's standards are based on International Labor Organization standards and internationally accepted good labor practices.

Companies affiliated with the FLA are expected to comply with all relevant and applicable laws and regulations of the country in which workers are employed and to implement the Workplace Code in their applicable facilities. When differences or conflicts in standards arise, affiliated companies are expected to apply the highest standard.

The FLA monitors compliance with the Workplace Code by carefully examining adherence to the Compliance Benchmarks and the Principles of Monitoring. The Compliance Benchmarks identify specific requirements for meeting each Code standard, while the Principles of Monitoring guide the assessment of compliance. The FLA expects affiliated companies to make improvements when Code standards are not met and to develop sustainable mechanisms to ensure ongoing compliance.

The FLA provides a model of collaboration, accountability, and transparency and serves as a catalyst for positive change in workplace conditions. As an organization that promotes continuous improvement, the FLA strives to be a global leader in establishing best practices for respectful and ethical treatment of workers, and in promoting sustainable conditions through which workers earn fair wages in safe and healthy workplaces.

FLA WORKPLACE CODE OF CONDUCT

EMPLOYMENT RELATIONSHIP: Employers shall adopt and adhere to rules and conditions of employment that respect workers and, at a minimum, safeguard their rights under national and international labor and social security laws and regulations.

NONDISCRIMINATION: No person shall be subject to any discrimination in employment, including hiring, compensation, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, social group or ethnic origin.

HARASSMENT OR ABUSE: Every employee shall be treated with respect and dignity. No employee shall be subject to any physical, sexual, psychological or verbal harassment or abuse.

FORCED LABOR: There shall be no use of forced labor, including prison labor, indentured labor, bonded labor or other forms of forced labor.

CHILD LABOR: No person shall be employed under the age of 15 or under the age for completion of compulsory education, whichever is higher.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING: Employers shall recognize and respect the right of employees to freedom of association and collective bargaining.

HEALTH, SAFETY, AND ENVIRONMENT: Employers shall provide a safe and healthy workplace setting to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employers' facilities. Employers shall adopt responsible measures to mitigate negative impacts that the workplace has on the environment.

HOURS OF WORK: Employers shall not require workers to work more than the regular and overtime hours allowed by the law of the country where the workers are employed. The regular work week shall not exceed 48 hours. Employers shall allow workers at least 24 consecutive hours of rest in every seven-day period. All overtime work shall be consensual. Employers shall not request overtime on a regular basis and shall compensate all overtime work at a premium rate. Other than in exceptional circumstances, the sum of regular and overtime hours in a week shall not exceed 60 hours.

COMPENSATION: Every worker has a right to compensation for a regular work week that is sufficient to meet the worker's basic needs and provide some discretionary income. Employers shall pay at least the minimum wage or the appropriate prevailing wage, whichever is higher, comply with all legal requirements on wages, and provide any fringe benefits required by law or contract. Where compensation does not meet workers' basic needs and provide some discretionary income, each employer shall work with the FLA to take appropriate actions that seek to progressively realize a level of compensation that does.

FLA WORKPLACE CODE OF CONDUCT AND COMPLIANCE BENCHMARKS

I. EMPLOYMENT RELATIONSHIP (ER)

WORKPLACE CODE PROVISION: Employers shall adopt and adhere to rules and conditions of employment that respect workers and, at a minimum, safeguard their rights under national and international labor and social security laws and regulations.

Compliance Benchmarks

ER.1 General/Human Resource Management Systems

- ER.1.1 Employers shall have in place written policies and practices and maintain proper and accurate records governing all aspects of employment from recruitment, hiring and probation, including written terms and conditions of employment, job descriptions, administration of compensation, and working hours for all positions, through to retrenchment and termination processes.
- ER.1.2 Employers shall assign responsibility for the administration of human resources to a clearly defined and adequately qualified staff member or staff members and ensure workers at all levels receive communication and training about existing policies and procedures or any revisions.
- ER.1.3 Employers should implement a regular review process of policies, procedures and their implementation in a consultative manner and amend when warranted.

ER.2 General/Documentation and Inspection

- ER.2.1 Employers shall maintain on file all documentation needed to demonstrate compliance with the FLA Workplace Code and required laws.
 - ER.2.1.1 Employers shall make these documents available to third-party assessors commissioned by the FLA and shall submit to inspections without prior notice.
- ER.2.2 All notices that are legally required to be posted in the workplace work areas shall be posted by employers.

ER.3 Recruitment and Hiring/Employment Decisions

- ER.3.1 All employment decisions shall be made solely on the basis of a person's qualifications, in terms of education, training, experience, demonstrated skills and/or abilities, as they relate to the inherent requirements of a particular job.
- ER.3.2 Employment decisions shall not be made on the basis of gender, race, religion, age, sexual orientation, nationality, political opinion, social group, ethnic origin, marital status, or union affiliation or sympathy.

ER.4 Recruitment and Hiring/Proof of Age Documentation

- ER.4.1 Employers shall collect and maintain all documentation necessary to confirm and verify date of birth of all workers, such as birth certificates.
 - ER.4.1.1 Employers shall take reasonable measures to ensure such documentation is complete and accurate.

ER.4.1.2 In those cases where proof of age documentation is not readily available or unreliable, employers shall take all necessary precautions which can reasonably be expected of them to ensure that all workers are at least the minimum working age, including requesting and maintaining medical or religious records of workers, or through other means considered reliable in the local context.

ER.5 Recruitment and Hiring/Employment Agency Recruitment Practices

Employers shall not use employment agencies that rely on practices such as:

- ER.5.1 using false information to recruit workers;
- ER.5.2 restricting workers' freedom of movement;
- ER.5.3 requiring workers to pay recruitment and/or employment fees;
- ER.5.4 providing inadequate housing;
- ER.5.5 restricting transit of workers;
- ER.5.6 providing precarious employment;
- ER.5.7 withholding from workers a copy of their employment contract in their native language that sets forth the general terms and conditions of engagement and employment;
 - ER.5.7.1 for migrant workers, a copy should be provided prior to departure from their home town;
- ER.5.8 retaining possession or control of workers identification and other documents like passports, identity papers, work permits, and other personal legal documents;
- ER.5.9 providing for financial penalties; and
- ER.5.10 punishing workers for terminating employment.

ER.6 Recruitment and Hiring/Employers Agreement with Employment Agencies

- ER.6.1 Employers shall use standard contract language with employment agencies that specifically imparts power to employers to directly pay wages to migrant/contract/contingent/temporary workers and ensures equality of compensation and workplace standards as set under the FLA Workplace Code and national laws and regulations.
- ER.6.2 Fees associated with the employment of workers shall be the sole responsibility of employers.

ER.7 Recruitment and Hiring/General Principles on the Use of Contract, Contingent or Temporary Workers

- ER.7.1 Employers shall hire contract/contingent/temporary workers only if such hiring is consistent with the national law of the country of production.
- ER.7.2 Employers shall have in place written policies and procedures regulating the recruitment and hiring of contract/contingent/temporary workers.

ER.8 Recruitment and Hiring/Conditions of Hiring Contract or Temporary Workers

Employers may hire contract or temporary workers only when contract or temporary employment is allowed by national law and one of the following conditions is met:

- ER.8.1 the permanent workforce of the enterprise is not sufficient to meet unexpected or unusually large volume of orders;
- ER.8.2 exceptional circumstances may result in great financial loss to the supplier if delivery of goods cannot be met on time; or
- ER.8.3 work that needs to be done and is outside the professional expertise of the permanent workforce.

ER.9 Recruitment and Hiring/Invalid Use of Contract, Contingent or Temporary Workers

Employers shall not:

- ER.9.1 use contract/contingent/temporary workers on a regular basis for the long-term or multiple short-terms;
- ER.9.2 hire contract/contingent/temporary workers as a means to support normal business needs on a continuous basis or as regular employment practice; or
- ER.9.3 make excessive use of fixed-term contracts or schemes where there is no real intent to impart skills or provide regular employment.

ER.10 Terms and Conditions/Employment Terms

- ER.10.1 Employment terms shall be those to which the worker has voluntarily agreed, in as far as those terms do not fall below
 - ER.10.1.1 provisions of national laws;
 - ER.10.1.2 freely negotiated and valid collective bargaining agreements; or
 - ER.10.1.3 the FLA Workplace Code.
- ER.10.2 There can be no employment terms which allow employers:
 - ER.10.2.1 to hold wages already earned; or
 - ER.10.2.2 use earned back wages as penalties; and
 - ER.10.2.3 in any way punishes workers for terminating employment.

ER.11 Terms and Conditions/Contract, Contingent or Temporary Workers

Employers must ensure the following minimum terms and conditions are met in the employment of contract/contingent/temporary workers:

- ER.11.1 the enterprise defines the job functions or tasks that contract/contingent/temporary workers are hired to perform and maintains information on the use of contract/contingent/temporary workers in relation to production needs;
- ER.11.2 contract/contingent/temporary workers receive at least the minimum wage or the prevailing industry wage, whichever is higher, and all legally mandated fringe benefits;
 - ER.11.2.1 contract/contingent workers receive at least the same compensation as regular workers performing the same job functions or tasks with similar levels of experience or seniority

- ER.11.3 national laws governing contract/contingent/temporary workers are observed. Contract/contingent/temporary workers shall be provided an employment agreement, setting out the employment terms and conditions;
 - ER.11.4 workplace rules and regulations apply to contract/contingent/temporary workers the same as for permanent workers;
 - ER.11.5 personnel files and all relevant employment information for contract/contingent/temporary workers are maintained and accessible at the workplace site, at all times;
 - ER.11.6 contract/contingent/temporary workers who are hired on more than one occasion for seasonal production and specialization sign a separate contract for each new hire event. The workplace retains the same identification number and all relevant information in each worker's personnel file; and
 - ER.11.7 contract/contingent/temporary workers are given priority when the enterprise is seeking 'new' permanent employees.
- ER.12 Terms and Conditions/Contract, Contingent or Temporary Worker to Permanent Employee**
 For any contract/contingent/temporary worker who becomes a permanent employee, seniority and other fringe benefits eligibility must be dated from the first date as a contract/contingent/temporary worker and not from the first day of permanent employment.
- ER.13 Terms and Conditions/Apprenticeship**
 For the time period during which they receive training, apprentices shall:
- ER.13.1 receive at least the minimum wage or the prevailing industry wage, whichever is higher;
 - ER.13.2 receive all legal mandated fringe benefits; and
 - ER.13.3 be subject to workplace conditions as set by the FLA Workplace Code and national laws and regulations.
- ER.14 Terms and Conditions/Other Special Categories of Workers**
 Employers shall ensure that all legally mandated requirements for the protection or management of special categories of workers, including migrant, juvenile, contract/contingent/temporary, home workers, pregnant or disabled workers, are implemented.
- ER.15 Terms and Conditions/New Employee Orientation**
- ER.15.1 Employers shall provide an orientation to new employees at the time of hiring, which includes explanations of the employers' rules, compensation package and policies for human resources, industrial relations, including respect of the right to freedom of association, and health and safety.
 - ER.15.2 Training should be updated on a regular basis, and in particular, when any policies and procedures are revised.
 - ER.15.3 Workers should be provided with written documentation that substantiates all the issues covered in orientation briefings.

ER.16 Terms and Conditions/Communication

ER.16.1 Employers shall inform workers about workplace rules, health and safety information, and laws regarding workers' rights with respect to freedom of association, compensation, working hours, and any other legally required information, and the FLA Code through appropriate means, including posted in local language(s) throughout the workplace's common areas.

ER.16.1.1 Employers shall inform workers that any form of harassment or abuse in the workplace shall be subject to disciplinary measures.

ER.16.2 Where a union exists in the workplace, employers shall make available a copy of the collective bargaining agreement to all workers and other interested parties.

ER.17 Terms and Conditions/Supervisor Training

ER.17.1 Employers shall ensure that all supervisors are trained in national laws, regulations, and the FLA Code, and the appropriate practices to ensure compliance.

ER.17.2 Employers shall inform supervisors that they should not use any form of harassment or abuse to maintain labor discipline.

ER.17.3 Trainings should be updated on a regular basis.

ER.18 Administration of Compensation/Timing and Completeness

Employers shall provide all legally mandated compensation to all eligible workers within the legally defined time periods. In addition, all compensation shall be calculated correctly.

ER.19 Administration of Compensation/Termination Payouts

ER.19.1 Employers shall have in place a procedure for determining termination payouts, including methods for correct assessment of payouts for all modes of termination/retrenchment, taking into account national legal requirements.

ER.19.2 Employers shall establish channels for workers to confidentially express any concerns or problems they may be experiencing around legally-owed payment during a retrenchment process.

ER.19.3 Employers shall not demand that workers sign any declaration of good health, waivers or releases of other rights as a condition of receiving severance pay or other legal fringe benefits from the company, and shall not threaten to withhold fringe benefits if workers do not sign.

ER.20 Administration of Compensation/Wage Advances

ER.20.1 Wage advances shall not exceed three months pay or legal limits, whichever is less.

ER.20.2 Advances shall only be made following clearly established rules which have been communicated to workers.

ER.20.2.1 Advances must be properly documented and their receipt and accuracy must be confirmed by the relevant worker in writing (e.g. signature, thumbprint).

ER.21 Administration of Compensation/Free Disposal of Wages

ER.21.1 Employers may not limit in any manner the freedom of workers to dispose of their wages.

- ER.21.2 Wages must be paid on regular working days and in principle at or near the workplace. Workers must be free from any coercion to make use of enterprise or works stores.
- ER.22 Administration of Fringe Benefits/Holidays, Leave, Legal Social Benefits and Bonuses**
- ER.22.1 Employers shall provide all legally mandated fringe benefits, including holidays, leave, bonuses, severance payments and 13th month payments to all eligible workers within legally defined time periods.
- ER.22.2 All fringe benefits shall be calculated correctly.
- ER.23 Administration of Hours/Time Recording System**
- ER.23.1 Employers shall have in place policies for managing all working hour, overtime, and leave records in normal and exceptional circumstances.
- ER.23.2 Accurate time records shall be maintained by employers, including overtime, breaks, and leave.
- ER.23.3 Time worked by all workers, regardless of wage system, shall be fully documented by time cards or other mechanical or electronic recording systems.
- ER.23.4 Employers shall not maintain multiple time-keeping systems and/or records.
- ER.23.5 Time records maintained shall be authentic and accurate.
- ER.23.6 If not provided by law, employers must provide protection to workers who allege existence of multiple time-keeping systems or falsification of work time records.
- ER.24 Administration of Hours/Production and Incentive Schemes**
- Employers shall not set production targets, piece rates or any other incentive or production system at such a level that workers need to work beyond regular working hours as set under the FLA Workplace Code, excluding overtime, in order to make at least the minimum wage or the prevailing industry wage, whichever is higher.
- ER.25 Industrial Relations**
- ER.25.1 Workplace rules, policies, and practices shall be communicated to all workers in the local language or language spoken by workers if different from the local language.
- ER.25.2 Employers shall have a clear and transparent system of worker and management communication that enables workers to consult with and provide input to management. This might include suggestion boxes, workers committees, designated spaces for worker meetings, and meetings between management and workers' representatives.
- ER.25.3 There shall be a mechanism that allows workers to report harassment and grievances confidentially, including any concerns or problems they may be experiencing around legally-owed payments during a retrenchment process.
- ER.25.3.1 Employers shall have in place written procedures that allow a direct settlement of the grievance by the worker and the immediate supervisor. Where this is inappropriate or has failed, there should be additional options for senior management review and

consideration, depending on the nature of the grievance and the structure and size of the enterprise.

ER.25.3.2 Employers shall ensure that the grievance procedures and applicable rules are known to workers.

ER.26 Industrial Relations/Right to Organize, Bargain and Participate in Legal Strikes

Employers shall respect all laws, rules and procedures protecting the rights of workers to organize, bargain collectively, and participate in strikes consistent with ILO principles and jurisprudence.

ER.27 Work Rules and Discipline

ER.27.1 Employers shall have written disciplinary rules, procedures and practices that embody a system of progressive discipline (e.g. a system of maintaining discipline through the application of escalating disciplinary action moving from verbal warnings to written warnings to suspension and finally to termination).

ER.27.2 Employers shall ensure managers and supervisors are fully familiar with the workplace disciplinary system and in applying appropriate disciplinary practices.

ER.27.2.1 The disciplinary system shall be applied in a fair and nondiscriminatory manner and include a management review of the actions by someone senior to the manager who imposed the disciplinary action.

ER.27.2.2 Employers shall maintain written records of all disciplinary actions taken.

ER.27.3 Disciplinary rules, procedures and practices shall be clearly communicated to all workers. Any exceptions to this system (e.g. immediate termination for gross misconduct, such as theft or assault) shall also be in writing and clearly communicated to workers.

ER.27.3.1 Workers must be informed when a disciplinary procedure has been initiated against them.

ER.27.3.2 Workers have the right to participate and be heard in any disciplinary procedure against them.

ER.27.3.3 Workers must sign all written records of disciplinary action against them.

ER.27.3.4 Records of disciplinary action must be maintained in the worker's personnel file.

ER.27.4 The disciplinary system shall include a third party witness during imposition, and an appeal process.

ER.28 Skills Development/Training

ER.28.1 Employers shall have written policies and procedures and implement practices that encourage ongoing training of all categories of workers with the goal of raising or broadening skills in order to advance in their careers within the factory or beyond.

ER.28.1.1 The policies and procedures should include how workers will be informed of training opportunities, eligibility requirement for

participation, if the training will be compulsory or voluntary, if it will take place during or after working hours, and if the training time will be compensated.

ER.28.1.2 Policies and procedures must encompass local legal requirements.

ER.28.2 Trainings shall be documented and workers shall clearly understand what is required of them in order to advance to the next level within the factory.

ER.29 Skills Development/Management of Performance Reviews

ER.29.1 Employers shall have written policies and procedures with regard to performance reviews that outline the review steps and process, demonstrate linkages to job grading, prohibit discrimination, are provided in writing and seek feedback and agreement/disagreement from employees in writing, and that follow all local legal requirements.

ER.29.1.1 The performance review process should be communicated to the workforce and reviewed regularly.

ER.30 Skills Development/Promotion, Demotion and Job Reassignment

ER.30.1 Employers shall have written policies and procedures with regard to promotion, demotion, and job reassignment that are transparent and fair in their implementation.

ER.30.1.1 Policies and procedures should outline the criteria for promotion, demotion, and job reassignment scheme, demonstrate linkages to job grading, and prohibit discrimination or use of demotion or job reassignment as a form of penalty or punishment.

ER.30.1.2 Outcomes should be provided in writing and seek feedback and agreement/disagreement from employees in writing.

ER.30.1.3 Processes should follow local legal requirements.

ER.30.2 Policies and procedures should be communicated to the workforce and reviewed regularly.

ER.31 Health, Safety, and Environmental Management System/Policies and Procedures

ER.31.1 Employers shall develop, maintain, and regularly review written health, safety, and environmental policies, at the very least, aimed at complying with legal minimum health, safety, and environmental standards, regulations and procedures.

ER.31.2 The health, safety, and environmental policies shall contain the framework for a comprehensive health, safety, and environmental management system within which the following are clear and regularly tested and reviewed:

ER.31.2.1 employers' responsibilities,

ER.31.2.2 workers' rights and duties,

ER.31.2.3 responsibilities of designated personnel,

ER.31.2.4 procedures that enable workers to raise health, safety, and environmental concerns

ER.31.2.5 procedures for reporting death, injury, illness and other health and safety issues (for instance, near-miss accidents) and environmental emergencies, and,

ER.31.2.6 protections to workers who allege health, safety, and environmental violations.

ER.31.3 Environmental policies shall commit to minimize environmental impacts with respect to energy, air emissions, water, waste, hazardous materials, and other significant environmental risks.

ER.32 Termination and Retrenchment/General Policies and Procedures

ER.32.1 Employers shall have in place a formal written policy governing all aspects and modes of termination and retrenchment.

ER.32.2 Employers shall maintain proper and accurate records in relation to termination and retrenchment.

ER.32.3 When employers are faced with major changes in production, program, organization, structure, or technology and those changes are likely to result in temporary or permanent layoffs, employers shall communicate any alternatives to retrenchment that have been considered and consult any workers' representatives as early as possible with a view to averting or minimizing layoffs.

ER.32.4 Where temporary or permanent layoffs are unavoidable, a plan should be developed and implemented that mitigates the adverse effects of such changes on workers and their communities.

ER.32.5 The plan should be clearly communicated and posted, and include feedback channels for workers to ask questions and seek clarifications.

ER.32.6 Employers shall give retrenched workers opportunity to transfer to other owned facilities in the country at a comparable wage and make all efforts to facilitate re-employment in other enterprises in the country.

II. NONDISCRIMINATION (ND)

WORKPLACE CODE PROVISION: No person shall be subject to any discrimination in employment, including hiring, compensation, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, social group or ethnic origin.

Compliance Benchmarks

- ND.1 General Compliance Nondiscrimination**
Employers shall comply with all national laws, regulations and procedures concerning nondiscrimination.
- ND.2 Recruitment and Employment Practices/Job Advertisements, Job Descriptions and Evaluation Policies**
- ND.2.1 Recruitment and employment policies and practices, including job advertisements, job descriptions, and job performance/evaluation policies and practices shall be free from any type of discriminatory bias.
- ND.2.2 If not provided by law, employers must provide protection to workers who allege discrimination in recruitment and employment practices.
- ND.3 Compensation Discrimination**
- ND.3.1 There shall be no differences in compensation for workers for work of equal value on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, social group or ethnic origin.
- ND.3.1.1 Compensation includes the basic minimum or prevailing industry wage and fringe benefits arising out of the workers employment made directly or indirectly, whether in cash or in-kind, by the employers to the workers.
- ND.3.1.2 Fringe benefits include wage differentials or increments based on seniority or marital status, cost of living allowances, housing or residential allowances, family allowances, and nonwage compensation (e.g. allotment for cleaning of work clothes or safety equipment) and social security benefits.
- ND.3.1.3 Employers shall ensure that migrant/contract/contingent/temporary workers are compensated directly and in full, without deduction for recruitment fees or any other agency charge for services, such as obtaining residency permits or work visas on behalf of workers.
- ND.3.2 If not provided by law, employers must provide protection to workers who allege discrimination in compensation.
- ND.4 Marital Discrimination**
- ND.4.1 Employers shall not discriminate on the basis of marital status.
- ND.4.2 If not provided by law, employers must provide protection to workers who allege discrimination based on marital status.

ND.5 Pregnancy Testing

- ND.5.1 Employers shall not use pregnancy tests or the use of contraception as a condition of hiring or of continued employment.
- ND.5.2 Employers shall not require pregnancy testing of female workers, except as required by national law.
 - ND.5.2.1 In such cases, employers shall not use (the results of) such tests as a condition of hiring or continued employment.
- ND.5.3 If not provided by law, employers must provide protection to workers who allege discrimination as a condition in hiring or continued employment based on pregnancy tests or the use of contraception.

ND.6 Marriage or Pregnancy Discrimination

- ND.6.1 Employers shall not threaten female workers with dismissal or any other employment decision that negatively affects their employment status in order to prevent them from getting married or becoming pregnant.
- ND.6.2 If not provided by law, employers must provide protection to workers who allege discrimination in the form of threat of dismissal or any other employment decision that negatively affects their employment status based their intention to get married or become pregnant.

ND.7 Pregnancy and Employment Status

- ND.7.1 Employers shall not, on the basis of a woman’s pregnancy, make any employment decisions that negatively affect a pregnant woman’s employment status, including decisions concerning dismissal, loss of seniority, or deduction of wages.
- ND.7.2 If not provided by law, employers must provide protection to workers who allege discrimination in the form of employment decisions that negatively affect their employment status based on pregnancy.

ND.8 Protection and Accommodation of Pregnant Workers and New Mothers

- ND.8.1 Employers shall abide by all protective provisions in national laws and regulations benefitting pregnant workers and new mothers, including provisions concerning maternity leave and other benefits; prohibitions regarding night work, temporary reassignments away from work stations and work environments that may pose a risk to the health of pregnant women and their unborn children or new mothers and their new born children, temporary adjustment of working hours during and after pregnancy, and the provision of breast-feeding breaks and facilities.
 - ND.8.1.1 Where such legal protective provisions are lacking, employers shall take reasonable measures to ensure the safety and health of pregnant women and their unborn children.
 - ND.8.1.2 Such measures shall be taken in a manner that shall not unreasonably affect the employment status, including compensation of pregnant women.

ND.8.2 If not provided by law, employers must provide protection to workers who allege discrimination with regard to implementation of provisions protecting and accommodating pregnant workers and new mothers.

ND.9 Health-Related Discrimination

Employers shall not, on the basis of a person's health status, make any employment decisions that negatively affect the persons employment status, including decisions concerning recruitment, termination, promotion, or assignment of work, unless such decision is dictated by the inherent requirements of the job or a medical necessity to protect the worker and/or other workers.

ND.10 Medical Examination

Employers are allowed to require routine medical examination to assess general fitness as a condition for recruitment or continued employment but shall not include testing for any disease or illness, such as HIV/AIDS, that does not have an immediate effect on a person's fitness and is not contagious.

ND.11 Confidentiality of Health Status

Employers shall respect the confidentiality of workers' health status and not undertake any action that could lead to a breach of said confidentiality, including screening, whether by direct or indirect testing (for instance, by making an assessment of risk behavior), or asking questions about previously taken tests or medications.

ND.12 Reasonable Accommodation for Health Reasons

Employers shall take measures to reasonably accommodate workers with (chronic) illnesses, including HIV/AIDS-related illnesses, which could include rearrangement of working time, the provision of special equipment, opportunities for rest breaks, time-off for medical appointments, flexible sick leave, part-time work and return-to-work arrangements.

III. HARASSMENT OR ABUSE (H/A)

WORKPLACE CODE PROVISION: Every employee shall be treated with respect and dignity. No employee shall be subject to any physical, sexual, psychological or verbal harassment or abuse.

Compliance Benchmarks

- H/A.1 General Compliance Harassment or Abuse**
Employers shall comply with all national laws, regulations and procedures concerning discipline, violence, harassment and abuse.
- H/A.2 Discipline/Monetary Fines and Penalties**
Employers shall not use monetary fines and penalties as a means to maintain labor discipline, including for poor performance or for violating company rules, regulations, and policies.
- H/A.3 Discipline/Access to Facilities**
Access to food, water, toilets, medical care or health clinics or other basic necessities shall not be used as either reward or as a means to maintain labor discipline.
- H/A.4 Discipline/Physical Abuse**
Employers shall not use any form of – or threat of – physical violence, including slaps, pushes or other forms of physical contact as a means to maintain labor discipline.
- H/A.5 Discipline/Verbal Abuse**
Employers shall not use any form of verbal violence, including screaming, yelling, or the use of threatening, demeaning, or insulting language, as a means to maintain labor discipline.
- H/A.6 Discipline/Psychological Abuse**
Employers shall not use any form – or threat – of psychological abuse, such as forcing workers to sign letters of self-criticism or posting names of workers subject to disciplinary measures as a means to maintain labor discipline.
- H/A.7 Discipline/Freedom of Movement**
Employers shall not unreasonably restrain the freedom of movement of workers, including movement in canteens, during breaks, using toilets, accessing water, or accessing necessary medical attention, as a means to maintain labor discipline.
- H/A.8 Violence/Harassment or Abuse**
H/A.8.1 Employers shall ensure that the workplace is free from any type of violence, harassment or abuse, be it physical, sexual, psychological, verbal, or otherwise.

- H/A.8.2 Employers shall refrain from any action, and shall take all appropriate action to ensure that all workers refrain from any action, that would result in an intimidating, hostile or offensive work environment for workers.
- H/A.8.3 If not provided under law, employers must provide protection to workers who allege harassment or abuse violations.
- H/A.9 Sexual Harassment**
- H/A.9.1 Employers shall refrain from:
- H/A.9.1.1 any act of sexual harassment, including inappropriate remark, insult, joke, insinuation, and comment on a person's dress, physique, age, family situation, etc;
- H/A.9.1.2 a condescending or paternalistic attitude with sexual implications undermining dignity;
- H/A.9.1.3 any unwelcome invitation or request, implicit or explicit, whether or not accompanied by threats;
- H/A.9.1.4 any lascivious look or other gesture associated with sexuality; and
- H/A.9.1.5 any unnecessary physical contact such as touching, caresses, pinching or assault.
- H/A.9.2 Employers shall not offer, or take any action that may suggest an offer of, recruitment, continued employment, promotion, improved working conditions, preferential work assignments or other preferential treatment in exchange for a sexual relationship
- H/A.9.3 Employers shall not subject workers to prejudicial treatment of any kind in retaliation for refused sexual advances or corrected inappropriate behavior.
- H/A.9.4 Employers shall refrain from any action, and shall take all appropriate action to ensure that all workers refrain from any action, that would result in a sexually intimidating, hostile or offensive work environment for workers.
- H/A.10 Security Practices/Body Searches**
- All security practices shall be gender appropriate and nonintrusive, so that the dignity of workers concerned is protected when a search is undertaken.
- H/A.10.1 Searching of bags and other personal items to prevent theft is acceptable.
- H/A.10.2 Body searches and physical pat downs shall only be undertaken when there is a legitimate reason to do so and upon consent of workers, unless a state official with the power to do so (e.g. police officer) has ordered the search.
- H/A.10.2.1 Body searches shall not be undertaken in public and the person who undertakes the search shall be of the same sex as the person who is being searched.
- H/A.11 Punishment of Abusive Workers/Supervisors/Managers/Workers** Employers shall have a system to discipline supervisors, managers or workers who engage in any physical, sexual, psychological or verbal violence, harassment or abuse, through measures such as compulsory counseling, warnings, demotions, and terminations or a combination thereof regardless of whether such action was intended as a means to maintain labor discipline.

IV. FORCED LABOR (F)

WORKPLACE CODE PROVISION: There shall be no use of forced labor, including prison labor, indentured labor, bonded labor or other forms of forced labor.

Compliance Benchmarks

- F.1 General Compliance Forced Labor**
Employers shall comply with all national laws, regulations and procedures concerning the prohibition of forced labor and human trafficking.
- F.2 Freedom in Employment**
All workers shall have the right to enter into and to terminate their employment freely.
- F.3 Debt/Bonded Labor**
Employers shall not bind workers to employment as a condition of fulfilling terms of a debt to a third party or to the employer.
- F.4 Freedom of Movement**
- F.4.1 If workplace entrances are locked or guarded to prevent nonemployee access to the premises for security reasons, workers shall have free egress at all times, subject to work rules.
 - F.4.2 No employment term shall confine or restrict employees' freedom of movement.
- F.5 Employer Controlled Residence**
- F.5.1 Employers shall not require workers to live in employer-owned or -controlled residences as a condition of recruitment, continued employment or to receive the same terms of employment and working conditions as other workers in the same position.
 - F.5.2 Employers shall not subject workers to any undue influence to persuade workers to live in such residences.
- F.6 Freedom of Movement/Employer Controlled Residence**
The freedom of movement of workers who live in employer-owned or -controlled residences shall not be unreasonably restricted.
- F.7 Freedom of Movement/Workers Ability to Terminate**
Employers shall not utilize practices that restrict workers freedom of movement or ability to terminate his or her employment. Examples of such practices include, but are not limited to:
- F.7.1 (the threat of) physical or mental coercion;
 - F.7.2 requiring deposits;
 - F.7.3 imposing financial penalties;
 - F.7.4 requiring recruitment fees;

F.7.5 setting production targets or piece rates at such a level that workers need to work beyond regular working hours (excluding overtime) as set under the FLA Workplace Code in order to make the legal minimum wage or the prevailing industry wage; and

F.7.6 denying and hampering access to, and renewal of, identity papers and/or work permits or any other personal legal (identification) documents.

F.8 Forced Overtime

The imposition of overtime where workers are unable to leave the work premises constitutes forced labor.

F.9 Personal Workers Identification and Other Documents

F.9.1 Workers shall retain possession or control of their passports, identity papers, travel documents, and other personal legal documents.

F.9.2 Employers may obtain copies of original documents for record-keeping purposes.

F.10 Storage for Employee Documents

Employers shall provide at employee request secure storage for employees documents such as passports, identity papers, travel documents, and other personal legal documents. Such storage shall be freely accessible to workers.

F.10.1 Employers shall not withhold any such documents or restrict workers' access to them for any reason whatsoever, including in order to ensure that workers shall remain in employment in the workplace.

V. CHILD LABOR (CL)

WORKPLACE CODE PROVISION: No person shall be employed under the age of 15 or under the age for completion of compulsory education, whichever is higher.

Compliance Benchmarks

- CL.1 General Compliance Child Labor**
Employers shall comply with all national laws, regulations and procedures concerning the prohibition of child labor.
- CL.2 Child Labor**
Employers shall not employ anyone under the age of 15 or under the age for completion of compulsory education, whichever is higher.
- CL.3 Government Permits and Parental Consent Documentation**
Employers shall abide by all relevant rules and procedures where the law requires government permits or permission from parents as a condition of employment, and shall keep documentation on-site for inspection at all times.
- CL.4 Employment of Young Workers**
Employers shall comply with all relevant laws that apply to young workers (e.g. those between the minimum working age and the age of 18), including regulations related to hiring, working conditions, types of work, hours of work, proof of age documentation, and overtime.
- CL.5 Hazardous Work for Young Workers**
No person under the age of 18 shall undertake hazardous work, i.e. work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of persons under the age of 18.
- CL.6 Young Workers Identification System**
Employers shall have a system for identifying work stations and operations that are inappropriate for young workers according to applicable laws.
- CL.7 Apprenticeships and Vocational Training/Minimum Working Age**
Apprentices or vocational students shall not be under the age of 15 or under the age for completion of compulsory education, whichever is higher.
- CL.8 Apprenticeships and Vocational Training/Legal Compliance**
Employers shall comply with all regulations and requirements of apprentice or vocational education programs, and shall be able to document to monitors that these are legally recognized programs. Informal arrangements of any kind are not acceptable.

VI. FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING (FOA)

WORKPLACE CODE PROVISION: Employers shall recognize and respect the right of employees to freedom of association and collective bargaining.

Compliance Benchmarks

- FOA.1 General Compliance Freedom of Association**
Employers shall comply with all national laws, regulations and procedures concerning freedom of association and collective bargaining.
- FOA.2 Right to Freely Associate**
Workers, without distinction whatsoever, shall have the right to establish and to join organizations of their own choosing, subject only to the rules of the organization concerned, without previous authorization. The right to freedom of association begins at the time that workers seeks employment and continues through the course of employment, including eventual termination of employment, and is applicable as well to unemployed and retired workers.
- FOA.3 Legal Restriction/Alternative Means**
When the right to freedom of association and collective bargaining is restricted under law, employers shall not obstruct legal alternative means of workers association.
- FOA.4 Anti-Union Violence/Harassment or Abuse**
FOA.4.1 Employers shall not use any form of physical or psychological violence, threats, intimidation, retaliation, harassment or abuse against union representatives and workers seeking to form or join an organization of their own choosing.
FOA.4.1.1 Such practices shall not be used against workers' organizations or workers participating or intending to participate in union activities, including strikes.
- FOA.5 Anti-Union Discrimination/Dismissal, Other Loss of Rights, and Blacklisting**
FOA.5.1 Employers shall not engage in any acts of anti-union discrimination or retaliation, i.e. shall not make any employment decisions which negatively affect workers based wholly or in part on a workers' union membership or participation in union activity, including the formation of a union, previous employment in a unionized facility, participation in collective bargaining efforts or participation in a legal strike.
FOA.5.1.1 Employment decisions include: hiring; termination; job security; job assignment; compensation; promotion; downgrading; transfer; (vocational) training; discipline; and assignment of work and conditions of work including hours of work, rest periods, and occupational safety and health measures.
FOA.5.1.2 The use of blacklists used to contravene the exercise of the right to freedom of association, for instance blacklists based on union

membership or participation in union activity, also constitutes anti-union discrimination.

- FOA.6 Restoration of Workers Rights/Reinstatement**
Workers who have been unjustly dismissed, demoted or otherwise suffered a loss of rights and privileges at work due to an act of union discrimination shall, subject to national laws, be entitled to restoration of all the rights and privileges lost, including reinstatement, if they so desire.
- FOA.7 Protection of Union Representatives**
Employers shall comply with all relevant provisions where national laws provide special protection to workers or worker representatives engaged in a particular union activity (such as union formation) or to worker representatives with a particular status (such as founding union members or current union office holders).
- FOA.8 Production Shift/Workplace Closure**
- FOA.8.1 Employers shall not (threaten to) shift production or close a workplace site in an attempt to prevent the formation of a union, in reaction to the formation of a union, in reaction to any other legitimate exercise of the right to freedom of association and collective bargaining, including the right to strike, or in an effort to break up a union.
- FOA.8.2 If a workplace is closing and there is a dispute that the closure was done to prevent or hamper the legitimate exercise of the right to freedom of association, employers shall provide proof that can be assessed by a third party to determine the validity of the reasons given for closure.
- FOA.9 Severance Pay**
Employers shall not offer or use severance pay in any form or under any other name as a means of contravening the right to freedom of association, including attempts to prevent or restrict union formation or union activity, including strikes.
- FOA.10 Employer Interference**
Employers shall refrain from any acts of interference with the formation or operation of workers' organizations, including acts which are designed to establish or promote the domination, financing or control of workers' organizations by employers.
- FOA.11 Employer Interference/Constitution, Elections, Administration, Activities and Programs**
Employers shall not interfere with the right of workers to draw up their constitutions and rules, to elect their representatives in full freedom, to organize their administration and activities, and to formulate their programs.

- FOA.12 Employer Interference/Registration**
Employers shall not attempt to influence or interfere in any way, to the detriment of workers' organizations, with government registration decisions, procedures and requirements regarding the formation of workers' organizations.
- FOA.13 Employer Interference/Favoritism**
FOA.13.1 Employers shall not interfere with the right to freedom of association by favoring one workers' organization over another.
FOA.13.1.1 In cases where a single union represents workers, employers shall not attempt to influence or interfere in any way in workers' ability to form other organizations that represent workers.
- FOA.14 Employer Interference/Police and Military Forces**
Employers shall not in any way threaten the use of or use the presence of police or military, to prevent, disrupt or break up any activities that constitute a peaceful exercise of the right to freedom of association, including union meetings, assemblies and strikes.
- FOA.15 Facilities for Worker Representatives**
Worker representatives shall have the facilities necessary for the proper exercise of their functions, including access to workplaces.
- FOA.16 Right to Collective Bargaining/Good Faith**
FOA.16.1 Employers shall recognize the rights of workers to free and voluntary collective bargaining with a view to the regulation of terms and conditions of employment by collective agreements.
FOA.16.2 Employers and worker representatives shall bargain in good faith, i.e. engage in genuine and constructive negotiations and make every effort to reach an agreement.
- FOA.17 Right to Collective Bargaining/Exclusive Bargaining and Other Recognized Unions**
Employers shall bargain with any union that has been recognized by law or by agreement between the employer and that union, provided such agreement does not contravene national law, as a, or the exclusive, bargaining agent for some or all of its workers.
- FOA.18 Right to Collective Bargaining/Unorganized Workers**
Employers can only engage in collective bargaining with representatives of unorganized workers when no workers' organization exists.
- FOA.19 Right to Collective Bargaining/Compliance with Collective Bargaining Agreement**
FOA.19.1 Employers, unions and workers shall honor in good faith, for the term of the agreement, the terms of any collective bargaining agreement they have agreed to and signed.

- FOA.19.2 Worker representatives and workers shall be able to raise issues regarding compliance with a collective bargaining agreement by employers without retaliation or any negative effect on their employment status.
- FOA.20 Right to Collective Bargaining/Validity of Collective Bargaining Agreement**
- FOA.20.1 Collective bargaining agreements that have not been negotiated freely, voluntarily and in good faith shall be considered not applicable.
- FOA.20.2 Provisions in collective bargaining agreements that contradict national laws, rules and procedures or offer less protection to workers than provisions of the FLA Workplace Code shall also be considered not applicable.
- FOA.21 Rights of Minority Unions and their Members**
- Unions not recognized as a bargaining agent of some or all of the workers in a facility shall have the means for defending the occupational interests of their members, including making representations on their behalf and representing them in cases of individual grievances, within limits established by applicable law.
- FOA.22 Right to Strike/Sanction for Organizing or Participating in Legal Strikes**
- Employers shall not impose any sanction on workers organizing or having participated in a legal strike.
- FOA.23 Right to Strike/Replacement Workers**
- Employers shall not hire replacement workers in order to prevent or break up a legal strike or to avoid negotiating in good faith.
- FOA.24 Deduction of Union Dues and Other Fees**
- Employers cannot deduct union membership fees or any other union fees from workers' wages without the express and written consent of individual workers, unless specified otherwise in freely negotiated and valid collective bargaining agreements.

VII. HEALTH, SAFETY, AND ENVIRONMENT (HSE)

WORKPLACE CODE PROVISION: Employers shall provide a safe and healthy workplace setting to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employers' facilities. Employers shall adopt responsible measures to mitigate negative impacts that the workplace has on the environment.

Compliance Benchmarks

- HSE.1 General Compliance Health, Safety, and Environment**
Employers shall comply with all national laws, regulations and procedures concerning health, safety, and the environment.
- HSE.2 Document Maintenance/Workers Accessibility and Awareness**
All documents required to be available to workers and management by applicable laws (e.g. health and safety policies, MSDS, environmental emergency plans) shall be made available in the prescribed manner and in the local language or language spoken by the workers, if different from the local language.
- HSE.3 Notification and Record Maintenance**
- HSE.3.1 Employers shall notify the relevant national and/or local authorities of all illnesses and accidents and environmental emergencies as required by applicable laws.
 - HSE.3.2 All illness, safety, accident, and emergency reports shall be maintained on site for at least one year, or longer if required by law.
- HSE.4 Permits and Certificates**
Employers shall at all times be in possession of all legally required and valid permits and certificates related to health, safety, and environmental issues, such as those related to the purchase and storage of chemicals, fire safety inspections, inspection of machinery, and (chemical) waste disposal.
- HSE.5 Evacuation Requirements and Procedure**
- HSE.5.1 All applicable, legally required or recommended elements of safe evacuation (e.g. posting of evacuation plans, installation and maintenance of an alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their workstations, employee education, evacuation procedures) shall be complied with.
 - HSE.5.2 Workers shall be trained in evacuation procedures.
 - HSE.5.3 Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually.
 - HSE.5.4 The emergency evacuation plan (EEP) includes procedures for notifying local community authorities in case of accidental discharge or release of chemical/waste products or any other environmental emergency.

- HSE.6 Safety Equipment and First Aid Training**
- HSE.6.1 All safety and medical equipment (e.g. fire fighting equipment, first aid kits) shall be available in sufficient numbers throughout the workplace, maintained and stocked as prescribed, and easily accessible to workers.
- HSE.6.2 A sufficient number of workers shall be trained in first aid and fire fighting techniques.
- HSE.7 Personal Protective Equipment**
- Workers shall be provided at no cost with all the appropriate and necessary personal protective equipment (e.g. gloves, eye protection, hearing protection, respiratory protection) to effectively prevent unsafe exposure (e.g. inhalation or contact with solvent vapors, noise, dust) to health and safety hazards, including medical waste.
- HSE.8 Use of Personal Protective Equipment**
- Workers shall be provided with training on the use and maintenance of personal protective equipment.
- HSE.9 Chemical Management and Training**
- HSE.9.1 All chemicals and hazardous substances shall be properly labeled and stored in secure and ventilated areas and disposed of in a safe and legal manner, in accordance with applicable laws.
- HSE.9.1.1 Labels shall be placed in the local language and the language spoken by workers, if different from the local language.
- HSE.9.2 Workers shall receive training, appropriate to their job responsibilities, concerning the hazards, risks and the safe use of chemicals and other hazardous substances.
- HSE.10 Material Safety Data Sheets/Workers Access and Awareness**
- HSE.10.1 Material Safety Data Sheets (MSDS) for all chemicals and hazardous substances used in the workplace must be available at the usage and storage sites of the chemicals and hazardous substances, in the local language and the language spoken by workers, if different from the local language.
- HSE.10.2 Workers shall have free access to MSDS.
- HSE.11 Chemical Management/Pregnant Women and Young Workers**
- HSE.11.1 To prevent unsafe exposure to hazardous chemicals and hazardous substances, appropriate accommodations shall be made for pregnant women and workers under the age of 18, as required by applicable laws or the provisions of the FLA Workplace Code, in a manner that does not unreasonably disadvantage workers.
- HSE.11.2 If not provided by law, employers must provide protection to workers who allege violations of accommodations to prevent unsafe exposure to hazardous chemicals and hazardous substances for pregnant women and workers under age 18.

HSE.12 Protection Reproductive Health

HSE.12.1 Employers shall ensure that women are not engaged in work that constitutes a substantial risk to their reproductive health.

HSE.12.2 If not provided by law, employers must provide protection to workers who allege women are engaged in work that constitutes a substantial risk to their health.

HSE.13 Ventilation/Electrical/Facility Installation and Maintenance

All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and to prevent or minimize hazardous conditions to workers in the facility.

HSE.14 Machinery Safety, Maintenance and Workers Training

HSE.14.1 All production machinery, equipment and tools shall be properly guarded and regularly maintained.

HSE.14.2 Workers shall receive training in the proper use and safe operation of machinery, equipment and tools they use.

HSE.14.3 Employers shall ensure safety instructions are either displayed or posted near all machinery or are readily accessible to the workers in language(s) spoken by workers.

HSE.15 Proper Use of Machinery

Employers shall not use negative incentives like monetary penalty schemes to ensure workers use machinery, equipment and tools safely and properly. Rather, training on risk awareness, proper machine use, as well as positive incentives like bonuses should be used.

HSE.16 Workers Refusal to Use Unguarded or Unsafe Machinery

Workers shall not suffer any negative consequences for refusing to work with machinery, equipment or tools that are not properly guarded or reasonably considered unsafe.

HSE.17 Ergonomics

HSE.17.1 Workstations, including seating and standing arrangements and reach required to obtain tools, shall be designed and set-up in such a manner as to minimize bodily strains.

HSE.17.2 Employers shall train workers in proper lifting techniques, and items such as lifting belts shall be provided.

HSE.18 Medical Facilities

HSE.18.1 Medical facilities shall be established and maintained in factories as required by applicable laws.

HSE.18.2 Medical staff shall be fully licensed and recognized under applicable national rules and regulations.

HSE.18.2.1 An appropriate number of medical staff shall be on duty during all working hours, including any type of overtime, as required under national law.

- HSE.18.3 An appropriate stock of medical supplies shall be maintained at all times.
HSE.18.3.1 Medicines of which the expiration date has passed must be replaced immediately and disposed of in a safe manner.
- HSE.19 Sanitation in Workplace Facilities**
All facilities including workplace buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with all applicable laws, including relevant sanitation, medical, and safety and health regulations.
- HSE.20 Toilets**
Employers shall establish the number of toilets required under applicable laws within reasonable distance of the workplace. In addition, the following should also be considered: number of toilets based on number of workers, privacy for each individual and gender, accessibility and hygiene.
- HSE.21 Toilets/Restrictions**
Employers shall not place any undue restrictions on toilet use in terms of time and frequency.
- HSE.22 Food Preparation**
HSE.22.1 All food made available to workers shall be prepared, stored, and served in a safe and sanitary manner in accordance with all applicable laws.
HSE.22.2 All workers handling food must be trained and/or certified to work in the facility preparing or serving food..
- HSE.23 Drinking Water**
HSE.23.1 Safe and clean drinking water shall be freely available at all times, within reasonable distance of the workplace.
HSE.23.1.1 Drinking water shall be of a reasonable temperature.
HSE.23.1.2 The means to drink water (e.g. cups) must be safe and sanitary and available in an appropriate number.
- HSE.24 Drinking Water/Restrictions**
Employers shall not place any undue restrictions on drinking water in terms of time and frequency.
- HSE.25 Dormitory Facilities**
HSE.25.1 Dormitory facilities should meet all applicable laws and regulations related to health, safety, and environment, including fire safety, sanitation, risk protection and electrical, mechanical, and structural safety.
HSE.25.1.1 All dormitories shall be kept secure, clean, and have safety provisions (e.g. fire extinguishers, first aid kits, unobstructed emergency exits, emergency lighting).
HSE.25.2 Emergency evacuation drills shall also be conducted at least annually.

HSE.26 Dormitories Separate From Production Facilities

All dormitory facilities must be structurally sound, in good repair, and located separately from production, warehouse and hazardous chemical storage areas.

HSE.27 Childcare Facilities/Children on Premises

HSE.27.1 Childcare facilities shall not physically overlap with production areas and children shall not have access to production areas.

HSE.27.2 Children under the minimum working age shall not be allowed in workplace areas at any time, unless they are part of a guided school tour or other such unusual event.

HSE.27.3 Children must not visit parents in workplace areas.

VIII. HOURS OF WORK (HOW)

WORKPLACE CODE PROVISIONS: Employers shall not require workers to work more than the regular and overtime hours allowed by the law of the country where the workers are employed. The regular work week shall not exceed 48 hours. Employers shall allow workers at least 24 consecutive hours of rest in every seven-day period. All overtime work shall be consensual.

Employers shall not request overtime on a regular basis and shall compensate all overtime work at a premium rate. Other than in exceptional circumstances, the sum of regular and overtime hours in a week shall not exceed 60 hours.

Compliance Benchmarks

HOW.1 General Compliance Hours of Work

- HOW.1.1 Employers shall comply with all national laws, regulations and procedures concerning hours of work, public holidays and leave.
- HOW.1.2 Employers shall have in place practices that conduct regular analysis of hours of work in their workplaces with a view to progressively reducing excessive hours of work.
- HOW.1.3 Other than in exceptional circumstances, the total weekly work hours (regular work hours plus overtime) shall not exceed 60 hours per week.

HOW.2 Rest Day

Workers shall be entitled to at least 24 consecutive hours of rest in every seven-day period. If workers must work on a rest day, an alternative consecutive 24 hours must be provided within that same seven-day period or immediately following.

HOW.3 Meal and Rest Breaks

Employers shall provide reasonable meal and rest breaks, which, at a minimum, must comply with national laws.

HOW.4 Protected Workers (Women and Young Workers)/Regulations on Hours of Work

- HOW.4.1 The workplace shall comply with all applicable laws governing work hours regulating or limiting the nature, frequency and volume of work performed by women or workers under the age of 18.
- HOW.4.2 If not provided by law, employers must provide protection to workers who allege violations of laws governing work hours limiting the nature, frequency and volume of work performed by women or workers under the age of 18.

HOW.5 Protected Workers (Women and Young Workers)/Record Keeping

- HOW.5.1 Employers shall maintain necessary records identifying all women workers and all workers under the age of 18 entitled to legal protection concerning work hours.

- HOW.5.2 If not provided by law, employers must provide protection to workers who allege violations of maintenance of records identifying all women workers or workers under the age of 18 entitled to legal protections concerning work hours.
- HOW.6 Maintenance of Reasonable Levels of Staff**
Employers' personnel practices shall demonstrate an effort to maintain a level of staffing that is reasonable in view of predictable or continuing fluctuations in business demand.
- HOW.7 Overtime/Calculation over Period Longer than One Week**
Employers are allowed to calculate regular hours of work as an average over a period of longer than one week, where national laws, regulations and procedures provide for such a possibility, but only when all formal and procedural requirements attached to such calculation (for instance, obtaining official permission from the relevant authorities or limits to the period during which such calculations can be made) are met. However, the basis for such calculation shall not exceed 48 hours per week.
- HOW.8 Forced Overtime/Exceptional Circumstances**
- HOW.8.1 Employers shall not require workers to work more than the overtime hours allowed by the law of the country where the workers are employed.
 - HOW.8.2 All overtime work shall be consensual.
 - HOW.8.3 Other than in exceptional circumstances, the sum of regular and overtime hours in a week shall not exceed 60 hours.
 - HOW.8.4 Employers shall demonstrate a commitment to reduce overtime.
 - HOW.8.5 Employers shall enact a voluntary overtime system, including for overtime mandated to meet exceptional circumstances.
- HOW.9 Exceptional Circumstance/Overtime Explanation**
- HOW.9.1 Employers shall be able to provide explanation for all periods when the exceptional circumstances exception has been used.
 - HOW.9.2 Employers shall take reasonable steps to inform workers about the nature and expected duration of the circumstances sufficiently in advance to allow workers to make alternative plans.
- HOW.10 Public Holidays**
Employers shall provide workers with all official public holidays as required under national laws, regulations and procedures.
- HOW.11 Annual Leave**
Employers shall provide workers with paid annual leave as required under national laws, regulations and procedures.
- HOW.12 Annual Leave/Determination**
- HOW.12.1 Employers shall not impose any undue restrictions on workers' use of annual leave.

- HOW.12.2 The time at which annual leave is taken is determined by employers in consultation with workers, taking into account work requirements and the opportunities for rest and relaxation available to workers.
- HOW.13 Annual Leave/Restrictions**
Any workplace restrictions or procedures applicable to taking annual leave (e.g., requiring a minimum period of service before being allowed to use annual leave, written requests to be submitted a certain time before the annual leave) must be in line with national laws, regulations and procedures and must be communicated in full to all workers.
- HOW.14 Annual Leave/Wage Payments**
Employers shall provide workers taking annual leave their normal or average wages for the full period of annual leave in advance, unless specified differently under national laws, regulations and procedures.
- HOW.15 Leave/Retaliation**
Employers shall not impose any sanction on workers for requesting or taking any type of leave, such as annual, sick, or maternity, in line with all applicable rules and procedures.
- HOW.16 Sick Leave**
Employers shall provide workers with sick leave as required under national laws, regulations and procedures.
- HOW.17 Sick Leave/Restrictions**
Employers shall not impose any undue restrictions on sick leave. Any workplace restrictions or procedures regarding sick leave (e.g. informing the employer as soon as possible, the provision of medical certificates, the use of designated doctors or hospitals) must be in line with national laws, regulations and procedures and must be communicated in full to all workers.
- HOW.18 Calculation of Absences**
Absences from work for reasons beyond the control of workers, such as sick leave or periods during which workplace operations are suspended, shall not be counted as annual leave nor shall they be deducted from calculations concerning length of service, unless specified differently under national laws, regulations and procedures.
- HOW.19 Suspension of Work**
- HOW.19.1 Employers can only suspend work in accordance with national laws, regulations and procedures.
 - HOW.19.2 Workers shall be paid in full during periods of suspension, unless national laws stipulate otherwise, workers and their representative organizations agree otherwise, or the relevant national authorities authorize the alternative arrangement.

IX. COMPENSATION (C)

WORKPLACE CODE PROVISIONS: Every worker has a right to compensation for a regular work week that is sufficient to meet the worker’s basic needs and provide some discretionary income. Employers shall pay at least the minimum wage or the appropriate prevailing wage, whichever is higher, comply with all legal requirements on wages, and provide any fringe benefits required by law or contract. Where compensation does not meet workers’ basic needs and provide some discretionary income, each employer shall work with the FLA to take appropriate actions that seek to progressively realize a level of compensation that does.

Compliance Benchmarks

C.1 General Compliance Compensation

Employers shall comply with all national laws, regulations and procedures concerning the payment of compensation to workers.

C.1.1 In any case where differences or conflicts in national law and FLA Workplace Code arise, employers are expected to apply the highest standard.

C.1.2 In any case where national laws, regulations and procedures do not address the payment of compensation to workers, employers shall follow all standards in the FLA Workplace Code that apply to administration and payment of compensation and shall provide an employment contract that includes stipulation of compensation payment to workers.

C.1.3 Where compensation for a regular work week is not sufficient to meet workers’ basic needs and provide some discretionary income, each employer shall work with the FLA to take appropriate actions that seek to progressively realize a level of compensation that does.

C.1.4 If not provided by law, employers must provide protection to workers who allege violations of compensation laws, regulations, and procedures.

C.2 Minimum Wage

Employers shall pay workers at least the legal minimum wage or the prevailing industry wage, whichever is higher, for regular working hours (not including overtime). Workers should also be informed about the legal minimum wage.

C.3 Training and Probation Wage

Where probationary or training employment is legally allowed, the wage shall not be below the legal minimum and no workers shall work more than three months cumulatively in those employment categories.

C.4 Timely Payment of Wages

All wages, including payment for overtime, shall be paid within legally defined time limits. When no time limits are defined by law, compensation shall be paid at least once a month.

- C.5 Accurate Calculation, Recording, and Payment of Wage**
All payments to workers, including hourly wages, piecework, fringe benefits and other incentives shall be calculated, recorded, and paid accurately.
- C.6 Accurate Length of Service Calculation**
All workers shall be credited with all time worked for an employer for purposes of calculating length of service and determine the fringe benefits to which workers are entitled.
- C.7 Calculation Basis for Overtime Payments**
Employers shall compensate workers for all hours worked.
- C.7.1 The factory shall comply with all applicable laws, regulations and procedures governing the payment of premium rates for work on holidays, rest days, and overtime.
- C.7.2 Employees shall be compensated for overtime hours at such premium rate as is legally required in the producing country.
- C.7.2.1 In those countries where there is no legally established overtime premium, employees shall be compensated for overtime hours at the prevailing industry premium rate or at the internationally recognized overtime rate, whichever is higher.
- C.7.3 Employers shall not set production targets, piecework, or any other incentive or production system at such a level that the payment for overtime work performed is less than the premium pay required by law or the FLA Workplace Code.
- C.8 Overtime Wage Awareness**
Workers shall be informed, orally and in writing, in language(s) spoken by workers about overtime wage rates prior to undertaking overtime.
- C.9 Nonpayment of Incentives**
Regardless of any production quotas, incentives shall not be reduced or not paid if the result shall be wages below the legal minimum wage or the prevailing industry wage, whichever is higher.
- C.10 Deposit of Legally Mandated Deductions**
- C.10.1 All legally mandated deductions for taxes, social insurance, or other purposes shall be deposited each pay period in the legally defined account or transmitted to the legally defined agency. This includes any lawful garnishments for back taxes, etc.
- C.10.1.1 Employers shall not hold over any of these funds from one pay period to the other unless the law specifies that deposits are to be made less frequently than pay periods (e.g. monthly deposits, weekly pay).
- C.10.1.2 If the law does not specify, then deposits shall be made before the next pay period in all cases.

- C.11 Voluntary Wage Deductions**
- C.11.1 Voluntary wage deductions for savings clubs, loan payments, etc. can only be made with the express and written consent of workers and fall within the limits and conditions specified by law.
- C.11.1.1 Written consent shall be documented in employee files.
- C.11.2 All such voluntary deductions shall be credited to proper accounts and funds shall not be held illegally or inappropriately by employers.
- C.12 Voluntary Wage Deduction/Workers Access to Information**
- Workers shall have access to regular and full information concerning the status of relevant accounts and the status and level of their payments thereto.
- C.13 Pay Statement**
- Employers shall provide workers a pay statement each pay period and not less frequently than once a month, which shall show:
- C.13.1 earned wages,
- C.13.2 wage calculations,
- C.13.3 total number of hours worked,
- C.13.4 regular and overtime pay,
- C.13.5 bonuses,
- C.13.6 all deductions, and
- C.13.7 final total wage.
- C.14 Compensation Receipt**
- C.14.1 All compensation records, including wages and fringe benefits whether in cash or in-kind, must be properly documented and their receipt and accuracy must be confirmed by the relevant worker in writing (e.g. signature, thumbprint).
- C.14.2 No one can receive wages on behalf of a worker, unless the worker concerned has, in full freedom, authorized in writing for another person to do so.
- C.15 Record Maintenance**
- Employers shall ensure that all legally required payroll documents, journals and reports are available, complete, accurate and up-to date.
- C.16 False Payroll Records**
- C.16.1 Employers shall not use hidden or multiple payroll records in order to hide overtime, to falsely demonstrate hourly wages, or for any other fraudulent reason.
- C.16.1.1 Payroll records maintained shall be authentic and accurate.
- C.17 Workers Awareness and Understanding of Compensation**
- C.17.1 Employers shall make every reasonable effort to ensure workers understand their compensation, including:
- C.17.1.1 the calculation of wages,
- C.17.1.2 incentives systems,
- C.17.1.3 fringe benefits, and

C.17.1.4 bonuses they are entitled to at the workplace and under applicable laws.

C.17.1.5 Employers shall communicate orally and in writing to all workers all relevant information in the local language or language spoken by the workers, if different from the local language.

C.18 Employer Provided Fringe Benefits

C.18.1 All workers have a right to use or not to use services provided by employers, such as housing or meals.

C.18.2 Deductions for services to workers shall not exceed the cost of the service to employers.

C.18.3 Employers must be able to demonstrate the accuracy or reasonableness of these charges.

C.19 Compensation Disputes

Employers must establish a system through which workers can dispute compensation and receive clarifications in this respect in a timely manner.

GLOSSARY OF TERMS

APPLICABLE FACILITIES. The facilities producing Applicable Products for a Company or University Licensee affiliated with the FLA, other than its de minimis facilities.

BASIC NEEDS. The minimum necessary for a worker and two dependents to have access to resources, including food, safe drinking water, clothing, shelter, energy, transportation, education, sanitation facilities and access to health care services.

COMPENSATION. Total remuneration, in cash or in kind, payable by the employer to an employee in return for work done by the latter during a specific time period. Compensation of employees has two main components:

- (a) Wages and salaries payable in cash;
- (b) The value of the fringe benefit or social contributions payable by employers: these may be actual social contributions payable by employers to Social Security schemes or to private funded social insurance schemes to secure social benefits for their employees; or contributions by employers providing unfunded social benefits.

DISCRETIONARY INCOME. The amount of a worker's wages available for spending or saving after basic needs have been met.

EXCEPTIONAL CIRCUMSTANCES. Events or circumstances which substantially disrupt production and which are out of the ordinary and out of the control of the employer, including earthquakes, floods, fires, national emergencies, force majeure, or periods of prolonged political instability. The definition does not include peak production periods, which can be planned for, or holidays or seasonal fluctuations.

EMPLOYEES. All men and women directly employed or contracted by an employer, including executives, managers, supervisors, and workers.

EMPLOYER. A person or institution that has the authority to sign contracts, including employment contracts and to hire and dismiss persons in the workplace. Employers offer wages or a salary to workers in exchange for the workers' work or labor. Employers are responsible for implementing the FLA Workplace Code in applicable facilities.

EMPLOYMENT AGENCY. Any person or entity, independent of the public authorities, which provides services for matching offers of and applications for employment and other services relating to job seeking, such as the provision of information, or which employs workers with a view to making them available to a third party .

FRINGE BENEFITS. Remuneration in cash, kind or services in addition to payment for work done. This takes the form of holidays or leave with pay, social security benefits, medical care, health services, various allowances and bonuses, and housing, educational or recreational facilities. Additional benefits may be granted by employer, either on his own initiative or as a result of collective bargaining.

HUMAN TRAFFICKING. Recruitment, transportation, harboring, or receipt of people for the purposes of slavery, forced labor (including bonded labor or debt bondage), or servitude.

INTERNATIONALLY RECOGNIZED OVERTIME RATE. The internationally recognized rate of pay for work beyond regular hours. ILO Convention 30, Hours of Work (Commerce and Offices) Convention, Article 7.4, establishes such rate at no less than one-and-a-quarter times the regular rate.

MANAGEMENT. Person or persons appointed by the owners or directors of an applicable facility to supervise or manage its operations.

PIECEWORK. Method of wage payment based on the number of units produced, or any work for which piece rates are paid.

PIECE RATE. Predetermined amount paid per unit of output to worker under a piecework incentive plan.

PRECARIOUS EMPLOYMENT. Work arrangement where employment security, which is considered one of the principal elements of the labor contract, is lacking. This term encompasses temporary and fixed-term labor contracts, home workers, contract workers, and contingent workers.

RETRENCHMENT. The permanent dismissal of an employee or employees in order to reduce the workforce.

WAGE. Payment made for work performed.

LEGAL REQUIREMENTS ON WAGES. All laws and regulations, national and local, concerning wages, including, but not limited to, full and on-time payment of wages for regular and overtime work; provision of benefits, including paid holidays; payment of social-security contributions; and compliance with prohibitions on discrimination in wage setting and payment practices.

MINIMUM WAGE. The minimum wage level established by national or local law.

PREVAILING WAGE. The level of wage generally paid in the relevant country or region of the country for work in the same sector and for comparable levels of responsibility and experience.

WORKER. All non-management personnel working at an applicable facility.

CONTINGENT WORKER (also known as casual worker). A person who works occasionally and intermittently. Such workers are employed for a specific number of hours, days or weeks.

CONTRACT WORKER. Labor supplied by a third-party employment agency.

HOME WORKER. A person who carries out work in his or her home or in other premises of his or her choice, other than the workplace of the employer, for a fixed wage or piece rate, which results in a product or service as specified by the employer, irrespective of who provides the equipment, materials or other inputs used.

MIGRANT WORKER. A person who migrates or who has migrated from one country to another or in some cases between regions or provinces of a country with a specific purpose of exercising an economic activity from which they will receive a wage.

SPECIAL CATEGORY OF WORKER. The term is specifically intended to identify workers who are not permanent, or not local, who are in a trainee role, who have special needs on a temporary or permanent basis (e.g. pregnant, juvenile, disabled workers), or who fall outside the formal workplace environment (e.g. home workers).

TEMPORARY WORKER. A person with a labor contract of limited or unspecified duration with no guarantee of continuation.

YOUNG WORKERS. Persons between the minimum working age and the age of 18.

I. PRINCIPLES OF FAIR LABOR AND RESPONSIBLE SOURCING

1. Company Affiliate establishes and commits to clear standards (Workplace Standards)

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

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

2. Company Affiliate identifies and trains appropriate staff (Staff Training)

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

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

2.3 Company Affiliate ensures that staff or service providers responsible for implementing workplace standards compliance functions have appropriate competencies and suitable training in all areas under their responsibility.

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

3. Company Affiliate shares commitment to workplace standards with suppliers and workers in the supply chain (Committed Suppliers)

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

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

3.3 Company Affiliate conditions future business with suppliers upon continuous improvement of compliance performance.

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

3.5 Company Affiliate ensures that workers, managers and supervisors are informed orally and educated about workplace standards at regular intervals to take account of labor turnover.

4. Company Affiliate ensures workers have access to grievance procedures and confidential reporting channels (Grievance Mechanisms and Confidential Channel)

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

4.2 Company Affiliate provides channels for workers to contact the Company directly and confidentially.

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

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

5. Company Affiliate conducts workplace standards compliance monitoring (Monitoring)

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

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

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

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

6. Company Affiliate collects, manages and analyzes workplace standards compliance information (Collection and Management of Compliance Information)

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

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

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

7. Company Affiliate remediates in a timely and preventative manner (Timely and Preventative Remediation)

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

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

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

7.4 Company Affiliate records and tracks the progress of remediation.

8. Company Affiliate aligns planning and purchasing practices with commitment to workplace standards (Responsible Purchasing Practices)

8.1 Company Affiliate has formal written policies and procedures for planning and purchasing that 1) articulate the many complexities involved in their global supply chains, including different supplier business models and 2) require relevant internal representatives to work with suppliers to reduce negative impacts on working conditions. These policies and procedures shall address a) the alignment of financial terms with the FLA Workplace Standards, b) the adequacy of lead time provided (considering, for example, availability of inputs, testing, design changes, and production capacity) to produce without excessive overtime, unauthorized subcontracting, or other negative impacts, and c) attempt at balanced annual planning in order to eliminate negative outcomes (i.e. lower efficiency, poor labor retention, and longer throughput) that arise from traditional seasonal order demand.

8.2 All relevant business and compliance staff are trained and knowledgeable of the consequences of their planning and purchasing practices on working conditions in order to mitigate negative impacts on code compliance.

8.3 Company Affiliate holds relevant staff accountable for the implementation of planning and purchasing practices that help avoid negative impacts on workers and working conditions.

8.4 Company Affiliate staff responsible for planning and purchasing decisions engage with their labor compliance staff and suppliers in regular and constructive dialogue throughout the production process and when problems arise to support operations at the factory level and avoid negative impacts on workers and/or compliance with code standards at supplier facilities.

8.5 Company Affiliate provides positive incentives for suppliers producing in a socially responsible and sustainable manner and, if applicable, having internal systems aligned with FLA Principles.

9. Company Affiliate establishes & maintains relationships with labor non-governmental organizations, trade unions & other civil society institutions (Consultation with Civil Society)

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

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

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

9.4 Company Affiliate consults with legally constituted unions or worker representative structures at the production site during audits and remediation.

10. Company Affiliate meets FLA verification and programmatic requirements (Verification Requirements)

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

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

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

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

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

II. OBLIGATIONS OF MONITORS

A. Maintain Standards of Independence

Demonstrate satisfaction of the independence criteria of the FLA. Prior to entering into a contractual agreement with the FLA to conduct independent external monitoring or assessments, independent external monitors and service providers must disclose to the FLA any possible conflicts of interest with the selected Facility to be monitored or assessed and the applicable Participating Company or College or University Licensee. FLA assessors must meet standards of independence set by the FLA.

B. Conduct Independent External Monitoring and Assessments in Accordance with FLA Methodology and Procedures

Conduct an independent external monitoring visit or assessment of the selected Facility in accordance with FLA methodology and procedures, including, but not limited to, the following:

- Gathering information from local knowledgeable sources
- Conducting confidential interviews of factory workers
- Interviewing factory management
- Conducting a visual inspection of the factory
- Reviewing personnel, payroll and timekeeping records

C. Evaluate Compliance with the FLA Workplace Code of Conduct

Synthesize, cross-check and verify information gathered in the monitoring or assessment process from all relevant sources in order to conduct an objective and impartial evaluation of compliance with the FLA Workplace Code of Conduct.

D. Report Findings of Noncompliance in a Timely Fashion

Report instances or situations of noncompliance to the FLA and the applicable Participating Company or College or University Licensee in a timely fashion, using the reporting document prescribed by the FLA.

E. Maintain Accountability for Findings

Maintain accountability for information gathered from the monitoring or assessment process, to be made available to the FLA upon request.