



47 BRAND

ASSESSMENT FOR ACCREDITATION

October 2012

TABLE OF CONTENTS

Introduction..... 3

47 Brand’s Labor Compliance Program 3

Analysis of 47 Brand’s Labor Compliance Program Using the FLA Obligations of Companies
and Evaluation Working Group Benchmarks..... 5

Conclusion 20

INTRODUCTION

FLA-accredited Participating Companies have demonstrated that they have the systems and procedures in place to successfully uphold fair labor standards throughout their supply chains. The complexity and ever-evolving nature of global supply chains make it impossible to guarantee that a product is made in conditions free of labor rights violations. For this reason, FLA does not certify brands. Instead, FLA evaluates companies at the headquarter level – in addition to standard factory-level due diligence activities that are conducted annually – to determine whether they have social compliance systems in place to proactively identify and address risks or instances of noncompliance. Accreditation is the highest level of recognition for FLA-affiliated companies, and is reevaluated every three years.

The FLA Board of Directors voted to approve the accreditation of 47 Brand's compliance program on October 10, 2012, based on proven adherence to FLA's Workplace Code of Conduct and the Obligations of Companies. Details on FLA's accreditation methodology can be found at www.fairlabor.org/accreditation.



47 BRAND'S LABOR COMPLIANCE PROGRAM

47 Brand is a family owned and operated business in Westwood, Massachusetts, incorporated in 1947. The company produces apparel and headwear. The company markets its products in the United States and holds between 400-600 licenses with universities, The College Vault, Major League Baseball, Major League Baseball Cooperstown Collection, Minor League Baseball, National Football League, National Hockey League, Vintage Hockey, United States Tennis Association, 2010 US Open Pebble Beach, National Basketball Association, Hardwood Classics, and the US Open. In addition, the company has private label brands with Old Navy, Wal-Mart, Target and Costco. 47 Brand does customized products for other groups (e.g., resorts) and is involved in hot markets for

baseball. There are approximately 150 employees at company headquarters in Westwood, including about 20 employees at a nearby warehouse.



47 Brand's flagship store in Massachusetts.

47 Brand affiliated with the FLA as Twins Enterprise as a Category B Licensee; it moved up to become a Participating Company (PC) in October 2005, the same year that the company entered the apparel business. The company's compliance program, the 47 Brand Factory Compliance Program, has been in development over the years. Company owners lead the company's efforts and conduct annual visits to the factories. The current Compliance Manager joined the company in October 2006 and is the primary contact with the FLA. The Compliance Manager provides day-to-day direction for the implementation of the 47 Brand Factory Compliance Program, including monitoring, remediation,

partnerships and civil society engagement. He works full-time for the company, with 50% of his responsibilities directed toward compliance and 50% toward human resources. The purchasing team, also involved in compliance, factory communication and remediation, includes the Vice President of Purchasing, the Assistant Buyer and a Sourcing Manager. The company has also retained [consultant] in the development of its compliance program. 47 Brand does not have staff located overseas; instead, the company engages with third-party monitors, civil society organizations and other brands for support at factory locations. 47 Brand also emphasizes its relationships with long-term factory partners and shares factories with other FLA PCs.

The company is considered a low-revenue PC within the FLA and, as such, is eligible for a longer implementation period. In February 2007, the FLA Board of Directors established a Working Group to analyze and make recommendations regarding the accreditation of small or low-revenue PCs. The rationale for the establishment of the Working Group was that small or low-revenue PCs (low-revenue PCs were defined as those with consolidated revenue under \$300 million) faced challenges in meeting all of the FLA company obligations in the same manner that larger PCs were able to do. In October 2007, the Board of Directors approved a series of proposals developed by the Working Group that modified the accreditation process for low-revenue PCs by: (1) allowing low-revenue PCs a longer implementation period, which could be as long as 5 years provided satisfactory progress in implementing a labor compliance program was being made; (2) maintaining the same company obligations for all participants but recognizing that low-revenue PCs could meet some of the company obligations primarily through collaborative activities organized by the FLA rather than through individual activities; and (3) taking into account this latter consideration in the evaluation of compliance programs for accreditation purposes. The assessment for accreditation of 47 Brand's labor compliance program will follow the guidelines for low revenue PCs approved by the Board in June 2007.

The tables below describe 47 Brand's supply chain from 2006-2012, as reported to the FLA. Information on the results of the Independent External Monitoring (IEM) visits and the remediation undertaken by 47 Brand in response to IEM findings are provided in FLA IEM reports online and discussed, as appropriate, in the next section.

47 BRAND APPLICABLE FACILITIES AND IEMS, 2006-2008						
COUNTRY	2006 APPLICABLE FACILITIES	2006 IEM	2007 APPLICABLE FACILITIES	2007 IEM	2008 APPLICABLE FACILITIES	2008 IEM
Bangladesh	3		3	1	3	1
China	2	1	3		3	
Macau	1		1		1	
United States						
Vietnam	3		3		3	
Total	9	1	10	1	10	1

47 BRAND APPLICABLE FACILITIES AND IEMS, 2009-2012								
COUNTRY	2009 APPLICABLE FACILITIES	2009 IEM	2010 APPLICABLE FACILITIES	2010 IEM	2011 APPLICABLE FACILITIES	2011 IEM	2012 APPLICABLE FACILITIES	2012 IEA
Bangladesh	2		3		3	1		
China	4		4		4		1	
Macau	1	1	1		1		1	
Peru			2		2		2	1
United States							2	
Vietnam	4		4	1	3		1	
Total	11	1	14	1	13	1	7	1

ANALYSIS OF 47 BRAND'S LABOR COMPLIANCE PROGRAM USING THE FLA OBLIGATIONS OF COMPANIES AND EVALUATION WORKING GROUP BENCHMARKS

Information used in this assessment originates primarily from annual reports submitted by 47 Brand to the FLA verified through: (1) headquarter visits by FLA staff in March 2011 and March 2012; (2) interactions with 47 Brand representatives at meetings of the FLA Monitoring Committee and Board of Directors; (3) shadowing of an internal monitoring visit in China in August 2012; (4) information gathered via in-person and/or phone interviews, and/or email correspondence with 47 Brand staff, consultants and other key stakeholders; and (5) analysis of results of IEMs and ensuing remediation.

I. ADOPTS AND COMMUNICATES A CODE

1.1 Formally adopts a code that meets or exceeds FLA standards

Actions Taken:

The 47 Brand Code of Conduct was adopted in 2005, based upon the FLA Workplace Code of Conduct. The company updated the Code of Conduct to reflect the 2011 changes in the FLA's Workplace Code of Conduct. The latest version of the company's Code is available on the corporate website.

Verification by FLA:

The original 47 Brand Code of Conduct was adopted in 2005 and was based upon the FLA Code of Conduct at the time. Based upon review of the Code, FLA verifies that the Code was updated in 2011 and the new Code meets or exceeds the current FLA's Workplace Code of Conduct. The current Code is available on the company website, along with the company's statement of commitment to corporate responsibility.

1.2 Informs all suppliers in writing

Actions Taken:

47 Brand sends to each factory a Code of Conduct at the beginning of the year. All producing factories review the Code and sign a document stating that they have received and reviewed it.

Verification by FLA:

The revised Code of Conduct was sent to all suppliers at the start of 2012. During the 2011 and 2012 headquarter visits, FLA staff reviewed Codes of Conduct signed by factory representatives at the start of those years. FLA has on file copies of Code of Conduct acknowledgment forms from 2012 signed by factory management.

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

Actions Taken:

47 Brand requires that factories post the Code in a prominent and accessible place and in the local languages of workers and managers. Suppliers send to the company photos of the posted Codes as confirmation.

Verification by FLA:

During headquarter visits, FLA staff reviewed photos of the Code of Conduct posted in factories in the appropriate languages. FLA has on file the Bengali, Chinese, Spanish and Vietnamese translations of the company's Code of Conduct. During the field observation in China in August 2012, FLA staff viewed a posted copy of the 47 Brand Code of Conduct in an accessible location and the appropriate language.

In a 2007 IEM in Bangladesh monitors noted that the company's Code was not posted or available to workers. The company remediated this issue, as confirmed by a 2009 verification visit at the same facility.

During a 2010 IEM in Vietnam, the monitor noted that the 47 Brand Code of Conduct was not posted or available to workers. The brand developed a remediation plan for this finding, though the FLA was not able to verify implementation.

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

Actions Taken:

Employees, supervisors and managers receive training. Training takes place on a quarterly basis and at the time of hire. Factories are requested to submit the previous year's training calendar to 47 Brand at the start of a new year.

Verification by FLA:

During the 2012 headquarter visit, FLA staff verified a process whereby the company requests factories to submit training schedules from the previous year at the start of each year. FLA staff viewed several training schedules that indicate that factories are providing training on workplace standards throughout the year. Copies are on file at FLA headquarters.

During a 2007 IEM at a factory in Bangladesh, monitors noted that workers were not aware of their rights under the Code of Conduct and that no trainings were provided. This particular IEM was shared with two other FLA PCs. The companies provided detailed remediation plans, and when FLA monitors returned for a verification visit in 2009 they found a regular Code of Conduct training program in place and workers that were interviewed were aware of their rights.

During a 2009 IEM at a factory in Macau, monitors noted that workers had not received training on Code of Conduct elements. 47 Brand indicated that the factory was in the process of creating a training program. FLA has on file a copy of the factory's training records from 2011 indicating the training topics, number of workers trained, and months when sessions were held.

During a 2010 IEM in Vietnam, monitors noted that workers were not provided with training on the Code of Conduct. The brand developed a remediation plan for this finding, though the FLA was not able to verify implementation.

During the observation of the 47 Brand internal audit in China in 2012, FLA staff noted that auditors did not interview workers on their knowledge of and training on workplace standards covered in the Code of Conduct. However, during

the company headquarter visit, FLA staff reviewed training records submitted to the company from this particular factory indicating that Code of Conduct training had been conducted for workers during 2011.

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

Actions Taken:

At the start of the year, the company sends to each factory a notice that outlines the company's expectations in regards to auditing, remediation and communication. Factories are required to sign a Code of Conduct acknowledgement form.

In their communications with factories, senior company staff reinforces expectations that suppliers are to commit to workplace standards, be subject to audits, and remediate noncompliances.

Verification by FLA:

FLA has on file a copy of the annual letter sent to factories. The letter describes expectations of 47 Brand suppliers, including conducting Code of Conduct training for management and employees. In addition, factories are asked to provide details on their compliance team members, training and capacity building schedules from the previous year, and a list of audits (including those on behalf of other brands) that the factory has been subject to.

FLA recommends that the company build into its annual letter to suppliers written expectations around submission to assessments (including those conducted on behalf of the FLA), remediation of noncompliances, and a non-retaliation policy for workers that participate in interviews or raise grievances. Though the company has a history of working with long-term key suppliers, FLA recommends that expectations be captured in a written agreement with suppliers.

2. TRAINS INTERNAL COMPLIANCE STAFF

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

Actions Taken:

Company owners set the vision for the company's compliance efforts and conduct annual visits to suppliers. One of the owners is responsible for all sourcing and is the primary contact with factories. A second owner is responsible for sales. The current Compliance Manager joined the company in October 2006 and is the primary contact with the FLA. The Compliance Manager provides day-to-day direction for the implementation of the 47 Brand Factory Compliance Program, including monitoring, remediation, partnerships and civil society engagement. He works full-time for the company, with 50% of his responsibilities directed toward compliance and 50% toward human resources. The purchasing team (comprised of the VP of Purchasing and Assistant Buyer) supports factory communications and remediation. The company recently hired a Sourcing Manager who will focus on the company's apparel business.

Since 2010, the company has retained [consultant] in the development of its compliance program at the headquarter level. The objective of the consulting relationship has been to enable company staff to strategize and prioritize initiatives and efforts within the compliance department, to build the capacity of compliance staff and to develop the program so that the company is more of a leader in the field. The partnership has also focused on specific issue areas including risk-based monitoring, threshold issues and civil society engagement.

The company does not have staff located overseas; instead, the company engages with third-party monitors, civil society organizations and other brands for support at factory locations.

In 2010, the company conducted a review of monitors in the sourcing countries and chose to expand its use of additional third-party monitors, relying on those that were accredited by the FLA. The monitors engaged by 47 Brand include [monitoring organizations in China, Vietnam, Bangladesh and Peru].

Verification by FLA:

FLA has interviewed two of the owners, the Compliance Manager, the VP of Purchasing, the Assistant Buyer and the Sourcing Manager. The Compliance Manager is the primary contact with FLA staff.

FLA staff has on file copies of the job descriptions (updated January 2012) for the Compliance Manager, VP of Purchasing and the Assistant Buyer. The job descriptions for the VP of Purchasing and the Assistant Buyer include responsibilities related to compliance, such as the review of company buying practices, spreading orders on a weekly basis to account for capacity, and communication related to factory audits. FLA staff also has on file a copy of the Sourcing Manager's job description. His job description was updated in September 2012 to reflect responsibilities related to responsible sourcing and the company's commitment to workplace standards.

Between the first headquarter visit (2011) and the second visit (2012), the Compliance Manager assumed the role of the primary contact with suppliers. As conveyed through staff interviews, for several years the VP of Purchasing and the Assistant Buyer were the main channels of communication with factories. Over time, the factories have formed more direct relationships with the Compliance Manager. Compliance-related communications with factories are now led by the Compliance Manager with the VP of Purchasing and the Assistant Buyer updated on relevant issues.

FLA staff interviewed [consultant] in his capacity as consultant to 47 Brand. The interview confirmed his role vis-à-vis the Compliance Manager and his services to the company.

As verified through the review of internal monitoring reports and email exchanges, 47 Brand utilizes third-party monitors to conduct auditing. The third-party monitors are all accredited by the FLA.

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

Actions Taken:

47 Brand with compliance-related responsibilities participate in trainings that cover auditing, remediation, current and future trends, sustainable compliance, and the FLA's Company Obligations.

[Consultant] has provided ongoing training and support to the Compliance Manager, reviewing strategic plans and guidance on challenging issues. In 2010, [consultant] facilitated several trainings for key 47 Brand staff (owners, Compliance Manager, VP of Purchasing, and Assistant Buyer), including: (1) an overview of corporate social responsibility trends (July), (2) an overview of civil society perspectives on corporate social responsibility (August), and (3) sustainable solutions in the auditing and remediation process (October).

In 2010, the Compliance Manager began holding quarterly calls with [monitoring organization] in Vietnam to receive updates on local issues. The Compliance Manager receives regular communications via list-servs on topics relevant to human rights, labor rights, and labor issues in sourcing countries. The Compliance Manager also relies on third-party monitors with local knowledge and expertise.

The Compliance Manager regularly attends FLA meetings, including the FLA's January 2012 Sustainable Compliance Initiative training for company affiliates.

The Compliance Manager has ongoing communication with another company that shares factories to discuss approaches and best practices.

Verification by FLA:

FLA staff reviewed materials from training provided to the company owners, Compliance Manager, VP of Purchasing and Assistant Buyer. During headquarter visits, all relevant company staff were interviewed on the content of the trainings that they had received, including trainings on desktop verification, migrant labor and human trafficking.

FLA reviewed an agenda and summary notes for a training in September 2012 that covered the company's sourcing strategy, prevalent and recent compliance issues, risks in the supply chain, responsible sourcing practices and the

company's corporate social responsibility communication. One of the owners, the Compliance Manager and buying and sourcing staff attended, with a representative from the consulting organization serving as advisor.

During the visits to company headquarters, FLA staff viewed list-serv records and research that the Compliance Manager had compiled related to prevalent issues, local labor law concerns or recent compliance related news and initiatives.

FLA staff confirms that the Compliance Manager attends FLA meetings on a regular basis. A company owner and the company's consultant have also attended several FLA meetings. The Compliance Manager currently serves on the FLA Monitoring Committee representing Category C Licensees. The Compliance Manager attended the FLA's SCI training for company affiliates at the start of 2012.

FLA recommends that the Compliance Manager have greater exposure to overseas factories to observe internal audits and discuss challenges and remediation progress in person with factory management. According to interviews with staff, this is planned for end of 2012.

2.3 Updates that training at regular intervals

Actions Taken:

Trainings facilitated by [consultant] are conducted regularly. The quarterly calls with [monitoring organization] in Vietnam are ongoing.

Verification by FLA:

According to document review during headquarter visits and interviews with company staff, trainings have been a priority since 2010 and are now offered on a regular basis.

3. PROVIDES EMPLOYEES WITH CONFIDENTIAL REPORTING CHANNELS

3.1 Encourages the establishment of grievance procedures at supplier facilities

Actions Taken:

In 2011, 47 Brand distributed a survey to its suppliers on the topic of grievance procedures along with a self-assessment on training and grievance procedures. The objective of this initiative was to gather information that could be used as a reference point for future discussions with factories.

47 Brand followed up on the survey with analysis of the results and a free FLA online training for suppliers.

Verification by FLA:

FLA staff has on file a copy of the grievance mechanisms online survey completed by 47 Brand factory managers in 2011. The survey asked questions regarding the mechanism for workers to submit grievances, communication channels available to workers, worker awareness of such channels, grievances that had been raised by workers at the factory, and the method of measuring the effectiveness of the grievance mechanisms.

During the 2007 IEM in Bangladesh, monitors noted that there was no established mechanism for workers to raise grievances. From updates submitted by 47 Brand and another PC, verified through the 2009 verification visit at the factory, there are now several means of raising grievances. The factory has also developed a procedure to ensure that workers' grievances are addressed and has provided training to workers.

During the 2009 IEM at a factory in Macau, monitors noted that no written grievance procedures were available to workers. In an update to the FLA, 47 Brand indicated that the factory has now posted written procedures on the wall next to the suggestion box and has discussed the procedure with employees. FLA encourages further work with the factory in Macau on internal grievance procedures.

As observed during the shadow audit in China in 2012 and verified through document review of audit reports at company headquarters, monitors check on grievance procedures and documentation during monitoring visits.

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

Actions Taken:

Since 2011, 47 Brand has implemented a hotline (a service of the consulting organization) at several factory locations: one factory in Peru, one in China and one in Vietnam. The hotline's approach is three-fold: (1) to provide an external communication channel for workers to report grievances and whereby management must respond; (2) training for managers on effective grievance procedures; and (3) focus on keeping the channel safe and ensure that workers are not retaliated against for using it. For 47 Brand, the hotline provides a linkage between the workers and the company's Compliance Manager and is a channel that workers can access through phone, text and email. The complaint is then in the hands of the Compliance Manager to address.

The company has received one complaint through the hotline, from a factory worker in China.

In Peru, 47 Brand has not established a hotline; rather, the company has communicated an email address to workers that they can use to get in touch with the company.

Verification by FLA:

FLA staff reviewed documents such as the hotline poster used in the factory and conducted interviews with [consultant].

During a 2007 IEM at a factory in China, monitors noted that no confidential noncompliance reporting mechanism existed. The FLA's observation of an internal audit at this same factory in 2012 confirmed that the factory in China now had a hotline. The monitoring organization shadowed during that visit was responsible for accepting complaints through the hotline. Workers are able to call monitors at a local phone number and the monitors forward the information to 47 Brand.

During a 2007 IEM in Bangladesh, monitors noted that no noncompliance reporting mechanism was available for workers to contact 47 Brand directly. The company has provided an update to the FLA that there is now a Code of Conduct poster with an email address that goes to the Compliance Manager. FLA recommends exploring possible collaboration with another PC in the factory to develop a shared confidential noncompliance reporting channel.

As confirmed during the 2012 headquarter visit, the company received one complaint through the hotline channel in China. The complaint was received from a worker at one of the company's contract factories in China in December 2011, and was related to wages. The complaint was received by an organization trained to receive complaints as part of the hotline. FLA has on file a copy of the complaint received, the communication of the complaint from monitoring organization to the Compliance Manager, and communication between the Compliance Manager and the factory to clarify the factory rules and the wages paid to the worker. The worker was contacted and informed of the follow-up work.

For the factory in Peru, FLA recommends that the company search for a local contact to serve as a confidential channel for workers to raise issues that are then communicated to 47.

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

Actions Taken:

47 Brand's communications with factories underscores the obligation to ensure that workers are not punished or prejudiced for using the channel. Reprisals are a red flag issue and would require immediate action.

Verification by FLA:

As evidenced by the grievance form received through the hotline, the workers' identity was not revealed. There have been no reported cases of workers being retaliated against in any way for using the confidential channel.

4. CONDUCTS INTERNAL MONITORING

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

Actions Taken:

The company has focused on sourcing from long-term factory partners. In 2010, the company began a new audit protocol with the objective of conducting full baseline assessments of all suppliers. At that time, the company sourced from 13 factories (owned by 6 companies), including 2 apparel factories. 47 Brand currently sources from 7 headwear and apparel suppliers and all have received an assessment. One of the contract factories produces 80% of the company's products (and 47 Brand comprises 40% of that factory's total production).

The company contracts with a small domestic screenprinter and has an owned warehouse (previously an on-site facility, prior to a headquarter move). In the warehouse, a few employees do quick turnaround embroidery and screenprinting throughout the year. The Compliance Manager and [consultant] performed an assessment of threshold issues at the domestic screenprinter (December 2011) and the warehouse facility (March 2012).

47 Brand relies on third-party monitors to assess all overseas contract factories. All monitors are FLA accredited and assess factories using worker interviews, records review and health and safety review. Monitors follow FLA monitoring methodology but may receive additional guidance from 47 Brand in advance of the audit.

Where 47 Brand shares a factory with another brand, the company seeks to share audit results and collaborate on remediation.

Verification by FLA:

As confirmed through review of internal audit reports during the two headquarter visits, 47 Brand utilizes the FLA's IEM audit instrument.

FLA staff reviewed the reports from the two small domestic facilities where the company had performed risk assessments and assessments of threshold issues. As confirmed through interviews with the company's compliance staff and review of the assessment reports, these two visits were not traditional audits and were not intended to serve as a substitute for an audit. Four areas of potential risk were identified in advance – history, country/region risk, potential for collaboration, and impact on people – and during the visit the company representatives assessed the factories with respect to a list of threshold issues. FLA has copies of these risk assessments on file.

FLA staff observed an internal audit at a 47 Brand factory in China in August 2012. The announced audit was conducted by a third-party monitor accredited by the FLA. The two monitors who conducted the audit had not reviewed the previous audit reports, even though the monitoring organization had conducted the previous audit for 47 Brand at that same factory. According to a subsequent interview with the Compliance Manager, this did not meet the company's expectations. FLA has on file email communication between the company and monitor describing the company's expectations and guidance for the audit.

As observed in August 2012, monitors for 47 Brand conducted an opening meeting, factory walkthrough, interviews with workers, interviews with management, and document review as a part of the monitoring methodology. FLA staff noted that the monitors employed sound techniques when interviewing workers. However, during the same observation FLA staff noted some weaknesses related to management interviews and the factory walkthrough.

FLA recommends that the company work with [monitoring organization] to ensure that expectations on monitoring guidelines (including pre-audit research) are conveyed to the individual assessors that are assigned to the audits. FLA recommends that the company shadow the monitoring organizations to observe them in the field and to ensure that methodology and reporting expectations are met.

4.2 Collects, verifies and quantifies compliance with workplace standards

Actions Taken:

47 Brand has used the FLA's Excel-based audit instrument for internal monitoring.

The company has created an Excel-based Audit Strategic Direction Sheet (ASDS) to collect and manage audit information.

In November 2010, the company began using the Fair Factories Clearinghouse (FFC) to store audit information. 47 Brand regularly shares audit data with another FLA affiliated company through the FFC.

Verification by FLA:

During headquarter visits FLA has reviewed internal audit reports as well as the ASDS system with the Compliance Manager. FLA has a copy of the ASDS on file. FLA also reviewed the company's compliance information housed in the FFC.

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

Actions Taken:

Using the ASDS, the company can generate information on the total number of noncompliances and factory-specific breakdowns of noncompliances. The Compliance Manager reviews individual monitoring reports and develops remediation plans for each noncompliance issue.

Verification by FLA:

As verified through review of internal audit reports and interviews with compliance staff, 47 Brand reviews noncompliances and audit results and develops remediation plans for all findings.

4.4 Tracks the progress of remediation

Actions Taken:

Given the small number of factories that 47 Brand works with, the company is able to keep all issues, remediation plans and sustainable solutions on the ASDS. This allows the Compliance Manager to see recurring issues and track the length of time it takes to remediate items.

In 2010, 47 Brand established criteria for verification based on whether evidence submitted was comprehensive and credible in order to determine the adequacy of remediation implementation against commitments to improve over time.

Verification by FLA:

Review of the ASDS, FFC and IEM reports revealed that the company does track the progress of remediation. However, FLA recommends more systematic and detailed tracking of the progress of remediation (e.g. differentiating between pending, ongoing, and complete items) along with completion dates.

5. REMEDIATES IN A TIMELY MANNER

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

Actions Taken:

Audit reports are submitted by the third-party monitor to the Compliance Manager. The Compliance Manager files it centrally and reviews the report. The Compliance Manager creates remediation plans using the ASDS Excel spreadsheet and sends the ASDS to the factory manager within one week of the audit. The Compliance Manager and

the factory communicate back and forth until they agree on remediation plans. The Compliance Manager informs a company owner and the VP of Purchasing of the issues raised in the audit report.

Verification by FLA:

During headquarter visits, FLA staff reviewed audit reports and the ASDS and interviewed the Compliance Manager about the process of creating remediation plans. Upon receiving an audit report from a third-party monitor, the Compliance Manager creates corrective action plans for each of the noncompliances. The plans are then sent to the suppliers. Remediation plans reviewed by FLA staff include requested actions, a timeframe for completion as well as sustainable solutions.

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

Actions Taken:

The company proposes and tracks sustainable solutions that are aimed at preventing the recurrence of noncompliances.

Verification by FLA:

As confirmed through a review of internal audit reports and IEMs, 47 Brand suppliers implement remediation plans. Follow-up audits confirm completion. The Compliance Manager uses the ASDS system to track whether noncompliances recur. The Compliance Manager has worked to consistently develop sustainable solutions as part of the remediation plans. The sustainable solutions are maintained in the ASDS and communicated to suppliers; they include identifying responsible staff, creating policies, procedures and regular measurement of progress at the factory level with the aim of preventing the noncompliance in the future.

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

Actions Taken:

47 Brand communicates the remediation plans and timelines to the FLA within 60 days.

Verification by FLA:

Based on an analysis of remediation plan submission dates, FLA confirms that 47 Brand submitted plans in a timely manner.

FLA recommends that the company include specific dates in the ASDS, rather than just timeframes.

5.4 Confirms the completion of remediation

Actions Taken:

In 2010, 47 Brand adopted an approach to verification based on an examination of whether evidence submitted is comprehensive and credible.

A 47 Brand owner and the VP of Purchasing keep apprised of remediation plans and efforts so that they can add their leverage, as necessary, to the discussion with the factory to ensure that the remediation plan is successfully developed and implemented.

The selection of factories for follow-up audits is based upon information in the ASDS as well as risks identified, verification received that the remediation plan is being implemented, and information received from other brands. This risk-based approach helps the company to identify the factories that require a full audit and those that require a follow-up audit.

Third-party auditors are expected to review the findings from previous audits so that they are able to confirm progress on and completion of remediation plans when they return for a visit.

Verification by FLA:

FLA staff reviewed internal audit reports to confirm the follow-through on remediation plans. FLA staff also reviewed progress from the time of an IEM to a verification visit several years later, to measure progress of remediation plans. For example, as evidenced by the IEM and subsequent verification visit at a China factory, 47 Brand worked with the supplier to implement remediation. Two of the remediation plans (related to benefits and hours of work) are ongoing. The IEM and subsequent verification visit at a factory in Bangladesh have also demonstrated the company's follow-through on remediation plans. FLA affiliates sharing in this audit have provided detailed updates to the FLA.

During the 2012 headquarter visit, the FLA reviewed the risk assessment approach to the company's internal monitoring for 2012. FLA has a copy of the company's "2012 Audit Plan" on file. The document details the risk criteria considered in selecting factories to be audited including: (1) history of compliance; (2) country/region risks; (3) potential for collaboration with another brand; and (4) size of the workforce.

FLA recommends that the company develop a system to regularly update the FLA on remediation progress and to provide more timely exit explanations when the company withdraws from a factory. FLA recommends that 47 Brand update the FLA on remediation at least twice per year. Updates should also be submitted to FLA staff when a factory becomes inactive along with the requisite explanation of the company's exit and efforts to remediate noncompliances.

5.5 Conditions future business with contractors and suppliers upon compliance standards

Actions Taken:

47 Brand has worked with its key suppliers for long periods of time, some for 30 years. The company's approach is to form partnerships with factories that will stand the test of time.

The company has never ended any factory relationships for compliance reasons.

Verification by FLA:

Review of historic factory lists confirms that the company has long-standing relationships with many of its suppliers.

FLA recommends that the company develop a written progressive warning system for factories with a clear statement that future business is conditioned upon compliance standards, to be used at the appropriate time.

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

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

Actions Taken:

The Compliance Manager reviews data on noncompliances recorded in the ASDS for persistent and/or serious forms of noncompliance.

Verification by FLA:

FLA reviewed the ASDS as well as the 47 Brand "Threshold Issues" document which identified the following as egregious or threshold compliance issues: forced labor, bonded labor, prison labor, child labor, anti-union violence/harassment or abuse, fire extinguishers, alarms and exit markings, fire preparedness/egress, minimum wage, overtime pay, transparency and recordkeeping.

FLA recommends improvements to the tracking and analysis of individual noncompliances (by benchmark) and subsequent remediation to identify persistent and/or serious forms of noncompliance.

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

Actions Taken:

47 Brand consults with companies with shared factories to prioritize issues, harmonize communications and collaborate on remediation, where appropriate.

The company has focused on factory-level trainings to help prevent noncompliances.

Verification by FLA:

FLA staff reviewed reports in the FFC and shared IEM reports confirming that the company has collaborated with other companies on remediation plans and follow-up with factories in order to increase leverage.

As part of the headquarter visits, FLA staff reviewed email exchanges and interviewed company staff on the procedure of receiving factory training records from the previous year. These documents are collected at the start of each year. FLA has on file copies of the training schedules. Factories submit information such as the training topics covered, the month of activity, the training provider and the number of attendees. One factory submitted photos of training events as evidence as well as training plans for the coming year.

FLA recommends that 47 Brand work with suppliers to review factory-level trainings, assessing the effectiveness of such training programs. FLA also recommends that the company take up contact with other brands that source from the suppliers to see if there is a way to work together to support and collaborate on factory-level trainings.

FLA considers there to be an automatic noncompliance on Freedom of Association in China and Vietnam. For a factory in Vietnam, the company reported working with the factory to develop a Freedom of Association policy and improve worker-management communications related to Freedom of Association. FLA recommends that 47 Brand continue to treat Freedom of Association as a priority-issue in these two countries.

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

Actions Taken:

47 Brand staff is cognizant of the impact that orders may have on factories' compliance with workplace standards.

47 Brand has taken steps to comply with the California Transparency in Supply Chains Act (CTSCA), requiring suppliers to review legal requirements related to human trafficking and slavery, assess risks, create and implement remediation plans, take preventative action, and document their efforts. Factories were required to sign an affidavit agreeing to these commitments.

Verification by FLA:

As verified during the company headquarter visits, company sourcing staff currently takes into account factory capacity when placing orders. The company places orders with factories on a weekly basis. Lead time averages 3 months. During the headquarters visit, FLA reviewed a responsible sourcing checklist developed for the company. The checklist is not yet in use, but is being developed to prepare for Principle 8 of the Principles of Fair Labor & Responsible Sourcing.

FLA has on file a blank copy of the CTSCA affidavit required of suppliers.

FLA recommends more in-depth analysis of responsible sourcing practices and of noncompliances with regard to which preventative steps could be taken with other suppliers.

7. SUBMITS TO INDEPENDENT EXTERNAL MONITORING

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

Actions Taken:

47 Brand provides the FLA with accurate and up-to-date factory lists and IEM documentation.

Verification by FLA:

47 Brand has participated in the FLA's IEM program since 2003, initially as Twins Enterprise, a Category B Licensee. Since 2006, the IEMs have been for the company in its affiliation as a PC with the FLA.

47 Brand has maintained a fairly stable factory list with the FLA since affiliation. On a few occasions the company has required reminders to update the factory list to reflect additions or deletions. The current factory list with the FLA is accurate and complete. The company has submitted all required IEM documentation on time and in complete form.

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

Actions Taken:

All 47 Brand suppliers are aware that they may be subject to IEMs by FLA monitors and they agree to fully cooperate.

Verification by FLA:

There have been no aborted IEMs for 47 Brand.

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

Actions Taken:

47 Brand cooperates with all FLA requests for information, clarification and follow-up in the IEM process.

Verification by FLA:

The company cooperates with FLA requests for information, clarification and follow-up in the IEM process. 47 Brand works with other FLA affiliated companies where an IEM is shared between brands.

Though 47 Brand has submitted periodic updates on remediation plans, FLA recommends that the company develop a system to provide remediation updates on the company's IEM reports at least twice per year.

8. COLLECTS AND MANAGES COMPLIANCE INFORMATION

8.1 Maintains a database

Actions Taken:

47 Brand has an Excel-based ASDS spreadsheet to manage audit information. There, the Compliance Manager maintains a master tracking chart with a summary of all data. The company has also used the FFC since November 2010. The Compliance Manager maintains electronic folders of information and documentation, organized by year and by factory.

Verification by FLA:

FLA staff reviewed the ASDS, FFC and electronic folders during headquarter visits. Information is maintained in an organized and up-to-date fashion. As discussed during the headquarter visit, the Compliance Manager would potentially need to enter audit information into three different locations/databases. According to interviews, this workload is manageable for the time being, though the company may seek ways to streamline data collection and reporting.

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

Actions Taken:

The company keeps on file an up-to-date list of suppliers. The Compliance Manager is in regular communication with sourcing staff and is kept informed of any new factories that are being considered or withdrawals from factories.

Verification by FLA:

The company has a small sourcing base with infrequent changes to its factory list. The company is able to generate an up-to-date list of suppliers.

8.3 Analyzes compliance findings

Actions Taken:

From the ASDS, the company is able to generate information on the total number of noncompliances, factory-specific noncompliances as well as trends and recurring issues.

Verification by FLA:

FLA reviewed the ASDS and some basic analysis on noncompliance and trends.

FLA recommends continued and more in-depth analysis of noncompliance trends.

8.4 Reports to the FLA on those activities

Actions Taken:

47 Brand reports to the FLA on its analysis through annual reporting.

Verification by FLA:

The annual reports from the company have included summaries of noncompliances raised and analysis of prevalent, recurring or high-risk issues such as inconsistent records, health and safety noncompliances, overtime hours and payment of social insurance.

9. CONSULTS WITH CIVIL SOCIETY

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

Actions Taken:

The company's 2011-2012 civil society engagement strategy identifies the primary objectives as being to: (1) provide a firm foundation for understanding how to address issues related to the 47 Brand Code; and (2) inform proactive efforts the company may take to maintain high levels of compliance with the Code over time. The company's strategy takes into account the size of the company and its resource constraints.

To achieve these objectives, the company makes the following efforts:

- (1) Monitors the research, analysis, recommendations and advocacy campaigns of international and regional human rights and labor rights organizations. In 2010, the company commissioned a compilation of publicly available reports and sources of information on conditions of labor in China, Vietnam, Bangladesh and Peru. The Compliance Manager monitors the activity of several organizations on an ongoing basis. The Compliance Manager is part of a number of list-servs and receives updates from various monitoring, training and civil society organizations and brands.

- (2) Identifies organizations with particularly relevant perspectives and holds briefing calls with them. In 2010, the company began to hold quarterly calls with [monitoring organization] in Vietnam. The Compliance Manager also holds a monthly call with [monitoring organization] and receives labor law updates, information on changes in the industry and there is an opportunity for question and answer. The Compliance Manager has also consulted with [monitoring organization] in Bangladesh and China.
- (3) Engages, wherever possible, in dialogues with a programmatic focus in an area of particular concern. In 2012, 47 Brand participated in the multi-stakeholder dialogue spearheaded by [CSO] on an initiative on the textile and garment sector in Peru. The company is currently exploring engaging with a [CSO] on a project in China.

Verification by FLA:

During the 2011 and 2012 headquarter visits, FLA staff discussed the company's plans and actions related to civil society outreach. In March 2012, company representatives held a call with FLA staff to discuss the company's approach to engagement with civil society. FLA staff has on file the company's written strategy for engaging with civil society organizations.

During the 2012 headquarter visit, FLA staff viewed samples of the research and list-serv communications that the Compliance Manager had reviewed to stay current on local labor issues.

FLA has on file notes from a conversation with [monitoring organization] staff in China regarding risks related to unauthorized subcontracting, temporary workers, labor shortages, inflation, labor disputes and factory grievance mechanisms.

FLA has copies of email exchanges related to the Peru multi-stakeholder forum on precarious work / short-term contracts, facilitated by [CSO]. FLA has copies of email exchanges with a representative for a [CSO] project describing the company's interest. FLA has confirmed with [monitoring organization] that they have had contact with 47 Brand staff to discuss China labor relations.

The Compliance Manager is active in the FLA community, attending meetings, trainings and serving as a Monitoring Committee representative.

9.2 Consults knowledgeable local sources as part of its monitoring activities

Actions Taken:

47 Brand relies on third-party monitors for their knowledge and expertise on local issues.

Verification by FLA:

FLA has on file the company's plans (dated September 2012) to expand its partnerships with third-party monitors to include engagement with civil society organizations on issues related to workplace conditions, current topics and brand leverage. The brand will require auditors to complete a brief report with a summary of their findings.

FLA recommends that the company continue to develop and implement its plans for third-party monitors to engage with knowledgeable local sources as part of their monitoring work.

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

Actions Taken:

47 Brand selects third-party auditors who consult with trade unions as part of the process of their work on the company's behalf.

Verification by FLA:

During the audit observed in 2012, the FLA did not observe monitors engaging with union representatives. FLA recommends that the company verify that monitors incorporate representatives from unions and worker committees into the opening and closing meetings of the audit.

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

Actions Taken:

47 Brand uses the FLA's audit instrument, which asks questions related to any applicable collective bargaining agreements.

Verification by FLA:

As verified through review of internal audit instruments, the company's third-party monitors verify that workplace conditions are consistent with applicable collective bargaining agreements.

10. PAYS DUES AND MEETS ITS OTHER PROCEDURAL REQUIREMENTS

10.1 Pays annual dues

Actions Taken:

47 Brand has paid its annual dues to the FLA.

Verification by FLA:

47 Brand is up-to-date on its annual dues. Documentation is available at FLA headquarters.

10.2 Pays IEM administrative and monitoring fees

Actions Taken:

47 Brand is up-to-date on all relevant fees to the FLA.

Verification by FLA:

47 Brand has paid all relevant dues and fees to the FLA. Documentation is available at FLA headquarters.

10.3 Signs and honors required FLA contracts

Actions Taken:

47 Brand has signed and honored required FLA contracts.

Verification by FLA:

47 Brand has signed and honored required FLA contracts. Copies of all contracts are on file at FLA headquarters.

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

Actions Taken:

47 Brand submits factory lists, annual reports and all requested information in a complete and timely manner.

Verification by FLA:

The FLA confirms that 47 Brand has submitted annual reports in complete form and in a timely manner for activities from all years between 2006 and 2011. On occasion, there have been delays in the company's updates or corrections to its factory list; the current list of factories on file with the FLA is up-to-date.

CONCLUSION

Accreditation of 47 Brand's compliance program should not be interpreted as a guarantee against issues and risks in the supply chain. Rather, accreditation indicates that the company has the systems in place to proactively identify and remediate those risks. Accreditation is not granted automatically, and is only renewed every three years following a satisfactory FLA evaluation of labor compliance systems and activities during the timeframe. FLA will continue to conduct standard due diligence activities on 47 Brand. To check an affiliate's accreditation status, visit www.fairlabor.org/accreditation.