



**BURTON**

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**ASSESSMENT FOR ACCREDITATION**

FEBRUARY 2020

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Worker at Burton's owned snowboard manufacturing facility at headquarters in Burlington, Vermont, USA

## INTRODUCTION

This report is an assessment to inform the FLA Board of Directors’ decision to approve the accreditation of Burton’s social compliance program.







# BURTON

Affiliates eligible for accreditation agree to the respectful and ethical treatment of workers and the promotion of sustainable conditions through which workers earn fair wages in safe and healthy workplaces by adopting the FLA [Workplace Code of Conduct](#). Affiliates with accredited social compliance programs have the systems and procedures in place to successfully uphold fair labor standards throughout their supply chains and mitigate and remediate violations.

Accreditation is a multi-year process to assess the performance of a Participating Company against the FLA [Principles of Fair Labor and Responsible Sourcing](#). During this process, FLA staff verify the implementation and effectiveness of a company’s social compliance program through:

FLA ACTIVITY	PURPOSE
<b>Headquarter (HQ) Assessment</b>	<ul style="list-style-type: none"> <li>• Interview compliance staff, senior leadership, and relevant staff or purchasing, production, and planning</li> <li>• Review documentation, processes, and database capabilities</li> </ul>
<b>Field Office Assessment</b> (as applicable)	<ul style="list-style-type: none"> <li>• Interview compliance staff, senior leadership, and relevant staff or purchasing, production, and planning</li> <li>• Review documentation, processes, and database capabilities</li> </ul>
<b>Field Observations</b>	<ul style="list-style-type: none"> <li>• Observe internal audits, training sessions, and/or remediation visits</li> <li>• Verification of progress over time and provide constructive feedback</li> </ul>
<b>Factory-Level Assessments (SCI &amp; SCIV)</b>	<ul style="list-style-type: none"> <li>• Assess for labor violations at the factory-level so the company remediates identified labor violations sustainably</li> </ul>
<b>Annual Self-Assessment</b>	<ul style="list-style-type: none"> <li>• Review company-reported documentation, processes, capabilities and the evolution of the social compliance program</li> </ul>
<b>Safeguard Investigations</b>	<ul style="list-style-type: none"> <li>• Can occur throughout the company’s FLA affiliation and provides insight into compliance programs, remediation strategies, and engagement with civil society, as applicable</li> </ul>
<b>Fair Compensation</b>	<ul style="list-style-type: none"> <li>• Review of use of the FLA’s Wage Data Collection Tool Kit in applicable facilities</li> <li>• Provide feedback on short- and long-term Fair Compensation plans and strategies to improve compensation for workers</li> </ul>
<b>Strategic Projects</b>	<ul style="list-style-type: none"> <li>• Learn about compliance strategies to detect and remediate complex issues, as applicable</li> </ul>
<b>Stakeholder Engagement</b>	<ul style="list-style-type: none"> <li>• Receive input, especially from civil society, on the social compliance program from relevant organizations</li> </ul>

## SECTION 1: BURTON OVERVIEW

<b>Name</b>	Burton	<b>Category</b>	Participating Company
<b>Location</b>	Burlington, Vermont, USA	<b>Product</b>	Hard goods, soft goods
<b>Applicable Facilities</b>	72		
<b>FLA Affiliation Date</b>	October 2016		
<b>Burton's Strengths &amp; Recommendations for Improvement<sup>1</sup></b>			
<b>Workplace Standards</b> 	<b>Principle:</b> Committed to accountability and transparency through established workplace standards.		
	<b>Strength:</b> Public commitment to sustainability included as a 2020 goal. Discloses finished goods factory list on its website.		
<b>Supplier Training</b> 	<b>Principle:</b> Obtains commitment and trains relevant supplier management on workplace standards and tracks effectiveness of supplier workforce training.		
	<b>Strength:</b> Supplier managers are trained on workplace standards during vendor summits conducted every two years. Frequent in-person meetings with strategic suppliers.		
<b>Monitoring</b> 	<b>Principle:</b> Conducts workplace standards compliance monitoring.		
	<b>Strength:</b> Comprehensive monitoring program for prospective and active suppliers. Strong rating systems based on audit results.		
	<b>Recommendation:</b> Continue to ensure that service providers are implementing standards aligned with the auditing procedure.		
<b>Timely &amp; Preventative Remediation</b> 	<b>Principle:</b> Works with suppliers to remediate in a timely and preventative manner.		
	<b>Strength:</b> Collaborates with shared buyers on remediation plans. Provides trainings to factory management on successful remediation.		
	<b>Recommendation:</b> Continue to collaborate and submit remediation updates to the FLA, especially on violations of freedom of association;		
<b>Responsible Purchasing Practices</b> 	<b>Principle:</b> Aligns planning and purchasing practices with commitment to workplace standards.		
	<b>Strength:</b> Holds regular inter-departmental meetings to discuss factory level issues.		
	<b>Recommendation:</b> Continue to implement the policy and procedures on responsible purchasing practices. Develop a blueprint for company priorities and steps towards implementing the fair compensation code element.		
<b>Consultation with Civil Society</b> 	<b>Principle:</b> Identifies, researches and engages with relevant labor non-governmental organizations, trade unions and other civil society institutions.		
	<b>Recommendation:</b> Continue to implement the civil society engagement strategy, including implementing projects with CSOs.		

<sup>1</sup> To see the complete list of FLA Principles and Benchmarks Burton was assessed against for accreditation, see Appendix C.

## AFFILIATE PROFILE

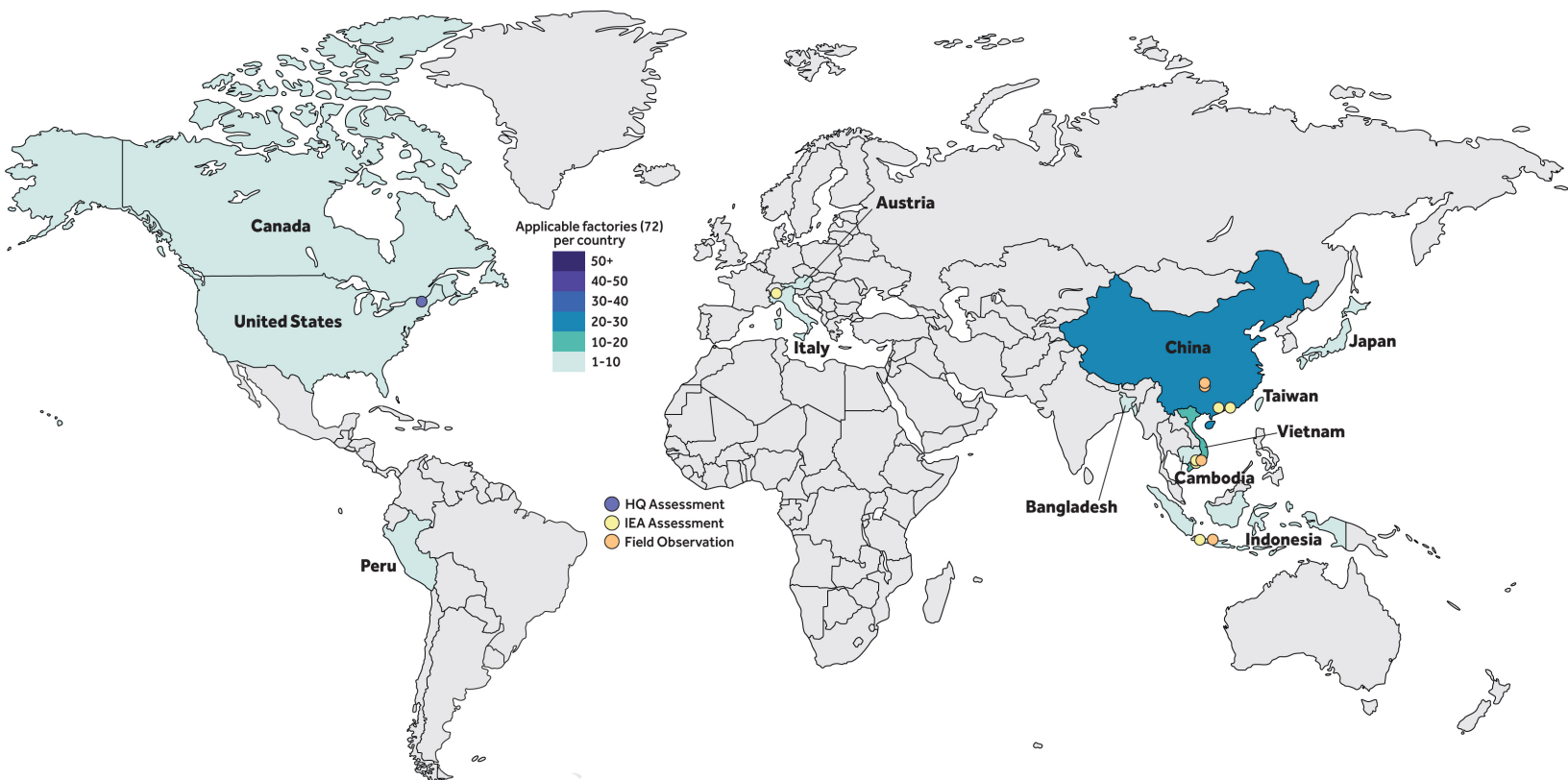
Burton is a Vermont-based, privately held, snowboarding equipment and mountain lifestyle soft goods company founded by Jake Burton Carpenter in 1977. Burton developed one of the world's first snowboards and is considered the world's leading snowboard company. Burton currently manufactures products in one owned prototyping facility in the United States and 72 contract factories in 12 countries. Burton has a section on its [website](#) dedicated to sustainability and publishes its finished goods suppliers. Part of Burton's 2020 goals is to aim for fair labor in its entire supply chain and it sees FLA accreditation as an important step towards that goal.

Burton launched its formal sustainability program in 2012 to manufacture responsibly and address its social and environmental impact. Sustainability is given a high priority within the organization, as shown by the reporting structure. The Senior Sustainability Manager reports to the SVP of Global Strategy and Insights, who reports to the CEO. The Sustainability Team includes a Senior Sustainability Manager, a Sustainable Production Analyst, a Sustainability Analyst based in the United States and a Sustainability Analyst based in China. The Analyst in China works closely with factories on audits, remediation, and onsite trainings.

Through the accreditation process, the FLA has recognized the strong relationships between Burton and its contract facilities and the actions they have taken to implement responsible purchasing practices. Examples of actions include Burton working to balance planning, reduce seasonality, and train facility staff on how to remediate common issues. Burton also regularly communicates with suppliers, in addition to a vendor summit held every two years, giving factory management the opportunity to meet directly with Burton staff to provide feedback. Internally, Burton holds regular meetings between key departments to discuss production issues, including factory specific issues.

Burton has taken steps to implement all FLA recommendations for accreditation, including providing training on union engagement for the sustainability team, training all staff on workplace standards, developing a responsible purchasing practices policy, training relevant staff on the responsible purchasing practices policy, and engaging with civil society organizations. Burton has also used the FLA Wage Data Collection Toolkit in key sourcing countries and is developing a blueprint that examines compensation priorities for high risk and high production countries.

## SECTION 2: BURTON SUPPLY CHAIN & FLA DUE DILIGENCE [2018-2020]



As of 2020, Burton sources from 72 applicable factories globally with China and Vietnam being its highest production volume countries. The above map shows Burton’s sourcing countries in 2020 and the range of factories in each highlighted country. From 2018-2019, Burton received four Sustainable Compliance Initiative (SCI) assessments.

For the FLA’s assessment for accreditation, the FLA conducted audit field observations in 2019 in Vietnam, Indonesia, and China. During the 2019 observation in China, the FLA also observed Burton’s Sustainability Analyst train the factory on remediation. In October 2019, the FLA conducted the headquarter assessment in Burlington, Vermont, USA to review the implementation of the social compliance program.

## SECTION 3: BURTON'S LABOR COMPLIANCE PROGRAM ANALYSIS

### PRINCIPLE 1: WORKPLACE STANDARDS<sup>2</sup>

#### **Workplace Standards**

The FLA requires company affiliates to establish and articulate clear, written workplace standards that meet or exceed the FLA Workplace Code of Conduct. Burton aligned its [Code of Conduct](#) with the [FLA's Workplace Code of Conduct](#) in 2016. The code is publicly available on [Burton's Sustainability website](#) in the Social and Environmental Responsibility Monitoring Program section. Burton adopted the [FLA's Benchmarks](#) in full to operationalize its Code of Conduct and to benchmark audit results.

#### **Senior Leadership Commitment**

Commitment from a company's top management to uphold workplace standards and integrate them into business practices is an essential component of an effective social compliance program. Burton's commitment is communicated on its [website](#), which currently showcases Burton's 2020 Sustainability Goals. One of the sustainability goals is to have "100% of [Burton's] finished goods factories...perform at a silver or gold level against [Burton's] standards". As part of its commitment to transparency, Burton publicly discloses its [finished goods factory list](#) which supports Burton's level of transparency in holding themselves accountable. The website also highlights [events](#), such as factory visits conducted by the CEO and VP of Global Strategy and Insights, which demonstrate engagement of senior management with suppliers on the ground. The FLA recognizes Burton's senior leadership commitment and its public commitment to workers' rights as a strength of its program, directly influencing and educating consumers on the impact of a Burton product.

In October 2019, Burton became a [certified B Corporation](#), publicly committing to consider its business impact on all stakeholders, including suppliers. The certification articulates Burton's top-level commitment to upholding and integrating workplace and environmental standards into its business. The certification requires a dedicated Benefit Director at the Board level to work directly with the Benefit Officer (Burton's Senior Sustainability Manager) to ensure that Burton takes into account people, planet, and profit in all business decisions. The Benefit Director's responsibility includes reviewing the conduct of the Board and Benefit Officer in relation to Burton's stated public benefits and for publishing annual public reports on sustainability. The FLA has verified presentations presented to the Board by Burton's CEO that include Burton's commitment to society.

### PRINCIPLE 2: RESPONSIBILITY & HEAD OFFICE TRAINING<sup>3</sup>

#### **Staff Responsibility for Implementing the Burton Sustainability & CSR Program**

To ensure a strong focus on compliance, the FLA requires that affiliates identify staff responsible for implementing their social compliance program. Burton's Senior Sustainability Manager manages the day to day operations of the team and reports to the Senior Vice President of Global Strategy and Insights, who reports to Burton's CEO. The Sustainability Team also consists of a Sustainability Analyst based in China, a Sustainability Analyst based in Burlington, and a Sustainable Production Analyst based in Burlington. The FLA recognizes the significant investment of human resources as a strength of Burton's program.

The FLA verified that the job description for the Senior Sustainability Manager includes responsibilities related to Burton's compliance with the FLA Workplace Code of Conduct and the Principles of Fair

<sup>2</sup> Principle 1: Company affiliate establishes and commits to clear standards.

<sup>3</sup> Principle 2: Company affiliate identifies and trains specific staff responsible for implementing workplace standards and provides training to all head office and regional staff.

Labor and Responsible Sourcing, including managing the Burton audit cycle, engaging with internal and external stakeholders, and training the Sustainability team, suppliers, and all staff on sustainability-related topics. Additionally, the Senior Sustainability Manager is responsible for working with the Benefit Director on Burton's Board of Directors to ensure that Burton considers people, planet, and profit in all business decisions.

### **Burton Sustainability Team Training**

To ensure that staff are knowledgeable of workplace standards and labor rights, the FLA requires that the team responsible for implementing the social compliance program receive regular training and professional development opportunities. Burton's Senior Sustainability Manager, who previously worked with an international non-governmental organization, has extensive experience with workers, worker representative structures, and local civil society organizations (CSOs). The Sustainability Analyst based in China has factory production and auditing experience and regularly interacts with union and worker representative structures during audits and capacity building projects. To keep up with trends in social compliance the Sustainability Analyst has completed the FLA's e-learning modules, which focus on topics such as forced labor, working hours, and compensation.



Burton's Co-CEO and Senior VP of Global Strategy and Insights visiting a contract facility in Indonesia

Following the headquarter assessment, the FLA recommended that Burton identify more training opportunities for its staff on union engagement and collective bargaining. The Sustainability Team has since conducted training on union engagement and collective bargaining provided by the [American Federation of Government Employees](#). The Burton team will apply these learnings to specific issues facing Burton's supply chain. The FLA recommends that Burton continue to identify trainings related to union engagement and collective bargaining, especially as they look to expand engagement with civil society organizations.

In addition to the Sustainability Team, Burton also provides social compliance training to its Quality Assurance staff. These Burton employees are embedded in all hardgoods and select soft-goods facilities around the world. The Senior Sustainability Manager and Sustainability Analyst have provided these employees with basic training on zero tolerance violations, significant health and safety violations, handling grievances, and basic corrective action plan remediation. The FLA has reviewed the training materials and verified that Quality Assurance team members have raised compliance issues and check on the remediation status of workplace violations. The FLA recognizes this training as a strength of the Burton program.

### **Training All Burton Staff**

In addition to in depth training for social compliance and other specialized staff, the FLA requires that affiliates provide general training to all head office and regional staff on the company's commitment to workplace standards. Burton has formally trained members of commercialization (includes costing and sourcing), sustainability, quality, planning, procurement, and production teams on Burton's commitment to workplace standards. In addition to relevant staff, the FLA requires affiliates to train



all headquarter and regional office staff on workplace standards. During the headquarter assessment in October 2019, the FLA noted that Burton had not yet formally trained all headquarter and regional office staff on workplace standards and recommended that Burton create a training plan. Burton has since developed a training based on the Burton Code of Conduct and electronically distributed it to all 1000+ Burton employees. The training gives an overview of the Burton program and examples of Code of Conduct violations, and includes a signature line for collecting commitments to uphold the standards and a feedback mechanism to ensure effectiveness.

This training will be included as a part of new staff orientation and will be updated annually. The FLA recognizes Burton's efforts to implement the training program and recommends Burton monitor the trainings and update them regularly.

### **PRINCIPLE 3: SUPPLIER TRAINING<sup>4</sup>**

#### **Supplier Commitment**

The FLA's principle on supplier training emphasizes that companies must obtain a commitment from all suppliers to uphold workplace standards. Before doing business with Burton, both suppliers and agents are required to sign the Burton Manufacturing Agreement (MFA), which requires them to comply with the Burton vendor guide. The vendor guide requires suppliers and agents to uphold workplace standards, facilitate periodic assessments, and remediate noncompliance. This document is updated regularly to reflect changes in the Burton program and suppliers must review and accept these updates whenever they occur. The social compliance standards and commitments included in the vendor guide are also reinforced with suppliers during Burton's vendor summits.

#### **Conditioning Future Business on Supplier's Improvement of Working Conditions**

The FLA requires that working conditions be a key component of a company's sourcing decisions. Burton starts conditioning future business at the beginning of the factory onboarding process with the sustainability audit, further described in Principle 5: Monitoring. Once a factory is approved for production and onboarding, the factory is given an audit cadence based on performance on sustainability audits. Performance on the audit and remediation is rolled into an overall sustainability score. This sustainability score is part of the suppliers' overall scorecard, which affects order allocation and future business. Additionally, Burton's MFA and vendor guide allow Burton to terminate the business relationship with a supplier based on certain findings of noncompliance, insufficient remediation of these findings, and/or unauthorized subcontracting.

Burton has provided the FLA with documented evidence of how they have used workplace conditions to make sourcing decisions including reducing orders, placing facilities on probation, and/or terminating business relationships when necessary. During the headquarter assessment, Burton provided an example of a factory with consistently poor audit performance and lack of responsiveness to remediation plans. Despite numerous phone calls and in-person conversations with this supplier, there was minimal improvement. After careful effort and communication Burton downsized its orders with the facility for one season and then exited the supplier the following year. The FLA recognizes Burton's process of evaluating working conditions, and particularly its commitment to careful communication and responsible termination, when necessary, as strengths of the Burton program.

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<sup>4</sup> Principle 3: Company affiliate obtains commitment and trains relevant supplier management on workplace standards and tracks effectiveness of supplier workforce training.

**Supplier Training**

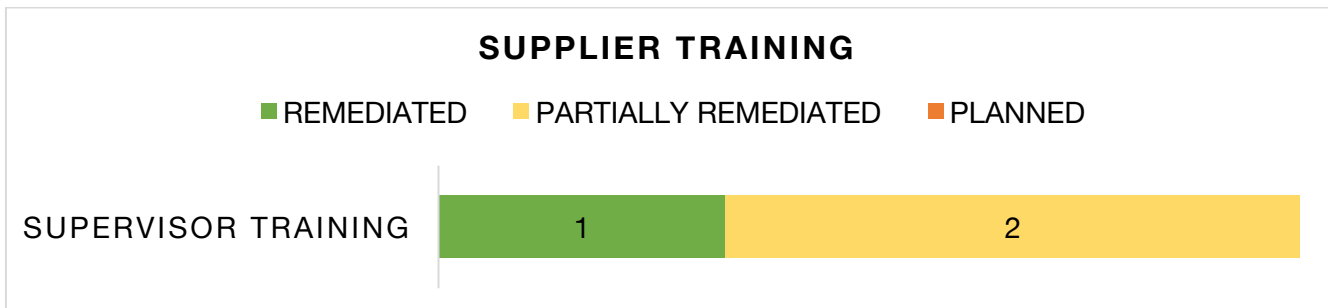
Training suppliers and agents is an essential part of upholding workplace standards, and Burton uses a variety of methods to address this need. Due to its close relationship with strategic suppliers Burton is able to periodically train workers and factory management in-person at contracted facilities. For example, Burton’s Sustainability Analyst periodically provides onsite remediation trainings following audits conducted in China. These trainings focus on how to conduct root cause analysis and remediate sustainable issues uncovered during the audit. The trainings include factory management, supervisors, worker representatives, and the workers directly affected by the issues. The FLA observed a training in 2019 and verified that the Sustainability Analyst helped participants better identify violations during a factory walkthrough and discuss common ways to remediate these issues. Burton is strategic in providing in-person trainings and only conducts them when facilities need support on successful remediation. The FLA noted that these trainings empower workers to raise issues to management and can help the remediation process. The FLA recognizes these training programs as a strength.

In addition to onsite factory trainings, Burton holds vendor summits that take place every two years and include training for agents and suppliers. Through document review and an interview with one of Burton’s sourcing agents, the FLA verified that suppliers and agents are trained on topics including Burton’s sustainability standards, common audit findings and remediation, management systems, and responsible purchasing and production practices.

**Workplace Standards Training & Accessibility for Workers**

To ensure that all workers have access to the workplace standards contained in Burton’s Code of Conduct, Burton’s MFA and vendor guide require all facilities to post the Burton Code of Conduct prominently in each facility in workers’ local languages. The code is available in fourteen languages: Arabic, Bahasa, Bengali, English, French, German, Italian, Japanese, Khmer, Mandarin, Korean, Slovenian, Spanish, and Vietnamese. To ensure codes are posted, Burton relies on auditors to check for code postings during sustainability audits. During the 2019 audit field observation at a contract facility in China, the Burton auditor noted that the Burton Code of Conduct was not posted in the facility as is required; this issue was raised as a finding and the finding was remediated prior to the end of the audit. The FLA verified the Burton Code of Conduct was posted in the facilities during the other audit field observations.

The FLA identified three violations related to supervisor training in two SCI assessments conducted in Burton facilities between 2018-2020. During a 2018 SCI assessment in China, FLA assessors noted that the factory did not train managers or supervisors on any of the FLA code elements. Following the assessment, Burton worked with the facility to develop a training on all of the FLA code elements, along with trainings on team building and production flow management. The two other violations are in the process of being similarly remediated. The FLA recommends Burton continue to work with its suppliers to remediate issues related to supervisor training in the supply chain.



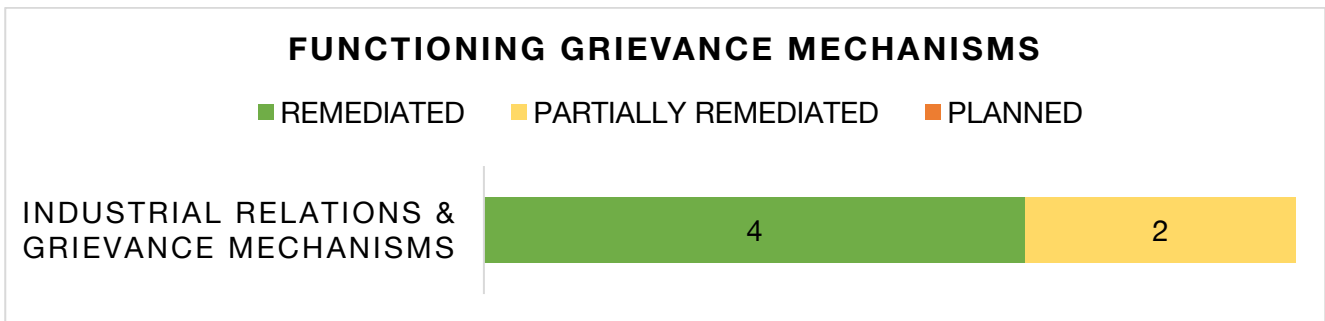
**PRINCIPLE 4: FUNCTIONING GRIEVANCE MECHANISMS<sup>5</sup>**

Functioning grievance mechanisms are an essential part of ensuring workers’ rights. Burton has implemented a variety of procedures throughout its supply chain to verify that these communication channels exist and are effective.

**Assessing for Functioning Grievance Mechanisms**

The Burton audit tool and supplier guide require contract facilities to have multiple channels for employees to lodge grievances in a confidential manner, free from retaliation, and Burton has shown evidence in enforcing and communicating these requirements. During an audit field observation in Vietnam in 2019, FLA observers noted that the Burton third-party auditors did not communicate the privacy, confidentiality, and non-retaliation policies to management during the opening and closing meetings of the audit. Although these standards were communicated to workers during the worker interviews, not communicating these standards to management could increase the risk of retaliation. Following this field observation, Burton reinforced its requirements related to confidentiality and non-retaliation to its service providers. During subsequent audit field observations in Indonesia and China, FLA observers noted that these policies were clearly communicated to management during the opening and closing meetings.

The FLA has identified six SCI violations related to Industrial Relations & Grievance Mechanisms in two different facilities.



During an SCI assessment in 2018 at a facility in China, the assessors found that the facility did not have procedures to request and/or receive workers’ input regarding the creation, implementation, and updating of its policies and procedures. Following the assessment, Burton worked with the facility management to create staff communication and feedback procedures and set up suggestion boxes and telephone lines to implement these procedures. Burton confirmed that these procedures were implemented and workers understood how to use these channels. Three other findings have been similarly remediated and Burton is in the process of remediating the remaining two. The FLA recommends Burton continue to work with its suppliers to ensure supervisors, workers, and managers have access to effective grievance mechanisms.

**Confidential Reporting Channel to Burton Headquarters**

Burton has a confidential reporting channel to ensure that workers can submit a grievance directly to Burton headquarters if local mechanisms are not functioning. The email address

<sup>5</sup> Principle 4: Company affiliate ensures workers have access to functioning grievance mechanisms, which include multiple reporting channels of which at least one is confidential.

([workersrights@burton.com](mailto:workersrights@burton.com)) is listed on Burton's Code of Conduct and website. In addition, Burton auditors are required to refer to the Code of Conduct and provide additional contact information during the audit and worker interviews. When Burton's Sustainability Analyst conducts audits, they provide interviewed workers with their local phone number, email address, and WeChat number.

Burton has shown commitment to improving the enforcement of functioning grievance mechanisms. The FLA recognized an example of improvement following two audit field observations. During the audit field observation in Vietnam, the FLA observers found that the auditors did not provide their contact information to any interviewed workers. During the next audit field observation in 2019 in Indonesia, FLA observers found that the auditors provided their contact information to some, but not all, interviewed workers. Following these two field observations, the Senior Sustainability Manager met with the third-party auditing firm to reinforce Burton's expectations related to their confidential reporting channel and now requires the third-party firm to track the number of contact cards they give to workers. The FLA recommends Burton continue to ensure that third-party auditors are providing contact information to all interviewed workers during the audit process and explore different ways to ensure an effective confidential reporting channel.

### **Ensuring Training for Workers & Providing Support on Grievance Mechanisms for Suppliers**

The FLA requires that affiliates ensure that all workers are trained on grievance mechanisms, and that if they are found not to be trained, the affiliate supports the facility in training workers. Burton uses its audit tool to ensure supervisors and workers are trained on grievance mechanisms. During the three audit field observations in 2019, the FLA observers verified that auditors reviewed training records and discussed grievance mechanism trainings with workers during interviews. Burton also trains facility and supplier management on Burton's grievance standards during the vendor summits.

## **PRINCIPLE 5: MONITORING<sup>6</sup>**

### **Pre-Sourcing Factory Assessments**

To ensure that social compliance is a key component of sourcing decisions, the FLA requires affiliates to assess a contract facility's workplace conditions prior to beginning a sourcing relationship. Burton breaks down the supplier sourcing process into three phases: exploration, verification, and onboarding. As part of the exploration process, Burton chooses facilities based on a thorough country risk assessment that defines the countries that have met Burton's standards based on various factors, including political and legal frameworks. For example, based on the current risk assessment, Burton does not allow sourcing from Myanmar due to its political environment, therefore no facilities in Myanmar will be accepted during the exploration phase.

Once a facility is chosen, it receives a quality assurance visit and capability review. Once it passes the quality assurance audit, a social audit is deployed, conducted, and reviewed before onboarding is approved. At this stage, Burton may also accept a social audit from an approved service provider. A facility is onboarded only after passing all of these review phases.

### **Assessing Factory Conditions**

The FLA requires affiliates to regularly monitor contract facilities for compliance with its workplace standards. Burton regularly monitors all applicable facilities in the form of a Burton audit or a Burton-accepted audit from an approved service provider. For audits outside China, Burton uses an FLA accredited service provider to conduct audits. For audits in China, Burton's Sustainability Analyst

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<sup>6</sup> Principle 5: Company affiliate conducts workplace standards compliance monitoring.

conducts the audits. Audits in China are accompanied by in-factory Burton quality assurance staff, as part of their training on social compliance, as explained in Principle 2: Staff Training.

The FLA has verified that Burton's audits cover all required elements, including worker interviews, consultation with union and worker representative structures, management interviews, documentation review, visual inspection and occupational safety and health review. These expectations are clearly communicated in Burton's Social Responsibility Audit Procedure, which includes detailed requirements and guidance on worker interviews, audit schedules, inclusion of worker representatives, and review of collective bargaining agreements. Burton plans to train auditors on these standards in 2020.

To determine audit frequency, Burton scores each factory based on audit results, which is then rated against a rating system that determines audit frequency. All facilities are rated along the following scale: Gold (90-100), Silver (80-89), Orange (71-79), Red (51-70), and Zero Tolerance (0-50). If Burton chooses to accept an external audit from an approved service provider, the audit report is converted into Burton's system, is treated like a normal Burton audit, and is rated against the same audit frequency scale. If the external audit is missing information, Burton either reaches out to the facility for additional information or chooses to conduct its own audit at the facility. Every audit, including ones accepted from the external service provider, undergoes the same corrective action plan follow-up process. The FLA commends Burton's process for integrating external audits into its system as it allows Burton to maintain a standard and process across external and internal audits.



Worker at a Burton contract facility

#### **FLA Observations of Burton Audits**

To understand and verify audit quality, the FLA observed three Burton audits in 2019: two conducted by Burton's external service provider in Indonesia and Vietnam and one audit conducted by Burton's Sustainability Analyst in China.

Burton is committed to ongoing improvements in audit quality, as seen from its commitment to FLA's recommendations to strengthen its audit program. During the two audits conducted by external service providers, the FLA observed varying gaps between each audit and determined these were due to a difference in auditor skill level. For example, during the first field observation in Indonesia, the FLA noted

that the auditor did not invite worker representatives to participate in worker interviews. In the second field observation conducted in Vietnam, the FLA noted improvements from the first audit but also identified new gaps, such as the auditor not inspecting key issues during the visual inspection. The FLA recommended Burton ensure a constant standard of audit by nominating specific auditors, providing ongoing training on Burton's standards, and creating procedures that operationalize Burton's requirements. Burton has implemented these recommendations. For example, Burton will only assign auditors who have received training on the FLA-SCI approach in order to ensure a consistent high standard. Based on FLA recommendations, Burton has also established Social Responsibility Audit Procedures to train all auditors. The FLA has verified communication between Burton and the service provider to implement these recommendations.

The third field observation was conducted to observe Burton's Sustainability Analyst who conducts audits for China facilities. China is Burton's highest production volume country, and is the producer of the majority of hard goods, making strong audits crucial in the region. The Analyst covered all aspects of the audit noted in the procedures and showed particular strength in their approach of including worker representatives throughout the audit process. Worker representatives were invited to the opening and closing meetings, as well as to the walkthrough where they answered numerous questions from the Analyst. The FLA commends the rigor of audit conducted by the Analyst and recommends the Analyst continue to support service providers in conducting audits against Burton's standards.

## **PRINCIPLE 6: COLLECTION & MANAGEMENT OF COMPLIANCE INFORMATION<sup>7</sup>**

### **Burton Data Management**

Maintaining a system for collecting and managing social compliance information is essential for companies to mitigate and remediate labor violations. To support this goal, the FLA requires a complete collection of facility data and compliance information. Burton collects facility contact information, historic audit data, possible root causes of noncompliances, previous labor disputes, incidents, and accidents. Burton uses a product lifecycle management (PLM) system that stores information on each facility which is then available to all Burton staff. Some information required by the FLA is saved separately in an Excel document, such as the existence of a collective bargaining agreement.

### **Analyzing Social Compliance & Supporting Data**

The FLA requires affiliates to conduct data analysis on social compliance data in order to use that data to drive business decisions. Burton analyzes its social compliance data and uses that data to inform strategies, such as its civil society engagement strategy, further described in Principle 9: Consulting with Civil Society. Burton has analyzed its data categorized by different employment functions and regions. The FLA has verified analysis based on different categories including health and safety, management systems, labor review, and wages and hours. For these categories, major issues and hot spots are recognized, as well as the number of assessments the issue has been flagged.

To have data that can better support its business structure, Burton has conducted separate analysis for hard goods and soft goods. For hard goods, some examples of common issues include union representatives chosen by factory management and factories not providing workers with a copy of the Collective Bargaining Agreement. Other common issues include listing age or gender on job postings and using contract workers long-term. For soft goods, common issues include incomplete information on employment contracts, incomplete or inaccurate time records, and lack of machinery safety systems. A common issue that was found in both hard good and soft good facilities is working hours exceeding 60 hours per week and exceeding limits on overtime; even though these findings are prevalent across the manufacturing industry in China, these findings violate Burton's standards.

Burton has explored additional ways of comparing data to better inform its business decisions. One strategy is to compare data between product quality audits and sustainability audits, where Burton has found a correlation between the two. A factory that scores high on a quality audit is more likely to score high on a sustainability audit. The FLA recommends Burton use this data to support the business case that a high scoring sustainability factory is directly linked to high quality products. The FLA commends Burton for the level of data analysis conducted and recommends Burton continue to use its data analysis to inform strategic decisions, such as its continued work on information gathering

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<sup>7</sup> Principle 6: Company affiliate collects, manages, and analyzes workplace standards compliance information.

and training of staff on unions and worker representative structures. Data is presented to top management, as well as participants at the vendor summits.

## PRINCIPLE 7: TIMELY & PREVENTATIVE REMEDIATION<sup>8</sup>

### **Tracking Remediation at the Factory Level**

The FLA requires affiliates to work with suppliers to remediate workers' rights violations in a timely and preventative manner. Burton works with facilities to track corrective action plans (CAPs) to completion. The process for successful remediation is outlined in the Sustainability Monitoring Policy, which provides guidance on the audit follow-up process, including timelines to provide the facility with the CAP, rating the CAP, working with the facility to fill out the CAP, including root cause analysis, and Burton's feedback to the facility. One notable piece of the policy is that CAP deadlines depend on the severity of the finding; for example, minor findings have a twelve-month timeline while major findings have a two-month remediation timeline. Burton also takes into consideration previous audits when it conducts follow-up audits. If open issues are found again, the deadline to implement the CAP does not change. Burton clearly communicates CAP expectations to facilities after an audit is conducted. After an audit is conducted, facilities are provided a CAP template that includes the category of the finding, the finding details, severity of issue (zero tolerance, major, moderate, minor), due date, root cause, proposed corrective action, responsible person, estimated completion date, current status, and Burton's responses. The FLA verified that the Sustainability Analyst based in China follows up with facilities until CAPs are closed out.

Burton has a strong country risk assessment system that has allowed Burton to implement country specific audits. By recognizing country specific issues, Burton is able to focus on areas that have been proven to be of higher risk. Due to common findings and certain risks associated with sourcing from Bangladesh, Burton has created specific recommendations for audits conducted in the country. Additional requirements for facilities in Bangladesh include displaying valid occupancy permits and recent inspection certificates for fire and building safety, providing Burton with structural, electrical, and fire safety assessments annually, and partaking in an annual social responsibility audit with a passing score of 80 or above. The FLA considers country specific risk analysis as a strength of Burton's program as it supports focused preventative measures.

The FLA notes that Burton currently does not formally include worker representatives or union members in the remediation process; however, the FLA verified in the remediation training in China that worker representatives were part of the training. The FLA recommends Burton include collaboration with unions or worker representative structures formally in the remediation process.

### **Root Cause Analysis**

Burton conducts root cause analysis to determine sustainable improvement plans for audit findings. The CAP template includes a section for root cause analysis for the factory to submit to Burton. Burton reviews the details provided by the factory to verify the quality of root cause analysis. Burton provided a training during the November 2017 and 2019 vendor summits on how to conduct effective root cause analysis. The training included examples of effective remediation and how to identify what a successful remediation plan looks like.

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<sup>8</sup> Principle 7: Company affiliate works with suppliers to remediate in a timely and preventative manner.

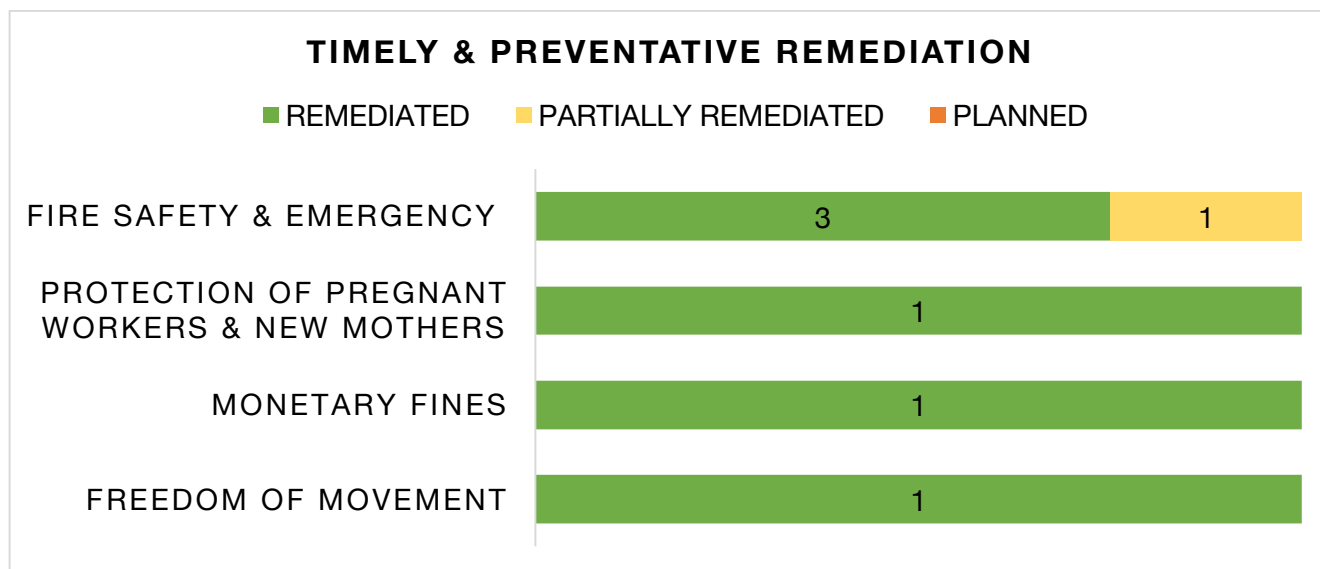
**Effective Remediation & Brand Collaboration**

To ensure effective remediation, each Burton remediation plan requires evidence for completion. The Sustainability Analyst is responsible for tracking all CAPs to completion and provides frequent reminders to factories for remediation updates. Burton provides guidance to facilities on remediation, along with working directly with factories on remediation plans. In each CAP template, there is a section titled the “Burton Strategy” which includes best practices and recommendations for every finding and benchmark that is triggered. For example, for facilities that have overtime violations, the Burton Strategy is to limit weekly working hours to 60. It also includes examples to help facilities reduce overtime, such as recruiting more employees, adding more machinery, rearranging shifts, and conducting analysis to progressively reduce excessive hours of work.

Burton works closely with facilities to complete successful and sustainable remediation. For example, a facility in China had a recurring finding on a lack of seats with back support. The factory refused to invest in proper ergonomic chairs for workers. Burton conducted multiple in-person visits to discuss the importance of ergonomics. After numerous discussions, the factory agreed to do a pilot study on providing the correct chairs. The factory is now conducting a financial plan to replace all the chairs.

Where possible, Burton collaborates with shared buyers on facility-specific remediation. For example, Burton has collaborations with Patagonia, an FLA accredited participating company, and Fanatics, an FLA participating company, on joint factories. Each company has a defined role and responsibility, with each being responsible for different processes of the audit and remediation. Burton’s approach to collaboration is a strength of its program as collaborations allow companies to share responsibility and reallocate resources.

The FLA has verified the following examples of effective remediation in two SCI assessments in contract facilities in China:



**Freedom of Movement and Monetary Fines**

A factory had unreasonable clauses in its termination procedures which violated FLA benchmarks on Freedom of Movement and Monetary Fines. The clauses included a deduction of salary as a disciplinary action, the inability for workers to resign within one month, not paying workers if they had not worked for at least seven days, and not paying workers who were dismissed due to a serious violation of factory rules. The assessor did not find evidence that these policies were implemented.



Burton has worked with the factory to review its policies and procedures, including eliminating the unreasonable clauses. The remediation plan includes that the new policy is communicated to workers and that a hardcopy is made and delivered to all employees.

### **Protection of Pregnant Workers**

In one factory, there was a lack of policy to provide one hour of rest per day to workers who are seven or more months pregnant, which violated the benchmark on Protection of Pregnant Workers & New Mothers. Burton worked with the factory to revise the policy to ensure that pregnant workers get one hour of rest per day.

### **Fire Safety & Emergency**

Both factories in the data set had findings regarding the lack of evacuation requirements and procedures. In one factory, assessors found blocked emergency exits. Burton worked with the factory to identify a responsible person for checking exits on a daily basis to ensure no blockages. The other factory did not have a centralized control panel for the fire alarm system. Burton worked with the factory to apply for a fire control system to the district fire brigade, with plans to implement a centralized control panel in 2020. The FLA commends the work Burton conducts on ensuring complete remediation.

### **Responsible Recruitment**

Burton's commitment to remediation is further reinforced by Burton's signature on the AAFA/FLA Apparel and Footwear Industry [Commitment to Responsible Recruitment](#). The commitment calls for signatories to ensure that no workers in their supply chain pay for their jobs, that workers retain control of travel documents and have full freedom of movement, and that all workers are informed of the basic terms of their employment before leaving home.

## **PRINCIPLE 8: RESPONSIBLE PURCHASING PRACTICES<sup>9</sup>**

### **Burton's Responsible Sourcing Policy and Procedures**

In order to be accredited by the FLA, affiliates must align their planning and purchasing practices with their commitment to workplace standards. While Burton had a number of responsible purchasing practices in place, it did not formalize an overarching Responsible Purchasing and Production Policy until December 2019. The policy outlines the impact that Burton's business practices have on workers' well-being at the factory level and describes the steps that Burton takes to mitigate negative impacts. The policy, which was developed through cross-team collaboration, applies to all members of the commercialization (includes costing and sourcing), sustainability, quality, planning, procurement, and production teams as these teams have the greatest impact on decision making with factories and workers.

The FLA requires that an affiliate's policies and procedures on responsible purchasing practices pay particular attention to balanced planning, adequate lead time, and alignment of financial terms with FLA Workplace Standards. These areas can have a particularly acute impact on working conditions, including excessive overtime. The FLA verified that the Burton policy contains the following commitments to:

- Partner with suppliers to establish, share, and agree upon a balanced annual purchasing plan;
- Ensure that key production milestones, including lead times, are shared and agreed upon with suppliers;

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<sup>9</sup> Principle 8: Company affiliate aligns planning and purchasing practices with commitment to workplace standards.

- Standardize cost log formats and work with suppliers to more clearly outline costs associated with labor, overhead, and profit.

Burton's business is highly seasonal, which creates challenges in balanced planning. Burton has developed a variety of approaches to address this challenge. Burton works closely with each supplier to create a balanced annual purchasing plan that takes into account capacity, prior season performance and future season goals. Burton and the supplier determine acceptable variances to plans on a monthly basis in response to demand volatility. Snowboards in particular are a technically complicated product, and therefore Burton is often the primary or only buyer in a facility. As a result, Burton has developed long-term relationships with these suppliers which allow for a more balanced plan throughout the year.



Worker at a Burton contract facility

To further support balanced planning Burton has expanded their product seasonality. For example, Burton's hard goods business includes a focus on the "deep winter" season, which has later delivery dates than the regular winter season. In their outerwear business Burton emphasizes its Deep Winter, Spring/Summer, and Fall offerings. The expansion of these products into additional seasons allows Burton to reduce the number of production valleys. For winter, Burton is focusing on product line optimization to decrease the largest production peaks.

Finally, the FLA pays particular attention to the financial terms of sourcing relationships, as these terms can heavily impact workers' wages. Burton uses open book costing but allows the supplier to determine the amount for labor, overhead, and profit. Currently, the Responsible Purchasing and Production Policy states that Burton will avoid negotiating the labor rates outside of ensuring that they are in line with legal requirements and industry norms. Burton is currently using the FLA Wage Data Collection Toolkit and accompanying wage benchmarks to get a better understanding of

prevailing wages in each production region to have more insight into the labor costing. Interviews during the headquarter visit showed that Burton staff have used the FLA compensation data tool to inform costs with suppliers.

Although the Burton Responsible Purchasing and Production Policy was recently formalized, the FLA recognizes that Burton has already implemented a number of practices to mitigate negative impacts on workers. The FLA recommends Burton continue to review and update this policy.

### **Training Relevant Business Staff on Responsible Purchasing Practices**

The FLA requires that all relevant staff and agents be trained on responsible purchasing practices. Burton completed training on the policy for relevant staff in hard goods and soft goods in February 2020. This training was recorded and distributed to all field teams and sourcing agents. In addition, Burton has a survey mechanism to evaluate effectiveness and gather feedback. The training content

focuses on the different aspects of the responsible purchasing and production policy, including the roles of lead time, balanced planning, and financial terms in the upholding of workplace standards.

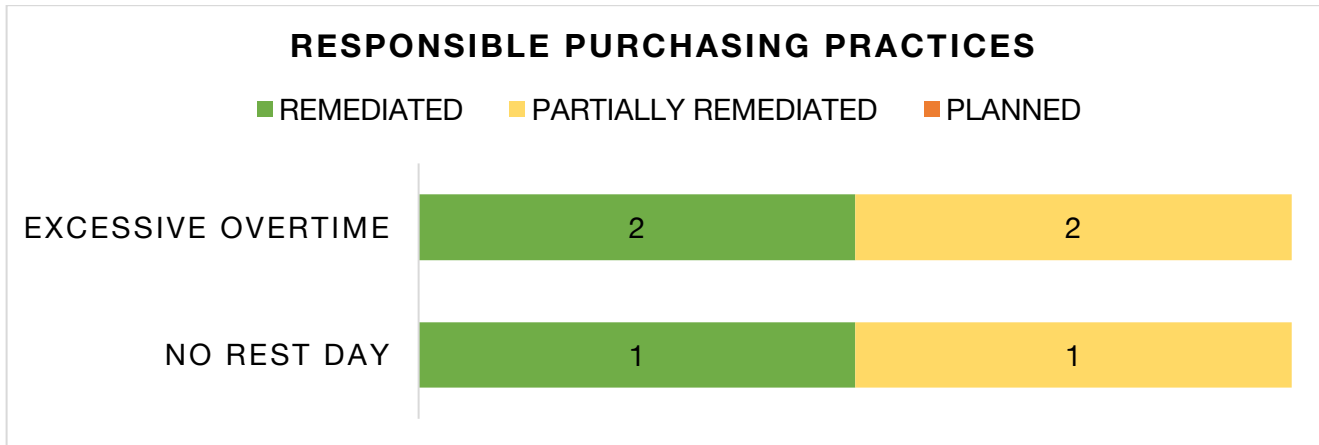
### **Holding the Relevant Business Staff Accountable to Purchase Responsibly**

In order to show responsible purchasing practices are properly implemented, companies must demonstrate how they hold relevant staff accountable for their actions. Burton's Responsible Purchasing and Production Policy holds specific employees responsible for upholding the policy, including the Senior Sustainability Manager, the Director of Global Supply Chain, the Senior Vice President of Product, and other Directors and Managers. These directors and managers as well as other relevant staff are held accountable for responsible purchasing practices as part of their regular performance reviews. Every quarter, all Burton employees have one-on-one meetings with their managers to review goals and track progress. Every Burton staff has the ability to review all quarterly and/or long-term goals, ensuring that everyone is held accountable. The FLA reviewed examples of these reviews from relevant staff and verified that topics related to responsible purchasing practices are addressed, such as how to increase calendar adherence.

Burton has a separate accountability mechanism for its sourcing agents. All facilities used by agents must go through the pre-sourcing process outlined in Principle 5: Monitoring. Once agent facilities are approved for production, the agent is responsible for allocating orders to a specific factory. Through the purchasing software system, Burton has visibility into the entire process so that they can track purchase orders (POs) in real time and quickly make changes to mitigate negative impact on workers. For example, when a fabric delivery was delayed from a Burton nominated supplier that affected the production timelines, Burton agreed to air ship the fabric to the facility in order to avoid any further production delays. The FLA interviewed one of Burton's sourcing agents who confirmed that agents are evaluated as part of supplier scorecards and Burton regularly provides them with improvement plans based on their performance.

The FLA recognizes the above mechanisms as effective ways to hold staff and agents accountable for upholding responsible purchasing practices. Given the recent finalization of the Responsible Purchasing and Production Policy, the FLA recommends Burton explore additional ways to hold staff accountable. Mechanisms could include specific job descriptions related to upholding the policy, ensuring that every performance review includes discussion of the policy, and further outlining of the specific metrics that Burton will use to measure responsible purchasing practices.

To ensure relevant staff are held accountable for implementing responsible purchasing practices responsibilities, the FLA reviews how the company systematically improves working conditions through improving its own business practices. Violations related to hours of work are particularly relevant, as they are related to material delivery from suppliers and product orders and production planning from buyers. The following chart shows violations of excessive overtime and no rest day for workers from two 2018 SCI assessments.



The FLA recognizes Burton and its suppliers have remediated two of the excessive overtime findings and one of the rest day violations and are in the process of remediating the remaining two excessive overtime violations and the other rest day violation. One example of successful remediation came from an SCI assessment in China in 2018. FLA assessors found that temporary workers at this facility regularly worked more than 60 hours per week and more than seven consecutive days without a rest day. Following the assessment, Burton worked with the supplier to update the production planning process to be based on normal working hours (not overtime), order quantity, difficulty of products, and requested delivery date. Burton has since verified that this updated plan has helped reduce the number of weekly working hours for temporary workers to below 60 hours and that temporary workers are now able to have one day off every seven days. The FLA recommends Burton continue to work closely with its suppliers to remediate these findings.

**Dialogue with Relevant Business Staff & Suppliers on Responsible Purchasing Practices**

A key part of responsible purchasing practices is the dialogue between internal staff, factories, and any other relevant agents or intermediaries. Internally, Burton staff have weekly and daily dialogue between the relevant departments. For both hard goods and soft goods, Burton’s Four-Fold meetings include the key departments involved in developing the supplier scorecard. During these meetings, the group discusses new factories, specific factory issues, development and production timelines/forecasts, information from the PLM system, and other relevant issues. Formal soft goods meetings take place biweekly and the hardgoods meetings take place monthly. The FLA verified the topics discussed in these meetings through interviews with relevant staff and review of emails. After every season, the hard goods and soft goods teams have a post-mortem meeting to go over successes and problem areas from the previous season. The FLA has reviewed emails and documents related to these post-mortems and confirmed that they include supplier feedback and sustainability topics.

Along with these internal dialogue mechanisms, Burton has also exhibited comprehensive external dialogue mechanisms with both its suppliers and sourcing agents. Burton’s vendor summit is an opportunity for suppliers and agents to meet with Burton staff to discuss key issues. During these meetings, participants can share best practices and feedback with Burton on purchasing practices. The FLA reviewed the materials from the 2019 vendor summit and verified that there were sessions on sustainability, purchasing practices, management systems, supplier evaluation, and other topics. Burton also holds individual meetings with suppliers and agents during the summit to review performance on responsible production.

Burton’s headquarter staff is in regular contact with suppliers and agents prior to and during the production cycle. During the product development and commercialization process, Burton shares and

negotiates key milestones with suppliers, including prototype and sampling requests, and deadlines related to testing, costing, material delivery, and design. As a production season progresses, Burton reviews forecast accuracy with the suppliers to identify any challenges and mitigate negative impacts. The FLA reviewed examples of communication including extending shipping windows, allowing lower priority items to ship later, and assuming the cost for air freight to mitigate excessive overtime or subcontracting. Burton's sourcing agents also confirmed that Burton regularly discusses forecasts and lead times and is always willing to accept feedback on timelines or the production process.

Another effective supplier dialogue mechanism is the embedding of Burton Quality Assurance staff in all hard goods factories and strategic soft goods factories in China, Indonesia, Vietnam, and Austria. These employees conduct quality audits and troubleshoot any potential production issues on the factory floor. They allow Burton to have constant communication and contact with the facilities in real time. As mentioned in Principle 2: Responsibility and Head Office/Regional Training, these employees are also trained on Burton's sustainability standards. The FLA notes Burton's supplier dialogue mechanisms as a strength of its program.

### **Incentivizing Suppliers to Improve Conditions for Workers**

The FLA requires affiliates to incentivize suppliers to produce in a socially responsible and sustainable manner. To incentivize suppliers, a company must have an effective supplier evaluation mechanism. Burton's Supplier Scorecard evaluates all suppliers on sustainability, commercialization & development performance, quality & warranty, and planning & delivery. Suppliers are scored on a scale of 0-100 and each section is equally weighted at 25%. Burton uses the metrics from this scorecard to incentivize suppliers and implement long-term sourcing strategies. Burton regularly communicates scores and criteria to suppliers so that they understand how they are evaluated and how to improve their scores.

Along with continued increased business, Burton has implemented a number of formal and informal incentives for suppliers that produce in a socially responsible manner. As discussed under Principle 5: Monitoring, a factory's performance on a social compliance audit determines when they receive their next audit. If a factory performs well on the Burton audit, it could have its next audit in 18 to 24 months, allowing factories time to reallocate resources towards other activities, such as training. Additionally, Burton will pay the audit fees for these facilities.

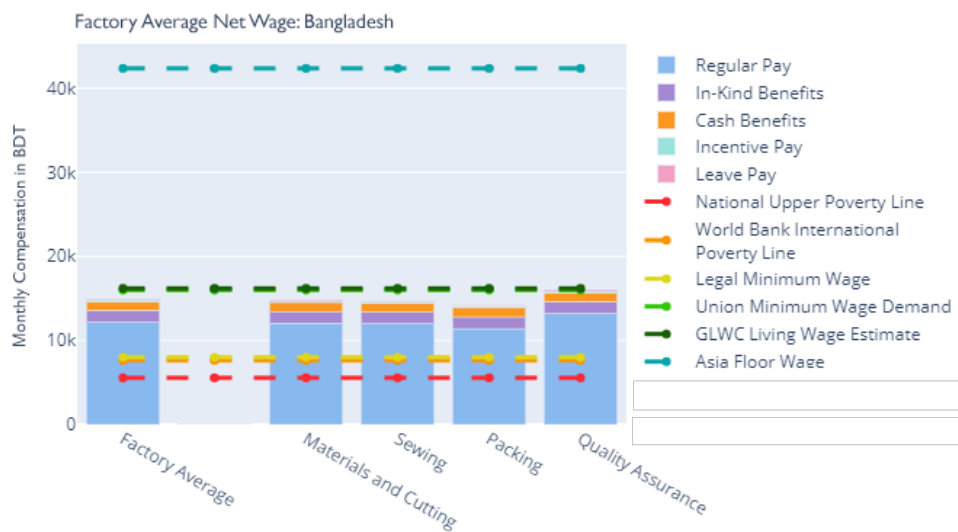
Burton has also implemented incentives related to overall supplier scorecard performance. For example, the highest performing supplier in each scorecard category receives a "Supplier of the Year" award. The award is an opportunity for Burton to recognize its top performers and for those top performers to share best practices with their peers. Another incentive is related to quality inspections. Before every final product is delivered from a facility to Burton, it must go through a Burton-led quality inspection. In some situations, Burton has allowed higher performing facilities to conduct this final inspection themselves using the Burton application. This process allows for more flexible shipping dates as they do not need to wait for Burton staff to conduct the final inspection. Burton has also rewarded high-performing factories with special projects or higher-margin products. While the FLA recognizes the steps Burton has taken to motivate and incentivize suppliers to produce in a sustainable manner, the FLA recommends Burton continue to explore additional formal incentives for suppliers to produce responsibly.

### **Fair Compensation for Workers**

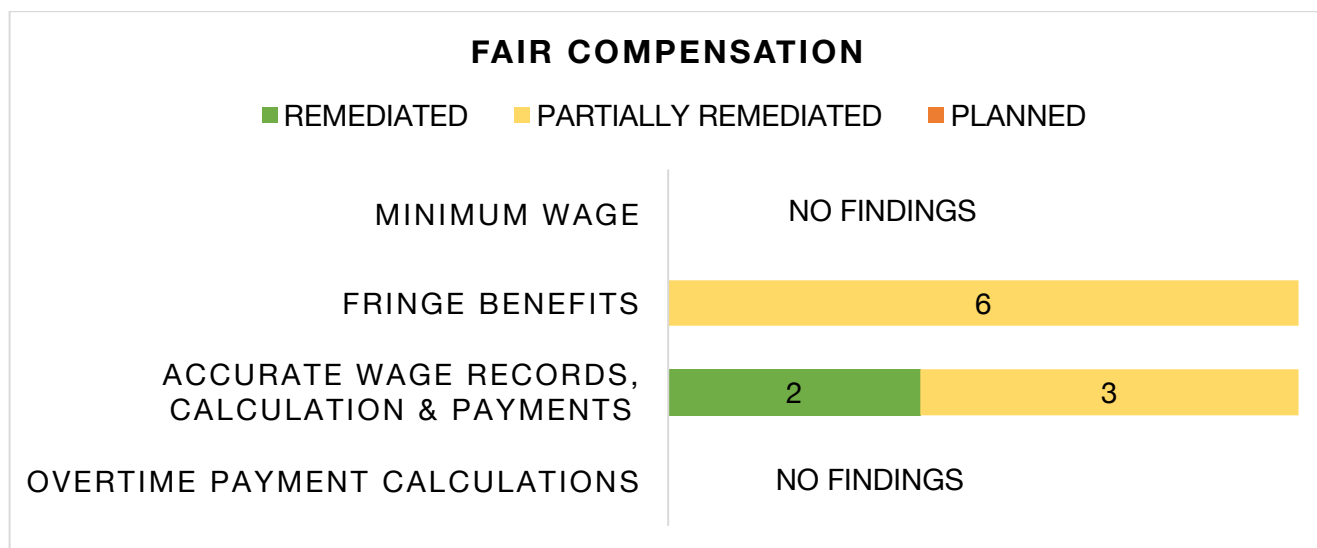
The FLA notes a strong connection between responsible purchasing practices and fair compensation. Burton has piloted the FLA's Compensation Data Collection Toolkit tool with factories in China, Vietnam, Indonesia, and Bangladesh and will use the information gathered to develop a fair compensation blueprint. As mentioned earlier, Burton is using wage data to better inform costing

discussions. The FLA recognizes Burton for piloting the tool in its highest production countries and using that information to inform purchasing practices.

The below wage ladder is from a Burton contract facility situated in the surrounding Dhaka area in Bangladesh. The factory’s average net wage falls just below BDT 15,000 with all occupations earning on average BDT 13,000. The average net wage falls just below the Global Living Wage Coalition (GLWC) Living Wage Estimate for the surrounding Dhaka area in Bangladesh. These wages include regular pay, in-kind benefits, cash benefits, incentive pay, and leave pay. Incentive pay is included as part of the average net wage, since Burton had verified that all workers can earn incentive during the regular work week. This average wage is significantly higher than the average wage found in the FLA’s 2018 report, [“Toward Fair Compensation in Bangladesh”](#) of approximately BDT 7,797.



The FLA also reviews compensation violations found during SCI assessments to evaluate fair compensation. The below chart shows the number of compensation violations found during two SCI assessments from 2018–2019. The FLA reviewed the remediation updates provided by Burton and noted that nine of the violations are still in the process of being remediated. Many of the below violations are related to the contribution base for the five types of social insurance and the Housing Provident Fund in China. These two issues are common throughout FLA assessments in China and often require long term remediation plans. Burton and its suppliers have focused on increasing the amount of training for workers on the benefits of contribution. Following the trainings, Burton and its suppliers will focus on slowly increasing the number of workers who contribute and increase the amount they contribute to come into compliance with local law. The FLA recommends that Burton continue to work with its supply chain partners to remediate these violations, especially those related to fringe benefits. However, the FLA also acknowledges that no violations related to minimum wage or overtime payment calculations were identified in either of the assessments.



One example of successful remediation of compensation violations took place in China, where FLA assessors found a number of violations related to accurate wage records. During a 2018 assessment, assessors were unable to verify the accuracy of the payment system because the factory provided inaccurate and incomplete payment records. Additionally, the factory did not provide the payment records for temporary workers. Following the assessment, Burton worked with the factory to improve its payment system and regularly provide attendance and payment records to employees to ensure accuracy. During a follow-up assessment at this facility, Burton verified the improvements in record keeping and accuracy for all workers through document review and worker interviews.

**PRINCIPLE 9: CONSULTING WITH CIVIL SOCIETY<sup>10</sup>**

**Civil Society Engagement Strategy & Mapping**

The FLA requires affiliates to identify, research, and engage with relevant labor-focused civil society organizations (CSOs). To identify aligned CSOs, Burton has implemented a civil society engagement strategy. To create the current strategy, Burton partnered with a consultant to develop a guidance document which covers reasons for civil society engagement, risks based on the geography of Burton’s supply chain, desk research for mapping and prioritization, ways to reach out to CSOs and a list of tools for Burton to use, including a preliminary list of CSOs. Burton then established its CSO Engagement Implementation Plan, which identifies high risk and high production sourcing countries. The FLA recognizes Burton’s approach to creating the CSO strategy that is based on in-depth research and on data collection from internal assessments.

As part of their strategy, Burton has mapped CSOs in all high risk and high production countries. The high-risk countries identified in the strategy include Bangladesh, Cambodia, China, and Indonesia. The high production countries recognized are China and Vietnam. Burton’s strategy identifies global issue areas and country-specific issues. Examples of global issue areas are freedom of association and collective bargaining, social dialogue, and corruption prevention. Examples of country-specific issues are safety training in Bangladesh, child labor in Cambodia, forced labor in China, and decent working times & wages in Vietnam. Burton has focused its CSO engagement in Cambodia, Vietnam and China.

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<sup>10</sup> Principle 9: Company affiliate identifies, researches and engages with relevant labor non-governmental organizations, trade unions and other civil society institutions

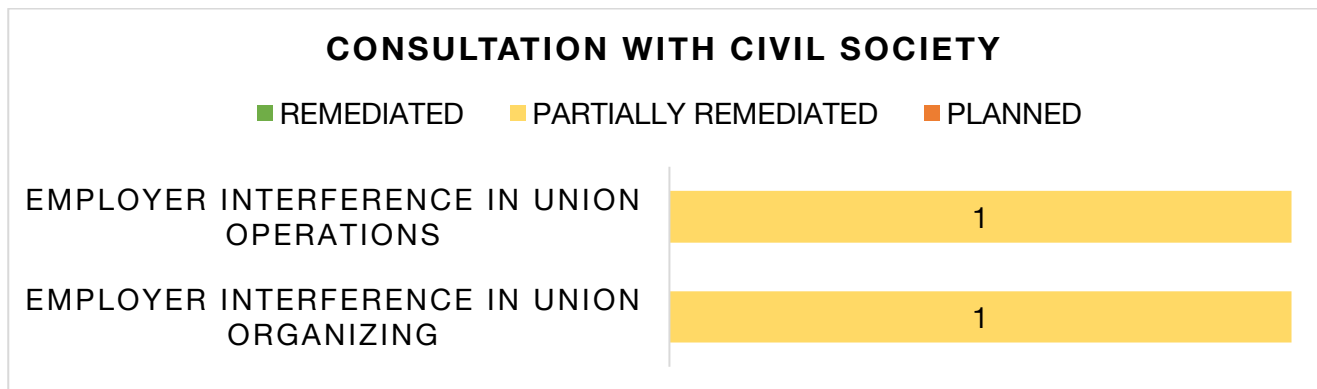
Burton has engaged with the [Solidarity Center](#) to determine potential projects in the identified high risk and high production countries. The Solidarity Center is an organization headquartered in the USA and has field offices across Asia. Burton has discussed different projects the Solidarity Center has worked on in Bangladesh, Cambodia, and Vietnam including trainings, facilitating social dialogue, and information sharing on the local environment. The Solidarity Center has recommended Burton consult with projects in Cambodia, specifically with the [Better Factories Cambodia](#) program. Burton has started communication with Better Factories Cambodia on information sharing, requesting trends they are seeing on the ground, such as issues with fixed-term contracts. The FLA has verified the communication between Burton and the Solidarity Center and Better Factories Cambodia.

Other organizations with which Burton has initiated engagement include [INNO Community Development Organization](#) in China to discuss using their Handshake Worker’s Hotline as a grievance mechanism, and the [Center for Child Rights and Corporate Social Responsibility](#) (CCR CSR), based in Hong Kong. CCR CSR works with companies in improving their direct and indirect impact on children. Burton is currently evaluating a potential collaboration with CCR CSR and another FLA affiliate on a project on young workers in a shared Vietnam facility. The FLA recognizes Burton’s CSO strategy and its focus on valuable partnerships with CSOs in high risk and high production countries.

**Unions & Worker Representative Structures**

The FLA requires affiliates to have a procedure for relevant staff to understand union structures in all sourcing countries, and for affiliates to consult with relevant unions and worker representatives, when applicable. Burton uses its pre-sourcing questionnaire, its audit process and its guidance document for auditors to collect information on the presence of unions and/or worker representatives and to note if a collective bargaining agreement is in place. The Sustainability Analyst based in China is knowledgeable about union structures and provides insights to other relevant Burton staff.

The below remediation chart is from an SCI assessment in China where it was found that the union representatives are chosen by the head of each department instead of being elected by workers directly. In this case, all union committee members were managers, supervisors or office staff. Burton has worked with the factory to implement a new policy that ensures that union members are elected and selected by production workers, and that some of the committee members must be production workers. Due to the cycle of the union committee, the next election will occur in September 2020 when the new policy will be implemented.



The FLA notes that freedom of association and collective bargaining are two of the common issues flagged by Burton in its CSO engagement strategy. The FLA recommends Burton continue to collect information and explore ways to collaborate with unions to support workers’ rights to freedom of association and collective bargaining.



### **FLA Third Party Complaints**

In 2019, Burton was part of a third party complaint in Peru at a factory shared with another FLA accredited participating company, '47 Brand. The [complaint](#) was submitted by a union concerning the suspension of the employment contracts of 190 workers in the spinning and knitting areas. An independent investigator, commissioned by the FLA, conducted an assessment that verified elements of the complaint submitted by the union and identified other findings at the facility. Burton and '47 Brand have been proactive in their approach to have factory management remediate the findings contained in the investigative report. As the complaint was also submitted to Peru's Administrative Labour Authority, the decision is pending on next steps for reinstatement of the terminated workers; in the meantime, Burton and '47 Brand have been active in working closely together to advance the remediation of other items covered in the investigative report. Both companies have acted in good faith and have demonstrated that they are committed to ensuring the supplier remediate all noncompliances.

### **PRINCIPLE 10: VERIFICATION REQUIREMENTS<sup>11</sup>**

Burton is engaged in and supportive of the FLA mission and attends FLA Board Meetings. Burton has been active in supporting the FLA's work, such as signing on to the Labor Rights Letter to the Prime Minister of Cambodia in February 2020, which reiterated concerns on Cambodia's labor law revisions and criminal charges against union leaders in Cambodia.

The FLA confirms Burton has completed all FLA administrative requirements; the company has paid all annual dues, completed the annual self-assessment, provided an up-to-date factory list, submitted to applicable SCI assessments and field observations, and reported remediation updates for all applicable facilities.

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<sup>11</sup> Principle 10: Company affiliate meets FLA verification and program requirements.

## SECTION 4: RECOMMENDATION TO THE BOARD OF DIRECTORS

The FLA has provided a comprehensive review of Burton's social compliance program, highlighting where the FLA's principles have been fully implemented and where there are further areas for improvement. No labor compliance program is perfect, though the FLA expects accredited companies to commit to continuous improvement. FLA recommendations to the board for accreditation signify that the company has aligned its social compliance program with FLA standards and benchmarks, as specified in the Fair Labor Principles of Responsible Sourcing and/or Production. The FLA recommends Burton for accreditation because it has substantially met the requirements of the FLA's program and has also shown that it is committed to addressing any gaps through continuous improvement.

The assessment of the Burton social compliance program identified strong elements and areas for improvement.

### **Strengths:**

- 1) Public commitment to sustainability included as a 2020 goal. Discloses finished goods factory list on its website;
- 2) Supplier managers are trained on workplace standards during vendor summits conducted every two years. Frequent in-person meetings with strategic suppliers;
- 3) Comprehensive monitoring program for prospective and active suppliers. Strong rating systems based on audit results;
- 4) Collaborates with shared buyers on remediation plans. Provides trainings to factory management on successful remediation;
- 5) Holds regular inter-departmental meetings to discuss factory level issues.

### **Recommendations for improvement:**

- 1) Continue to ensure that service providers are implementing standards aligned with the auditing procedure;
- 2) Continue to collaborate and submit remediation updates to the FLA, especially on violations of freedom of association;
- 3) Continue to implement the policy and procedures on responsible purchasing practices;
- 4) Continue to implement the civil society engagement strategy, including implementing projects with CSOs;
- 5) Develop a blueprint for company priorities and steps towards implementing the fair compensation code element.

## APPENDIX A: THE BURTON CODE OF CONDUCT

# BURTON

### Burton / Fair Labor Association Workplace Code of Conduct

At Burton, we are committed to:

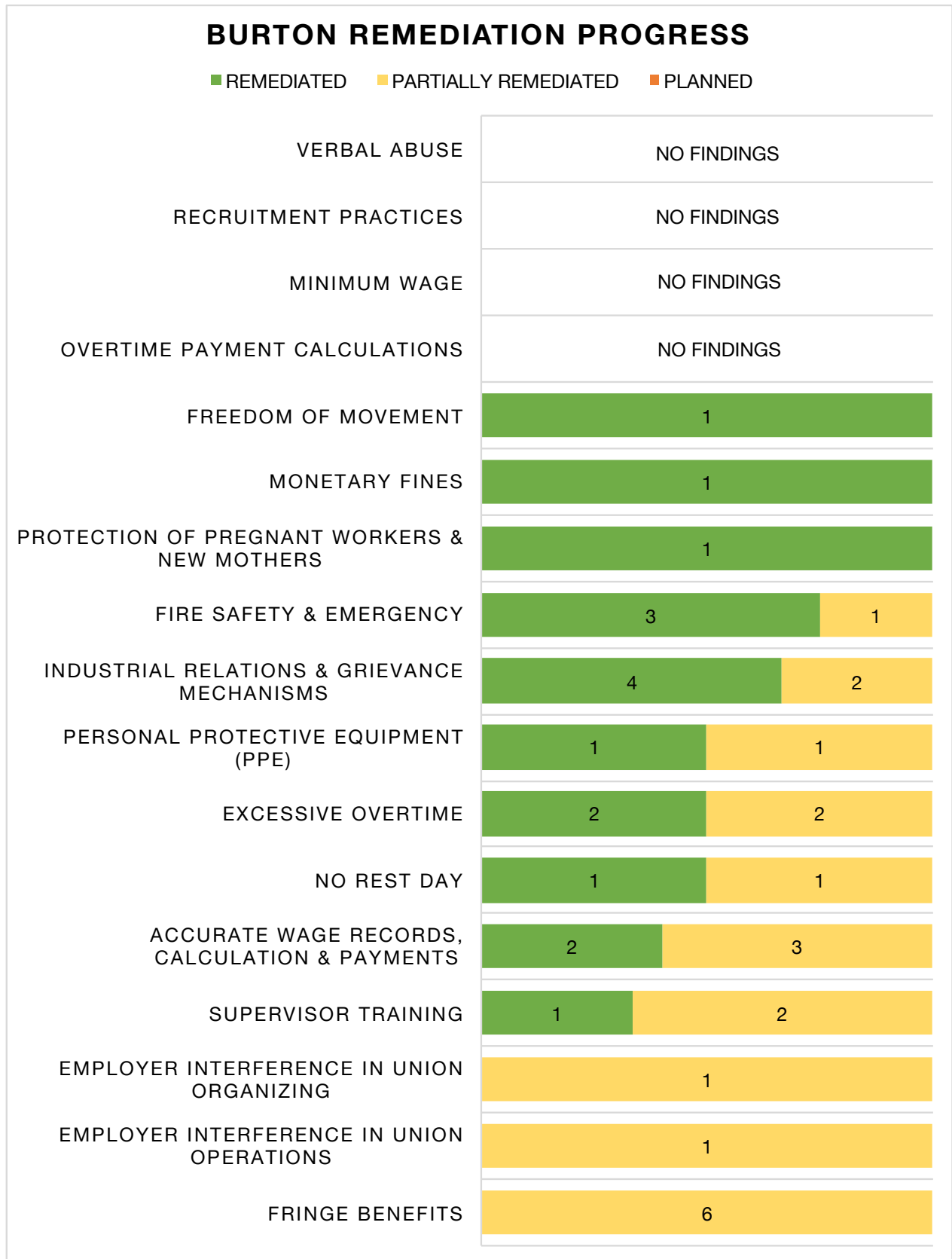
- A standard of excellence in every aspect of our business and in every corner of the world;
- Ethical and responsible conduct in all of our operations;
- Respect for the rights of all individuals; and
- Respect for the environment.

We expect these same commitments to be shared by all Burton operations, suppliers, and manufacturers of Burton products. Burton operations, suppliers, and manufacturers shall comply with all laws and regulations in all locations where they conduct business. When differences or conflicts in standards arise, the highest standard shall apply. *At a minimum*, Burton requires adherence to the following standards:

CODE ELEMENT	DESCRIPTION
<b>EMPLOYMENT RELATIONSHIP</b>	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.
<b>NONDISCRIMINATION</b>	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.
<b>HARASSMENT OR ABUSE</b>	Every employee shall be treated with respect and dignity. No employee shall be subject to any physical, sexual, psychological, or verbal harassment or abuse.
<b>FORCED LABOR</b>	There shall be no use of forced labor, including prison labor, indentured labor, bonded labor or other forms of forced labor.
<b>CHILD LABOR</b>	No person shall be employed under the age of 15 or under the age for completion of compulsory education, whichever is higher.
<b>FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING</b>	Employers shall recognize and respect the right of employees to freedom of association and collective bargaining.
<b>HEALTH, SAFETY, AND ENVIRONMENT</b>	Employers shall provide a safe and healthy workplace setting to prevent accidents and injury 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.
<b>HOURS OF WORK</b>	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.
<b>COMPENSATION</b>	Every worker has a right to compensation for a regular work week that is sufficient to meet the workers' 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 Burton to take appropriate actions that seek to progressively realize a level of compensation that does.

Any worker that witnesses or experiences a violation of these standards is encouraged to report this to Burton directly by emailing [workersrights@burton.com](mailto:workersrights@burton.com). Burton will keep the identity of the worker confidential.

## APPENDIX B: BURTON'S REMEDIATION PROGRESS CHART



## APPENDIX C: PRINCIPLES OF FAIR LABOR & RESPONSIBLE SOURCING

SOURCING	PRINCIPLES & BENCHMARKS
<b>WORKPLACE STANDARDS</b>	<b>Establishes and commits to clear standards.</b>
	Establishes and articulates clear, written workplace standards that meet or exceed those embodied in the FLA Workplace Code of Conduct.
	Leadership formally commits to uphold workplace standards and to integrate them into company business practices.
<b>RESPONSIBILITY &amp; HEAD OFFICE AND REGIONAL TRAINING</b>	<b>Identifies and trains specific staff responsible for implementing workplace standards and provides training to all head office and regional staff.</b>
	Identifies the person(s) responsible for administering and implementing its workplace standards compliance program.
	Trains the person(s)/team(s) responsible for administering and implementing its workplace standards compliance program.
	Ensures that training is provided to all head office and regional staff on the company's commitment to workplace standards and the integration of standards into business practices. Training occurs at onboarding and refresher training is conducted annually.
<b>SUPPLIER TRAINING</b>	<b>Obtains commitment and trains relevant supplier management on workplace standards and tracks effectiveness of training.</b>
	Formally conveys workplace standards to suppliers and receives written acknowledgment of standards and commitment to uphold them.
	Formally conveys workplace standards to suppliers and receives written acknowledgment of standards and commitment to uphold them.
	Conditions future business with suppliers upon continuous improvement of workplace conditions.
	Ensures that workplace standards are accessible to workers, managers and supervisors in written form and relevant languages.
	Ensures that workers, managers and supervisors are trained on workplace standards at regular intervals to take account of labor turnover.
<b>FUNCTIONING GRIEVANCE MECHANISMS</b>	<b>Ensures workers have access to functioning grievance mechanisms, which include multiple reporting channels of which at least one is confidential.</b>
	Ensures there are functioning grievance mechanisms at contract facilities.
	Where local mechanisms are not functioning, provides alternative channels for workers to contact the brand directly and confidentially.
	Ensures training and communication about grievance mechanisms is provided to all workers.
	Ensures grievance mechanisms lack penalty and include at least one confidential reporting channel.
<b>MONITORING</b>	<b>Conducts workplace standards compliance monitoring.</b>
	<b>Conducts pre-sourcing assessment of contract facilities to review compliance with workplace standards.</b>
	<b>Monitors contract facilities regularly to assess compliance with workplace standards.</b>
	Ensures that its monitoring program includes, but is not limited to: <ul style="list-style-type: none"> <li>a) Worker interviews,</li> <li>b) Consultation with unions or worker representative structures (where applicable),</li> <li>c) Management interviews,</li> <li>d) Documentation review,</li> <li>e) Visual inspection, and Occupational safety and health review.</li> </ul>
	Ensures that, where relevant, monitoring is consistent with applicable terms in collective bargaining agreements.
<b>COLLECTION &amp; MANAGEMENT OF COMPLIANCE INFORMATION</b>	<b>Collects, manages and analyzes workplace standards compliance information.</b>
	Maintains a complete and accurate list of contract facilities and collects and manages compliance and workplace information.
	Analyzes trends in noncompliance findings.

<b>TIMELY &amp; PREVENTATIVE REMEDIATION</b>	<b>Works with suppliers to remediate in a timely and preventative manner.</b>
	<p>Provides regular follow-up and oversight to implement corrective action following assessments.</p> <p>Works with the supplier to determine root causes and take action to prevent future noncompliance in contract facilities.</p> <p>Records and tracks the progress and effectiveness of remediation for internal assessments.</p>
<b>RESPONSIBLE PRODUCTION/PURCHASING PRACTICES</b>	<b>Aligns planning and purchasing practices with commitment to workplace standards.</b>
	<p>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) alignment of financial terms with FLA Workplace Standards, (b) 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) balanced annual planning efforts to eliminate negative outcomes (i.e. lower efficiency, poor labor retention, and longer throughput) that arise from traditional seasonal order demand.</p> <p>All relevant business and compliance staff and any contracted agent/intermediary 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.</p> <p>Holds relevant staff and any contracted agent/intermediary accountable for the implementation of planning and purchasing practices that help avoid negative impacts on workers and working conditions.</p> <p>Staff responsible for planning and purchasing decisions engage with their labor compliance colleagues, any contracted agent/intermediary and suppliers in regular and constructive dialogue throughout the production process and when problems arise to support operations at the factory level and to seek to avoid or mitigate negative impacts on workers and/or compliance with code standards at supplier facilities.</p> <p>Provides positive incentives for suppliers and/or facilities producing in a socially responsible and sustainable manner and, if applicable, having internal systems aligned with FLA Principles.</p>
<b>CONSULTATION WITH CIVIL SOCIETY</b>	<b>Identifies, researches and engages with relevant labor non-governmental organizations, trade unions and other civil society institutions.</b>
	<p>Develops a civil society organization (CSO) outreach strategy that reflects the geographical distribution of sourcing.</p> <p>Develops and maintains links to relevant CSOs to gain understanding of local labor issues.</p> <p>Strategizes with CSOs and knowledgeable local sources in the design and implementation of workplace standards compliance programs.</p> <p>Consults with supplier management and legally constituted unions or worker representative structures to gain an understanding of relevant relationships.</p>
<b>VERIFICATION REQUIREMENTS</b>	<b>Meets FLA verification and program requirements.</b>
	<p>Maintains standard operating procedures related to FLA affiliation.</p> <p>Participates in FLA due diligence activities, including assessments at contract facilities and company headquarters, as applicable.</p> <p>Completes a standardized annual report on fulfillment of Principles of Fair Labor and Responsible Sourcing.</p> <p>Maintains a complete and accurate profile and list of contract facilities with the FLA.</p> <p>Responds to FLA requests for documentation, contracts, information and clarification in a timely manner.</p> <p>Pays annual dues and applicable fees on schedule.</p>