



LAKESHIRTS D/B/A BLUE 84
ASSESSMENT FOR ACCREDITATION

JUNE 2019

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Lakeshirts’ Corporate Headquarters and Owned Production Site in Detroit Lakes,
Minnesota, USA

INTRODUCTION

This report is an assessment to inform the FLA Board of Directors' decision to approve the accreditation of Lakeshirts' social compliance program.







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 and Production](#). During this process, FLA staff verify the implementation and effectiveness of a company's social compliance program through:

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

SECTION 1: LAKESHIRTS COMPANY AFFILIATE OVERVIEW

Name	Lakeshirts D/B/A Blue 84	Category	FLA Participating Company
Location	Detroit Lakes, Minnesota, USA	Product	Apparel, Accessories
FLA Affiliation Date	October 2012	Applicable Facilities	29
Lakeshirts' Strengths & Recommendations for Improvement¹			
Workplace Standards 	Principle: Committed to accountability and transparency through established workplace standards.		
	Strength: The CSR Committee, comprised of nine members from key teams and members from the executive team, facilitates broad cross-departmental collaboration on social compliance issues		
Supplier and Agent Training 	Principle: Obtains commitment and trains relevant supplier management on workplace standards and tracks effectiveness of supplier workforce training.		
	Recommendation for Improvement: Provide continuous support and training to agents on responsible purchasing practices and workplace standards		
Monitoring 	Principle: Conducts workplace standards compliance monitoring.		
	Strength: The comprehensive monitoring guidance outlines clear expectations for third party auditors		
Timely & Preventative Remediation 	Principle: Works with suppliers to remediate in a timely and preventative manner.		
	Recommendation for Improvement: Continue to implement a fair compensation program and define a fair compensation strategy		
	Recommendation for Improvement: Continue to support suppliers to sustainably remediate labor violations in Lakeshirts' supply chain		
Responsible Purchasing Practices 	Principle: Aligns planning and purchasing practices with commitment to workplace standards.		
	Strength: Centralized embroidery and screen-printing process leads to stable orders of blank goods from contract facilities and encourages responsible purchasing practices; all final products are finished at the owned factory		
Consultation with Civil Society 	Principle: Identifies, researches and engages with relevant labor non-governmental organizations, trade unions and other civil society institutions.		
	Strength: Strong engagement with employees at the owned factory and within the local community in Detroit Lakes, MN		
	Recommendation for Improvement: Continue to implement the civil society engagement strategy and engage with civil society organizations (CSOs) in high risk or high production sourcing countries		

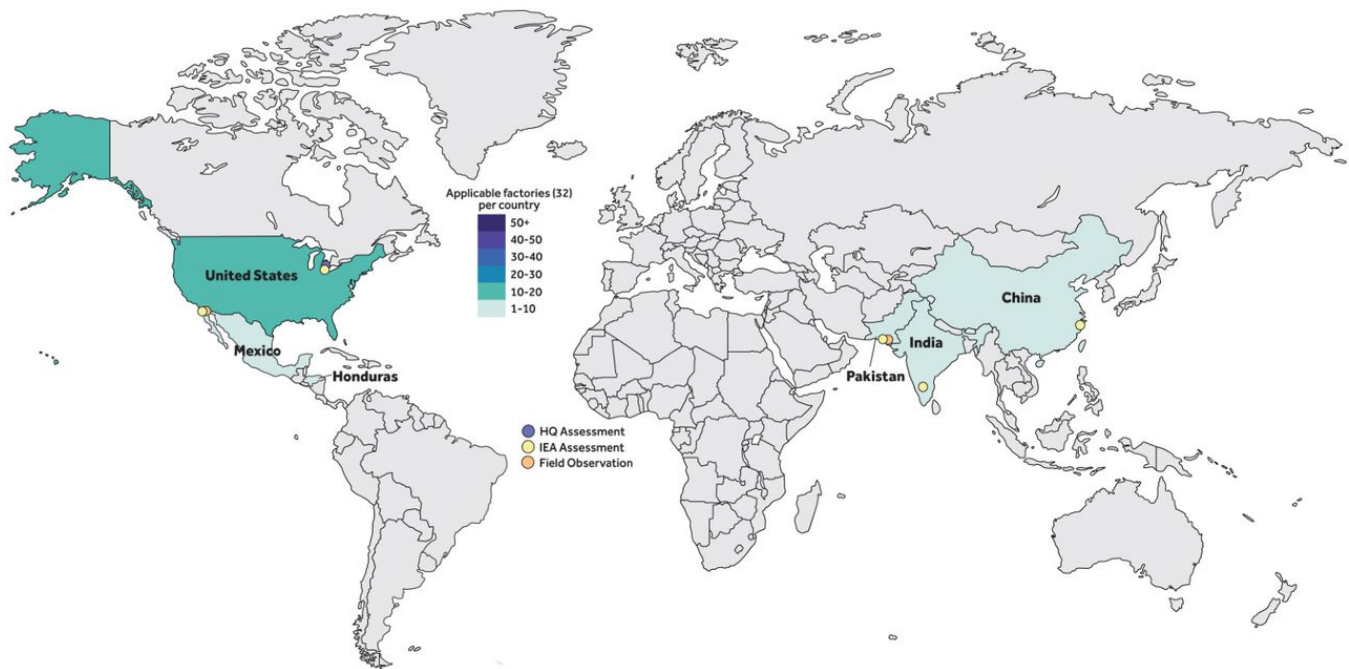
¹ To see the full list of FLA Principles and Benchmarks in which Lakeshirts was assessed for accreditation, see Appendix C.

Lakeshirts D/B/A Blue 84 (Lakeshirts) is a wholesale supplier of custom-designed apparel that was founded in 1984 in Detroit Lakes, Minnesota. Lakeshirts produces apparel, headwear, and stickers for resorts and universities around the country. About 75 percent of Lakeshirts' business comes from resort sales and the remainder comes from university and National Collegiate Athletic Association (NCAA) licenses. Lakeshirts has collegiate licenses with individual universities, the NCAA, and individual NCAA athletic conferences. Lakeshirts' business model is to source blank goods from Mexico, China, Pakistan, India, Honduras, and the United States and then perform all screen printing and embroidery at its owned factory in Detroit Lakes, Minnesota in the United States. Lakeshirts sources from 27 facilities and owns a screen-printing and embroidery factory. Lakeshirts joined the FLA in 2007 and then affiliated as a Participating Company in October 2012 and opted for a three-year implementation period, which was extended in 2015. Due to the size and importance of Lakeshirts' owned factory, the FLA assessed Lakeshirts' social compliance program against all 10 Principles of Fair Labor & Responsible Sourcing and Production.

Lakeshirts' Compliance Coordinator oversees the day to day operations of the social compliance program. Additionally, Lakeshirts has a nine-member Social Compliance Committee comprised of members of the human resources, sales, purchasing, production, and executive leadership teams. This Committee, formed in 2012, meets monthly to develop and refine their social compliance strategy as it relates to factory monitoring, employee engagement, CSO engagement, and Responsible Production and Sourcing Practices.

Through the accreditation process, Lakeshirts has made significant improvements to strengthen its monitoring and remediation program, while also implementing a Responsible Purchasing Policy and a CSO Engagement Strategy. Lakeshirts has developed a comprehensive monitoring guidance document to ensure that third party auditors are monitoring against Lakeshirts' standards, ensuring that workers are trained on workplace standards, and have access to functioning grievance mechanisms. The FLA verified the implementation and improvement of this guidance document through two audit field observations. Finally, Lakeshirts' remediation procedures require the Compliance Coordinator to develop strong relationships with factory managers to ensure sustainable remediation to workplace violations.

SECTION 2: LAKESHIRTS SUPPLY CHAIN & FLA DUE DILIGENCE ACTIVITIES FROM 2012-2019



As of 2019 Lakeshirts sources from 27 factories globally, with the United States, Mexico, and Pakistan being its highest production volume countries. The above map shows Lakeshirts' sourcing countries in 2019 and the range of factories in each highlighted country. From 2014-2018, Lakeshirts received seven Sustainable Compliance Initiative (SCI) Assessments and one Sustainable Compliance Initiative Verification (SCIV) Assessment. Two assessments were conducted in Pakistan, two in India, one in China and two in Mexico. In addition, a Baseline SCI assessment was conducted at Lakeshirts' owned factory in Detroit Lakes, Minnesota.

For the FLA's assessment for accreditation, the FLA conducted Audit Field Observations in Mexico in 2017 and in Pakistan in 2019. In October 2018, the FLA conducted the Headquarter Assessment in Detroit Lakes, Minnesota to review implementation of the social compliance program. The FLA also visited the owned production factory and interviewed workers during the Headquarter Assessment.

SECTION 3: ANALYSIS OF LAKESHIRTS LABOR COMPLIANCE PROGRAM FOR ACCREDITATION

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

- 1) An assessment at Lakeshirts headquarters conducted by FLA staff in October 2018;
- 2) Information gathered in person, via phone interviews, and through email correspondence with Lakeshirts staff;
- 3) Documentation review of supporting evidence submitted by Lakeshirts;
- 4) Field observations of two factory-level assessments in Mexico and Pakistan;
- 5) Results of FLA Independent External Assessments (IEA) at Lakeshirts' applicable facilities conducted by FLA assessors and accredited service providers; and
- 6) Communication with stakeholders.

PRINCIPLE 1: WORKPLACE STANDARDS²

Workplace Standards & Top Management Commitment

Lakeshirts first established its Workplace Code of Conduct in 2010; this code has been [aligned](#) with the [FLA Workplace Code of Conduct](#) since establishment. To operationalize the code Lakeshirts adopted its own social compliance benchmarks, based off the [FLA's Compliance Benchmarks](#). Lakeshirts has publicized its commitment to the FLA and workplace standards on the Lakeshirts website by publishing its [code of conduct](#) and [vendor guide](#).

The Lakeshirts Corporate Social Responsibility (CSR) Committee crosses several key departments in the organization and helps Lakeshirts integrate its social compliance program into operations. The CSR committee has nine members, including representatives from Human Resources, Purchasing, Accounting, and Sales. The Committee also includes the CFO and Co-Founder of the business. The Committee was formed in 2012 when Lakeshirts decided to become a Participating Company with the FLA. The Committee meets monthly to discuss workplace standards at the factory level and drive the company's social compliance and sustainability strategy. Lakeshirts' demonstrated commitment from senior leadership to uphold and integrate workplace standards is a strength of the social compliance program.

Since 2017, Lakeshirts top management has increased their commitment to public transparency through the publication of its aligned Code of Conduct and Vendor Guide. Additionally, both the Lakeshirts and the Blue 84 websites include the public commitment to uphold and integrate workplace standards into its business practices. Lakeshirts' collegiate factory list is posted on the [Worker Rights Consortium](#) (WRC) website. In 2018, Lakeshirts was a finalist for the Torch Award for ethics, an award given by the Better Business Bureau of Minnesota and North Dakota. As part of the award, Lakeshirts released an 86-page report that outlines their public commitment to workplace standards and to improving the lives of their workers and the community. While the FLA acknowledges Lakeshirts' increasing commitment to publicly disclose social compliance information, the FLA recommends Lakeshirts publicly disclose its factory list on its company website. The FLA also recommends that Lakeshirts create a CSR report that outlines Lakeshirts' commitment to workplace standards and provides information on various initiatives.

² Principle 1: Company affiliate establishes and commits to clear standards.

PRINCIPLE 2: RESPONSIBILITY & HEAD OFFICE TRAINING³**Staff Responsibility for Implementing Workplace Standards**

Staff responsibility for implementing workplace standards begins with the Human Resources (HR) department and extends through additional departments to encourage integration of workplace standards. The Human Resources (HR) Department manages Lakeshirts' social compliance program. The HR Manager reports directly to the President of Lakeshirts, who reports directly to the co-founders and co-owners. Through annual self-assessments, the FLA verified that the job descriptions for the Lakeshirts HR department, including the HR Manager and the CSR Coordinator, include responsibilities related to managing the social compliance program. Lakeshirts also provided the job titles and the percentage of their job dedicated to compliance-related work of the other members of the CSR Committee. Although the CSR Coordinator is the only position that is fully dedicated to social compliance, the FLA recognizes that all members of the Committee devote at least 10 percent of their time to social compliance-related work.

The CSR Coordinator, who is responsible for the day to day management of Lakeshirts' social compliance program, has experience throughout the company; this experience helps integrate social compliance throughout company operations. Over her 12 years with the company, she has held various roles, starting out as a production worker in the screen-printing factory advancing to her current role as CSR Coordinator. She has extensive knowledge of the screen printing and embroidery production processes and Lakeshirts' business model. The CSR Coordinator ensures that Lakeshirts' processes and employees adhere to rules that meet or exceed ethical, legal and regulatory requirements of the FLA Workplace Code of Conduct and Collegiate Licensors. Through the annual self-assessment, the FLA verified that the CSR Coordinator's job description includes revising the compliance program to meet the changing needs of the company, deploying the monitoring program, providing the FLA with factory list updates, training employees on social compliance guidelines, preparing compliance audit data, and reporting to the CSR Committee. During the October 2018 Headquarter Assessment, the FLA interviewed the other members of the CSR Committee and reviewed previous meeting minutes to verify their responsibilities and areas of expertise.

The FLA recognizes both the CSR Committee and the experience of the CSR coordinator as examples of how Lakeshirts has integrated social compliance into its business model. As Lakeshirts only has one full-time position dedicated to social compliance, the FLA recommends Lakeshirts continuously evaluate its program and add staff to support the work, if deemed necessary.

Lakeshirts CSR Committee Training

The CSR Committee is trained on social compliance and workplace standards. As a result of her HR background, the CSR Coordinator has extensive training on effective worker-management communication channels. The CSR Coordinator and the HR Manager regularly participate in FLA trainings and e-learning on topics including migrant labor in China, fair compensation, Better Buying, supply chain mapping, and prevention of forced labor. In 2018, the CSR Coordinator and HR Manager developed a training on union engagement and collective bargaining focused on outlining the significant aspects of collective bargaining agreements and explain management and union roles and responsibilities in the creation and enforcement of collective bargaining agreements. The CSR Coordinator provided this training to the CSR Committee in February 2019. Lakeshirts plans to provide frequent refresher trainings on this topic and expand the training to include more examples to better understand unions and collective bargaining in its sourcing countries.

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

Lakeshirts training program is tracked closely to ensure effectiveness and completion. Lakeshirts' CSR Execution Plan outlines the goals and opportunities for the department and aims to ensure that training feedback and behavioral changes demonstrate participant knowledge gained. This document is uploaded quarterly and includes a section on trainings and meetings. The CSR Coordinator includes the following information on each training: topic, attendees, dates, contact information of trainers, type of training, and any further notes. The FLA has reviewed this CSR Execution Plan and verified that training content is included and discussed.

Training all Lakeshirts Staff

During Lakeshirts' new hire orientation, each new employee receives training on the Team Playbook, which includes the Lakeshirts' Code of Conduct and its commitment to workplace standards and the integration of workplace standards into business practices.

During the 2018 Headquarter Assessment, the FLA noted that head office staff did not receive formal refresher trainings. Many Lakeshirts employees have worked at the company for a number of years and did not receive an onboarding training that included a commitment to workplace standards. The FLA recommended that Lakeshirts provide formal refresher trainings and implement a training schedule. Since the Headquarter Assessment, Lakeshirts has implemented a refresher training schedule on its updated Team Playbook. The FLA verified that training materials include the Lakeshirts' Code of Conduct and that Lakeshirts has provided this training to more than 350 head office employees.

As Lakeshirts continues to develop the refresher training program, the FLA recommends that Lakeshirts create mechanisms to solicit training feedback and ensure that participants retain knowledge. These mechanisms could include surveys, tests, or evaluations. Lakeshirts can use this feedback to track behavioral changes that demonstrate participant knowledge gained and improve the training going forward.

Along with having direct relationships with certain suppliers, Lakeshirts also uses six agents to manage other production facilities. All of Lakeshirts' agents receive a copy of the Vendor Guide, which outlines the Code of Conduct and expectations. Additionally, Lakeshirts has had long-standing relationships with most of its agents and is in constant contact with them. Although Lakeshirts does not provide any formal training for agents on workplace standards, the FLA interviewed two different agents and verified that they were knowledgeable of Lakeshirts' standards. That being said, the FLA still recommends Lakeshirts provide agents with training on workplace standards to ensure that the factories that are selected for production meets Lakeshirts' workplace standards. More information on Lakeshirts' use of agents can be found in Principle 8: Responsible Purchasing and Production Practices.

PRINCIPLE 3: SUPPLIER TRAINING⁴

Supplier Commitment

Suppliers commitment to upholding workplace standards is demonstrated through the Lakeshirts' Pre-Sourcing Qualification form and Annual Certification form, which they are all required to complete prior to receiving purchase orders. Suppliers must also complete an Annual Supplier Certification form once the supplier is approved for production. Additionally, Lakeshirts provides suppliers with the Vendor Compliance Guidebook (Vendor Guide) that outlines the business relationship. The FLA

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

reviewed these documents and verified that they include the Lakeshirts Code of Conduct and require the supplier to commit to upholding workplace standards, facilitate periodic assessments, and actively contribute to remediation activities. The Supplier Certification form also states suppliers will be subject to audits by Lakeshirts' monitors or external monitors. The Vendor Guide explicitly requires suppliers to facilitate periodic assessments organized by the FLA. During the 2018 Headquarter Assessment, the FLA found that not all suppliers had completed the annual certification forms. The FLA recommended that Lakeshirts collect that information from all suppliers and track the forms on an ongoing basis, and Lakeshirts has since collected that information for all suppliers.

Conditioning Future Business on Suppliers' Improvement of Working Conditions



Members of the Lakeshirts' CSR Committee training a sourcing agent on workplace standards

After every audit, Lakeshirts notifies the supplier of the findings and requires the supplier to provide a Corrective Action Plan (CAP) within 15 calendar days. If the supplier does not provide CAPs or remediation updates to the CAPs in a timely manner, Lakeshirts reserves the right to suspend orders or terminate the business relationship with the supplier. The FLA verified that Lakeshirts has terminated the business relationship with a supplier due to a lack of remediation and commitment to workplace standards. Lakeshirts outlines how it conditions future business on supplier improvement in its Vendor Guide. More information on the remediation process can be found under Principle 7 of this report.

Lakeshirts also utilizes a supplier scorecard to evaluate and incentivize suppliers and condition future business on improvement of working conditions. This scorecard was finalized and operationalized in 2018 and requires the Lakeshirts CSR team to report on a supplier's audit findings, remediation status, and responsiveness to inquiries. If a supplier does not show demonstrated improvement in workplace conditions, its score will decrease and its orders and status with Lakeshirts could be impacted. More information on the supplier scorecard can be found under Principle 8 of this report.

While the FLA recognizes Lakeshirts' work to condition future business on suppliers' improvement of working conditions, the FLA recommends that Lakeshirts continue to develop and refine its standards for terminating the business relationship with a supplier and continue to refine its supplier scorecard. For example, Lakeshirts' Vendor Guide states that a lack of remediation could lead to the termination of the supplier relationship. However, the guide does not include other situations that could lead to the termination of the relationship, such as a zero-tolerance violation, unauthorized subcontracting, bribery of an auditor, or refusal to provide access to the factory.

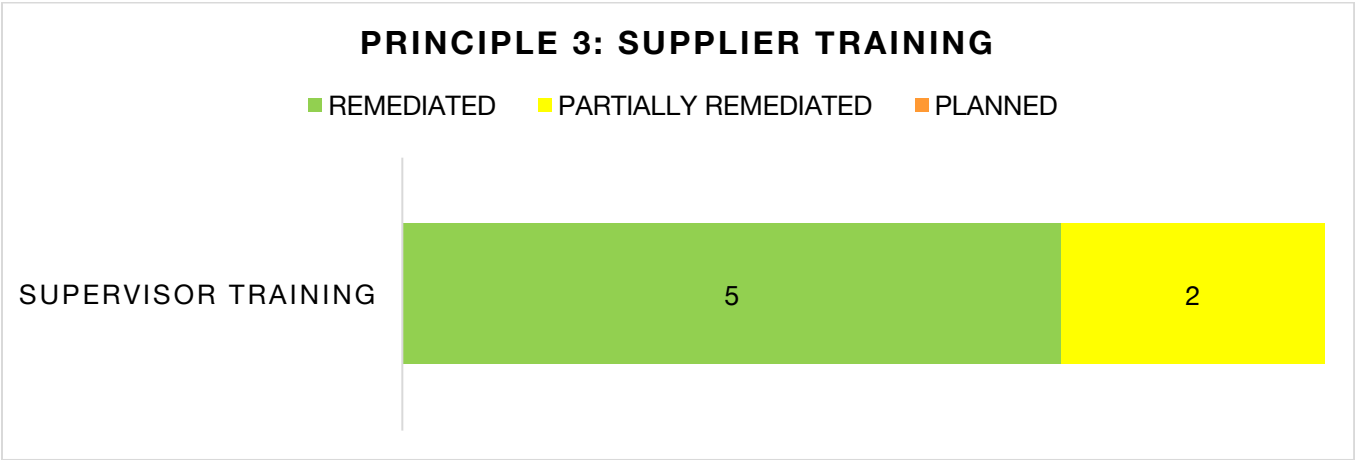
Workplace Standards Training & Accessibility for Workers

The FLA Audit Field Observations in Mexico and Pakistan verified that suppliers posted the Lakeshirts Code of Conduct in the relevant languages. To ensure that all workers have access to Lakeshirts' Code of Conduct, it is translated into the following languages: English, Spanish, Korean, Urdu, Chinese, Tamil, Hindi, and Vietnamese. However, during the 2017 Audit Field Observation in Mexico, the FLA noted that the auditor did not ask interviewed workers about training on workplace standards. In response to this and other recommendations from the FLA, Lakeshirts created Monitoring Procedures for its third-party auditors that requires auditors to ask workers about training and review

training records. More information on the Monitoring Procedures can be found under Principle 5. During the second Audit Field Observation in 2019 at a contract factory in Pakistan, the FLA verified that the auditor used these monitoring procedures and asked interviewed workers about trainings on workplace standards.

The Employee Engagement Survey is another way that Lakeshirts communicates with workers and verifies that workers in their contract and owned factories are trained on workplace standards. This survey is available electronically in Spanish and English, and covers topics such as awareness of the code of conduct, worker satisfaction, and personal development. The FLA reviewed survey responses from workers in the United States and Mexico and verified that Lakeshirts has used the responses to inform future trainings. The FLA recommends that Lakeshirts continue to refine this survey, translate it into other languages, and explore additional methods to deploy the tool.

The following chart shows the number of SCI and SCIV Assessment violations the FLA found related to supervisor training from assessing Lakeshirts facilities from 2015-2018. The FLA found seven violations in four facilities. The FLA recognizes that Lakeshirts and its suppliers have completely remediated five of these findings and have partially remediated the remaining two findings. The FLA recommends Lakeshirts continue to work with its suppliers to ensure that supervisors are regularly trained on workplace standards.



An example of complete remediation is from a 2016 SCI assessment at a contract factory in China. The assessors found that the factory did not train supervisors on recruitment, hiring & personnel development, compensation, termination & retrenchment, industrial relations, or the nonretaliation aspect of grievance mechanisms. After receiving the report, Lakeshirts worked with the supplier to create a training program for supervisors that included all of the above elements.

At its owned factory, Lakeshirts has an extensive “Train the Trainer” program where supervisors, team leads, and other staff are invited to participate in six one-hour workshops to become trainers and learn how to relay information to different personalities and learning styles. After the workshops, the trainers are responsible for disseminating and training other workers on various topics, including social compliance, personal protective equipment, and production processes. Lakeshirts believes that this method is more effective than training all workers at the same time. As part of the training program, all participants take a pre- and post-training survey to demonstrate knowledge gained.

The FLA reviewed the Train the Trainer materials, including agendas, attendee lists, content, and post-training surveys, and also interviewed staff members and workers to better understand how the

trainers disseminate information to workers. The materials covered applicable workplace standards and the interviewed workers (both trainers and non-trainers) were able to recall the content covered during trainings. During the 2018 Headquarter Assessment, the FLA noted that Lakeshirts did not provide regular refresher training to trainers and did not have a formal evaluation system for trainers (aside from worker surveys). Lakeshirts has since created a schedule for annual refresher training and is exploring different ways to continuously evaluate trainers once they have completed the program.

PRINCIPLE 4: FUNCTIONING GRIEVANCE MECHANISMS⁵

Assessing for Functioning Grievance Mechanisms

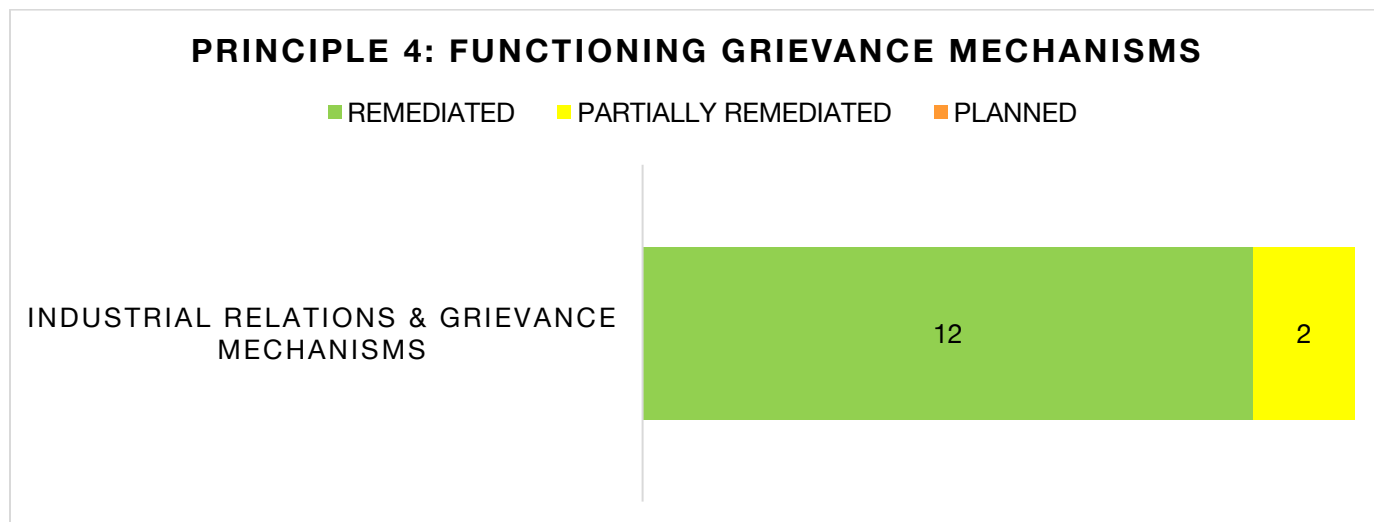
Lakeshirts uses its factory assessment process to ensure that all workers have access to functioning grievance mechanisms. In the pre-assessment questionnaire, factories are asked if they have a grievance mechanism, and if so, what type of system they have in place. The reported information is tracked on Lakeshirts' compliance platform. Grievance mechanisms are further verified during the annual audit process. Lakeshirts' Monitoring Guidance Document includes the requirement for auditors to assess grievance and complaint procedures, and for auditors to discuss grievance mechanisms during the worker interview process.

Lakeshirts has provided some of its strategic suppliers with an employee engagement survey that includes questions on worker awareness on factory grievance mechanisms as well as providing Lakeshirts' policy on grievance mechanisms. Lakeshirts is in the process of collecting and analyzing the survey data. Once that data is analyzed, the FLA recommends using the findings to work with suppliers to develop more robust grievance mechanisms. Additionally, the FLA recommends Lakeshirts translate the survey into languages other than English and Spanish so Lakeshirts can interact with workers in other key sourcing countries.

The FLA observed how Lakeshirts evaluates grievance mechanisms at the factory level through audit field observations in Mexico and Pakistan. During the first audit field observation, the auditor asked workers about their awareness of the grievance mechanism but did not assess for the physical functionality and availability of grievance mechanisms. After this field observation, Lakeshirts developed the Monitoring Guidance Document, which includes guidance for auditors on what to assess during audits. The FLA verified the implementation of assessing for grievance mechanism standards in the second audit field observation; the auditors asked workers questions on awareness and training on grievance mechanisms, as well as assessing for functioning grievance mechanisms.

The below remediation chart provides an overview of benchmark violations on Industrial Relations and Grievance Mechanisms found in IEA assessments. FLA assessors found 14 benchmark violations related to functioning grievance mechanisms. The FLA recognizes that Lakeshirts and its suppliers have completely remediated 12 of these findings and have partially remediated the remaining two findings. The FLA recommends Lakeshirts continue to work with its suppliers to ensure that workers have access to and are trained on functioning grievance mechanisms.

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



An example of a finding that is partially remediated is from a 2017 SCI assessment conducted in Mexico that found a nonfunctioning grievance mechanism. The factory also lacked policy and procedures and training on grievance mechanisms. Lakeshirts worked with the factory to develop formal procedures for the grievance mechanism. Lakeshirts has verified that all workers have been informed and made aware of the process and that the mechanism is now functioning. However, the factory is still working on posting the procedures on public boards to be accessible to workers.

Functioning Grievance Mechanisms at Owned Facilities

Lakeshirts' owned facility also includes an anonymous grievance channel, and Lakeshirts' RESOLVE policy and procedures clearly outline all available steps for workers to submit complaints and grievances. The policy is part of the Employee Handbook and explains the different steps workers can take, such as directly addressing the accused, involving the Team Leads, or taking the grievance to Human Resources. In addition, workers can submit anonymous grievances electronically through the Lakeshirts portal or through RESOLVE boxes located throughout the factory. RESOLVE includes a tracking system to resolve grievances that includes information on date received, person responsible, resolution, and follow up. Lakeshirts posts applicable grievances and comments along with actions taken once a month on the factory floor.

Trainings for Team Leads occur once a month to ensure that Leads continue to understand how to deal with grievances or comments from the workers they are supervising. Through worker interviews conducted during the Headquarter Assessment, the FLA verified that workers were aware of the grievance channels and felt comfortable using them. Grievance mechanisms are also included in the orientation training and refresher trainings for all employees. Due to the proximity of the headquarter office to the factory, the HR team is frequently on the floor, allowing them to be well acquainted with workers. Lakeshirts relies on Leads and Trainers to provide updated training to workers which allows the Leads to have ownership over the process. However, Lakeshirts does not currently track which workers have received training from the Leads. The FLA recommends Lakeshirts implement a system to ensure that all workers receive refresher trainings from Leads.

Confidential Reporting Channel to Lakeshirts' Headquarters

To ensure that workers have an alternative in case the available grievance mechanisms are not functioning, all sourcing facilities post Code of Conduct posters which include a toll-free number and email addresses (hr@lakeshirts.com and corporateresponsibility@lakeshirts.com) that goes directly to Lakeshirts' Headquarters. In addition to these mechanisms, workers at the owned factory have access

to an anonymous online submission form through the Lakeshirts' portal ([RESOLVE](#)), as well as through submission boxes around the factory. During the Headquarter Assessment, the FLA reviewed online submissions and verified that submission boxes were installed in private locations throughout the factory.

Following the first audit field observation in Mexico, Lakeshirts implemented a system for auditors to provide their contact information to workers during worker interviews. This system allows workers to directly contact the auditor to report any grievances or if the workers feel like they have faced retaliation as a result of audit interviews. The FLA verified that the auditor provided contact information during the second audit field observation in Pakistan in 2019. However, the auditor only provided his contact information to a sample of interviewed workers, instead of to all interviewed workers. The FLA recommends that Lakeshirts require its auditors to provide their contact information to all interviewed workers.

PRINCIPLE 5: MONITORING⁶

Pre-Sourcing Factory Assessments

Prior to receiving purchase orders, all suppliers are required to complete a pre-sourcing questionnaire which allows Lakeshirts to evaluate whether they are complying with workplace standards. The pre-sourcing requirements also include submitting a social compliance audit from the previous twelve months, along with remediation plans for the findings uncovered in that audit. If the factory has not been audited in the last 12 months, Lakeshirts will arrange for its audit service provider to perform a full audit. Once a supplier is approved, it becomes part of the Lakeshirts' audit cycle and a full audit is scheduled.

The FLA recommends that Lakeshirts develop formal pre-sourcing procedures that outline the standards for approval and which social compliance audits can be accepted. As a best practice, the FLA recommends that Lakeshirts conduct full audits using the Lakeshirts audit tool for all facilities prior to approving them for production.

Assessing Factory Conditions

Lakeshirts' facilities are subject to multiple audit tools that allow Lakeshirts to assess factory conditions. Facilities are audited at least once annually using either the Lakeshirts' audit tool, Sumerra's ESEP tool, or the FLA's SCI tool. Lakeshirts uses a risk analysis to prioritize assessments based on whether the factory has been subject to other third-party audits. During the October 2018 Headquarter Assessment, the FLA noted that the Lakeshirts owned factory was subject to Sumerra audits but was not part of their internal auditing calendar. The FLA recommended adding the owned factory to the audit program. Lakeshirts has scheduled an audit to take place in June 2019.

The FLA recommended that Lakeshirts perform a gap analysis across the different audit tools to ensure that Lakeshirts' standards are being upheld at all of their sourcing facilities. Currently, if a Lakeshirts factory receives a Sumerra audit, the factory will not receive a Lakeshirts audit. Alternatively, the FLA also recommended that Lakeshirts conduct an audit using the Lakeshirts tool at every factory annually. As Lakeshirts builds its auditing program, the FLA recommends further developing their risk analysis approach to prioritize assessment. This risk analysis approach can include previous audit results, high risk countries, and high production facilities.

⁶ Principle 5: Company affiliate conducts workplace standards compliance monitoring.



Screen-printing machine at the owned facility in Detroit Lakes, MN, USA

The FLA reviewed Lakeshirts audit tool and methodology to ensure that it effectively operationalizes its Code of Conduct. The Lakeshirts audit tool is separated into different categories which are similar to the FLA's SCI tool management functions. Categories include factory supply chain profile (including subcontractors), management systems (including grievance mechanisms), labor (including the entire employee lifecycle), health and safety, environment, and business integrity. Lakeshirts uses UL as its primary audit service provider. The auditor must categorize each finding and cite the appropriate legal standard or company compliance benchmark. The FLA verified that the auditor used this tool and cited each finding to the appropriate compliance benchmark during the audit field observation in Pakistan in 2019. Although Lakeshirts only uses third party audit service providers, the

Lakeshirts Compliance Coordinator works directly with the factory on developing CAPs after the assessment. More information on Lakeshirts' remediation process can be found under Principle 7. The FLA recommends that Lakeshirts continue to monitor its third-party audit reports to ensure that auditors are correctly citing Lakeshirts' compliance benchmarks.

Observing Lakeshirts Audits & Recommendations

The FLA observed two audit field observations to verify that Lakeshirts includes a factory walkthrough, document review, worker interviews, management interviews, and includes union or worker representatives in the assessment process. During the 2017 Field Observation in Mexico, the FLA verified the inclusion of all elements except for including union or worker representatives because no union was present in the factory. The FLA provided Lakeshirts with a number of recommendations, including creating monitoring procedures, ensuring the participation of key management staff, explicitly stating the non-retaliation policy during the opening and closing meeting, testing all fire alarms, inspecting machinery, including special categories of workers in the interview process, following up on allegations raised during the worker interviews, covering all areas of the employment lifecycle during document review and interviews, and increasing the audit person-day allocation to allow more time to conduct a comprehensive audit.

During the 2019 Field Observation in Pakistan, the FLA verified the implementation of Lakeshirts' monitoring procedures and addressed all the recommendations from the 2017 Field Observation. Following the 2019 Field Observation in Pakistan, the FLA recommended that the auditor provide contact information to all interviewed workers instead of a sample, ensure that all parts of the Code of Conduct are translated into the local language, and that the auditor have access to previous audit reports so that they can verify remediation of previous findings. The FLA will continue to monitor the implementation of these recommendations as Lakeshirts further develops its monitoring procedures.

PRINCIPLE 6: COLLECTION & MANAGEMENT OF COMPLIANCE INFORMATION⁷**Lakeshirts Data Management**

Lakeshirts has a system for collecting and storing compliance data to inform its operations. Lakeshirts collects factory addresses and contact information, historic audit data, root cause analysis, previous labor disputes, incidents, accidents, and presence of unions or worker representative structures. Data on these categories are collected through the pre-application process and through audits and stored on Salesforce. Lakeshirts also uses Salesforce to track agents. Lakeshirts collects data on union and worker representatives through the supplier agreement with factories, and through questions on the audits. The CSR Committee has visibility into this platform and can access the data at any time.

Analyzing Social Compliance & Supporting Data

Lakeshirts' Salesforce platform allows the CSR Committee to analyze compliance information in multiple ways. After every audit, findings are divided into the following categories: Environment (HSE), Ethics & Business Integrity, Factory Profile, Supply Chain Profile, Health & Safety, Labor (Forced Labor, Child Labor, Hours of Work), and Management Systems (Freedom of Association, Employment Relationship, Compensation).

Lakeshirts maintains documentation that identifies and tracks repeating forms of noncompliance, which over time will allow them to improve their monitoring program. An analysis from Sumerra and FLA audits of Lakeshirts' owned factory between 2016-2018 showed an increase in health and safety findings from 2016 to 2018. After reviewing these findings, Lakeshirts determined that this increase in noncompliances was due to a more robust assessment process. In June 2019, Lakeshirts will audit the factory in Detroit Lakes for the first time using its own audit tool and will closely monitor the status of these health and safety findings. For contract facilities, Lakeshirts analyzes data by country and finding category. Lakeshirts and the FLA have noted that the greatest number of noncompliances from audits of contract facilities are health and safety findings. The CSR Committee has reviewed this data and plans to use this information to identify country trends and improve its monitoring program.

Currently, Lakeshirts' data analysis is at the code level and not at the benchmark level. The FLA recommends that Lakeshirts determine specific code elements to conduct more in-depth data analysis and to strengthen tracking for repeating forms of noncompliance, particularly those which negatively impact workers.

PRINCIPLE 7: TIMELY & PREVENTATIVE REMEDIATION⁸**Tracking Remediation at the Factory-Level**

Lakeshirts tracks factory remediation over time in order to mitigate the effect of noncompliances on workers. During an audit's closing meeting, the auditor provides factory management with a summary of the findings and a CAP report. After Lakeshirts receives the full report from the auditor, the CSR Coordinator reviews the report and shares with the CSR Committee. Within two weeks of receiving the report, Lakeshirts sends a summary of findings and the remediation expectations to the factory management. Lakeshirts then requires the factory to complete the CAP and return it to Lakeshirts within 15 days. Once the CAP is submitted, the factory must provide updates after 15, 45, and 75 days until all violations have been remediated. The CSR Coordinator works directly with factory management on the remediation process, even if the factory relationship is managed by an agent. The timetable for each corrective action depends on the nature, severity, and prevalence of the finding.

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

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

The process is fully tracked in the Salesforce platform. The FLA reviewed this tracking system and verified that Lakeshirts is continuously working with the facilities to ensure that remediation is sustainable.

Lakeshirts follows a similar procedure for remediating findings at its owned factory. The information is tracked in Salesforce and factory management is subject to the same timelines. Moreover, factory management works with the Safety Committee, composed of workers and supervisors, to create CAPs and determine root causes. The FLA recognizes the communication and collaboration between management and the Safety Committee in the owned factory as a strength of the Lakeshirts program.

Although Lakeshirts' remediation procedure for contract facilities includes consulting with unions and and/or worker representatives during remediation, Lakeshirts has yet to implement this procedure by engaging with unions in remediation. As Lakeshirts develops a better understanding of the unions and worker representative structures in its contract facilities, the FLA recommends proactively engaging with these structures throughout the remediation process.

Root Cause Analysis

Lakeshirts' remediation procedures require factory management to conduct root cause analysis for each finding in both owned and contract facilities. The CSR Coordinator reviews the root cause analysis when the CAP is first submitted to Lakeshirts and provides guidance if needed. The FLA reviewed Lakeshirts' audit platform and verified that Lakeshirts works closely with suppliers and factory management on root cause analysis. For example, an audit at a contract factory in Mexico revealed that the factory did not have a functioning grievance mechanism. Lakeshirts worked with the factory and the agent to determine that the root cause of the finding was a lack of supervisor and management training on the need for functioning grievance mechanisms. Lakeshirts then worked with factory management and the agent to develop a robust grievance system.

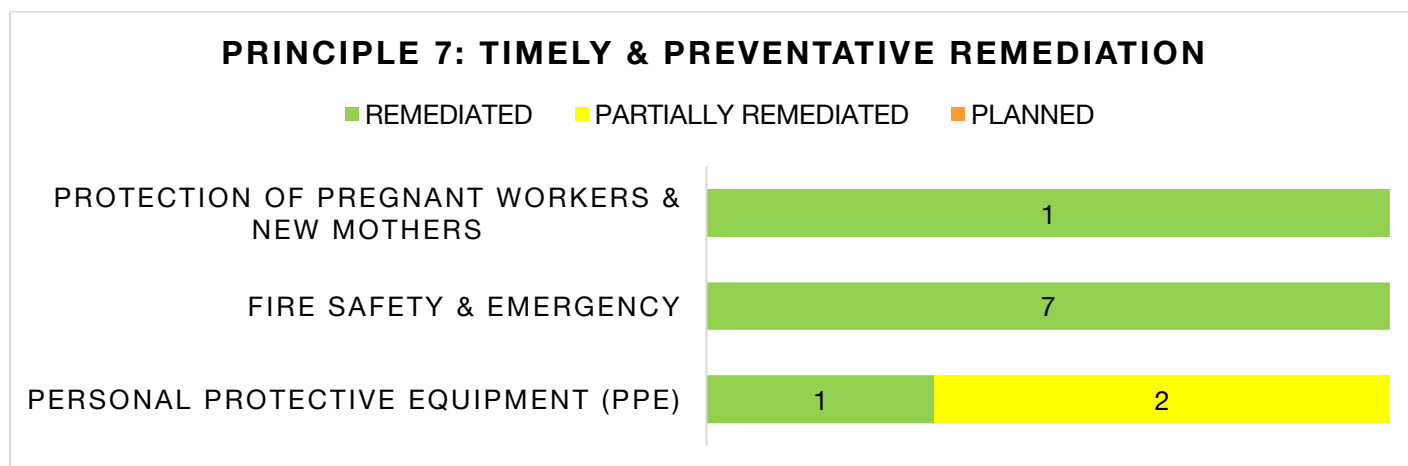


Production employees at a contract facility in Mexico

Although the FLA recognizes that Lakeshirts works closely with factory management to better understand the root causes of noncompliances uncovered during audits, the FLA recommends that Lakeshirts create more comprehensive guidance materials on how to conduct root cause analysis. This guidance document can help factory management better understand Lakeshirts' expectations. In addition, during the audit field observations, the FLA noted that Lakeshirts does not require its auditors to participate in the root cause analysis process. As a best practice, the FLA recommends that Lakeshirts involve its third-party auditors in the root cause analysis process. Auditors can provide valuable insight into the root causes of noncompliances.

Effective Remediation

The FLA also verified remediation through the SCI and SCIV assessments at Lakeshirts' facilities. Examples of effective remediation are shown in the chart below.



Protection of Pregnant Workers and New Mothers: During an SCI assessment in 2017 at Lakeshirts' owned factory in Detroit Lakes, MN, assessors found that working-hour records did not identify pregnant women or new mothers to ensure they receive appropriate accommodations. After the assessment, Lakeshirts updated its employee handbook and internal HR policies to ensure that pregnant workers and new mothers can access the appropriate accommodations and are aware of their rights.

Fire Safety and Emergency: A 2015 SCI assessment at a factory in India found the following fire safety and emergency findings: blocked fire extinguishers, no illuminated exit signs, no visual flashing strobe light for the fire alarm, faded evacuation route markings, no trainings on emergency evacuations, and no fire risk assessment. In 2018, an SCIV assessment was conducted at this same factory and found that the factory had made a few improvements, such as repainting the evacuation routes and installing one illuminated exit sign. However, the SCIV revealed that fire extinguishers were still blocked, some exits were missing illuminated signs, a visual fire alarm was not installed, workers were still not trained on emergency evacuations, and the factory had still not conducted the fire risk assessment. As a result of these findings, Lakeshirts worked closely with the factory to ensure more comprehensive remediation. Following the 2018 assessment, Lakeshirts verified that the factory unblocked all fire extinguishers, installed illuminated exit signs above all exits, installed visual fire alarms, trained workers on emergency evacuations, and conducted the fire risk assessment. Through document review, the FLA also verified that these issues were remediated. The FLA recommends that Lakeshirts continue to ensure sustainable remediation to findings uncovered during SCI assessments.

Personal Protective Equipment (PPE): During an SCI assessment in Mexico in 2017, FLA assessors found that workers were not trained in correct PPE usage, revision, reposition, cleaning, limitations, maintenance, storage, and final disposition. Additionally, this factory did not provide all required PPE to the firefighting team. Since the assessment, Lakeshirts has been working with the factory to ensure that all appropriate PPE is provided and that workers are trained on its use. Since neither Lakeshirts nor the FLA has verified that this training has taken place, the FLA recommends that Lakeshirts continue to work with the factory to ensure sufficient PPE provision and training.

Responsible Recruitment Commitment

Lakeshirts signed the [AAFA/FLA Apparel and Footwear Industry Commitment to Responsible Recruitment](#) in 2018. The commitment was formalized in October 2018 and calls for apparel and footwear brands and suppliers to create conditions where no worker pays for their job, workers retain control of their travel documents and have full freedom of movement, and workers are informed of basic terms of their employment. As of June 2019, 134 brands and suppliers are signatories of this commitment, making it one of the largest formal commitments in the apparel and footwear industry to improve working conditions. The FLA recommends Lakeshirts continue to explore how to operationalize this commitment.

PRINCIPLE 8: RESPONSIBLE PURCHASING PRACTICES⁹

Lakeshirts Responsible Sourcing and Production Procedures

Lakeshirts finalized its Responsible Sourcing Procedures and Responsible Production Procedures in 2018; and then reviewed and further updated these procedures in 2019. The Responsible Sourcing Policy is found in the Vendor Guide which is provided to all suppliers, agents, and distributors. The policy articulates the complexities involved in Lakeshirts' global supply chain and includes the importance of contractual and financial terms, lead time, and balanced planning. The policy also elaborates on the differences between different manufacturing partners, including factories/manufacturers, agents/brokers or intermediaries, contractors, and distributors.

Lakeshirts' owned factory uses Responsible Production Procedures to guide its internal production processes, which are built to guard against unnecessary overtime. Its production plan is based on a 40-hour week without overtime. To accurately calculate the number of production hours needed to fulfill orders in a season, Lakeshirts analyzes data from the previous seasons. Although the owned factory occasionally has voluntary overtime, Lakeshirts has invested in new machines and has hired more workers to reduce the number of instances where overtime is necessary. Lakeshirts uses pre-season analysis of past production periods to determine if they need to purchase new machines or hire additional workers. Through worker interviews conducted during the 2018 Headquarter Assessment, the FLA confirmed that overtime is voluntary and workers did not feel pressured to perform overtime work.

Lakeshirts has structured their production process to protect lead times and avoid last minute order changes, which can lead to excessive overtime or negative effects on workers. Lakeshirts' business model involves ordering blank goods from contract facilities and then finalizing the products (screen-printing and/or embroidery) in-house at the owned factory. Since Lakeshirts orders blanks it has constant standing orders with strategic factories, with minimal style and late changes. Upon delivery, the blanks are warehoused and controlled by Lakeshirts. When buyers order from Lakeshirts, they can only select from a list of available colors and styles that Lakeshirts has in stock in the warehouse. They cannot order colors or styles that are not available in the warehouse. The FLA sees this structure as a strength to support its social compliance program

Due to Lakeshirts' size and business model of finishing products at the owned factory, Lakeshirts works with agents to source approximately 73 percent of production volume from contract facilities. The FLA interviewed two of Lakeshirts' agents and verified their awareness and understanding of Lakeshirts' workplace standards and acknowledgement of the vendor guides which includes guidelines on responsible sourcing practices. In an interview with one agent, the FLA verified that the

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

agent has a firm understanding of social compliance and responsible sourcing practices. This agent handles Lakeshirts' largest production volume of blank goods, estimated at 32 percent. The FLA recommends Lakeshirts continue to ensure that its agents source from factories that comply with Lakeshirts' workplace standards.

Training Relevant Business Staff on Responsible Purchasing and Production Practices

Lakeshirts has trained all relevant staff on both the Responsible Sourcing and the Responsible Production policies. The FLA verified that the training covered the policy and included examples of different scenarios in which purchasing and production practices negatively impacted workers' rights. The training also includes examples of the successful implementation of responsible production practices; including the reduction of overtime hours at the owned factory. By understanding the negative impacts of overtime, Lakeshirts approached reducing overtime with a behavioral approach. The biggest change that Lakeshirts made was to switch from mandatory to voluntary overtime, leading to positive results. During the 2018 Headquarter Assessment, the FLA interviewed one worker who said that the change to voluntary overtime allowed her to work more flexible hours.

At its owned factory, Lakeshirts provides skills training to production workers, such as screen-printing and embroidering. Development of these skills allows Lakeshirts to balance production demands by shifting workers to different departments, while also reducing the risks of overtime if the occasion arises. The FLA commends Lakeshirts' skills training and the resources available for workers to become trained on difficult skills, such as embroidering.

The FLA recommends that Lakeshirts provide the same formal training to agents on the Responsible Sourcing Policy so that agents understand Lakeshirts' standards when they select new factories. Given the crucial role of agents in Lakeshirts' supply chain, it is important for them to be fully aware and understand Lakeshirts' standards. Additionally, the FLA recommends Lakeshirts implement a system to hold agents accountable for decisions made on production processes.

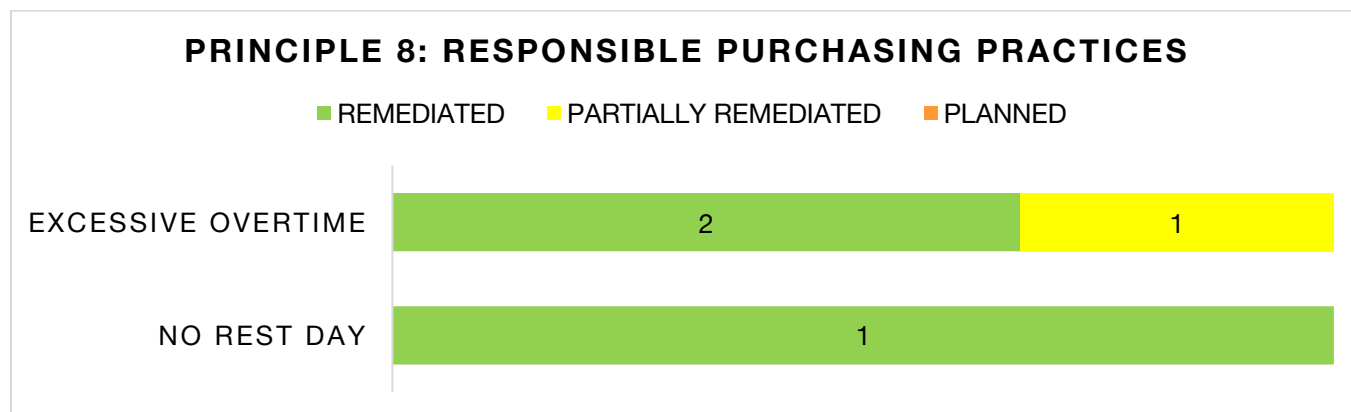
Holding the Relevant Business Staff Accountable to Purchase and Produce Responsibly

In both the sourcing and production departments, Lakeshirts uses calendars with strict timelines to hold staff accountable for responsible purchasing and production, including maintaining adequate lead times. The company uses a product release overview calendar which the sourcing, planning, art, and production teams review weekly to ensure that all deadlines are being met. The calendars for each product release clearly state who is responsible for each activity. In addition, staff are held accountable through job descriptions and performance reviews. For indirect suppliers that are managed by agents, Lakeshirts works closely with agents to ensure responsible sourcing is implemented at the agent facilities.

At Lakeshirts' owned factory, employees are measured for responsible purchasing and production against their own execution plans. The Lakeshirts Performance Development Plan includes ratings on a number of metrics, including teamwork and continuous improvement. Employees are encouraged to grow within Lakeshirts through regular performance reviews, close relationships with Leads, and company-wide events. Lakeshirts holds weekly quality meetings that include production workers, line managers, customer service, and accounting. These meetings are used to discuss root causes of garment quality issues and how to improve job performance.

Because planning, sourcing, and production practices often affect worker hours, the FLA also reviews remediation of hours of work violations as one indicator of responsible purchasing practices. An SCI in India conducted in 2015 found that a factory did not let workers use their annual leave, and instead, compensated the workers the amount for annual leave during the holiday season, which follows general practice in the region. Compensating workers only during the holiday season creates the risk

of workers not being paid the correct amount due to changes in wage rates throughout the year. Lakeshirts is working with the factory to ensure that workers are being paid throughout the year, rather than being paid once during the holiday season. In the same assessment, the assessors found that workers worked on rest days without receiving a compensatory day off. An assessment of the same facility in 2018 found that workers no longer work on rest days. The FLA recommends Lakeshirts continue to work with the factory to encourage use of paid leave and to ensure that workers are provided with at least one rest day in every seven-day period.



The FLA recommends that Lakeshirts continue to implement the responsible sourcing procedures, including implementing a system to review forecast accuracies to strengthen its planning processes and remediation of labor violations. As Lakeshirts analyzes accuracy, the FLA recommends that Lakeshirts continuously review its processes to ensure efficiency.

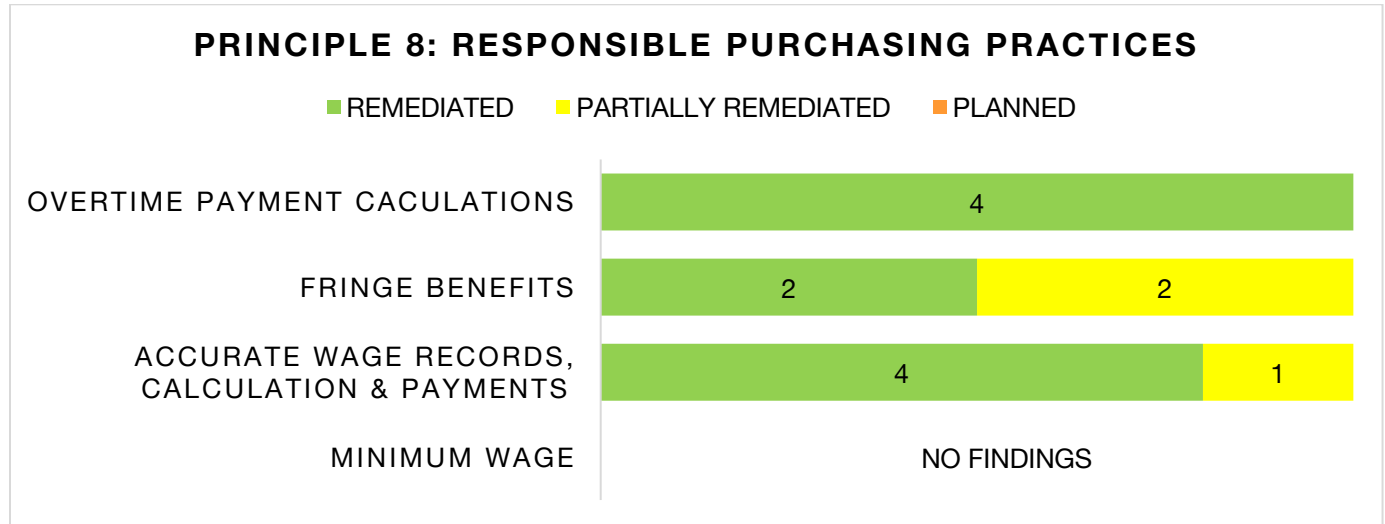
Fair Compensation

Lakeshirts has piloted the FLA's Wage Data Collection Toolkit at two facilities in Mexico, one facility in India, and one facility in Pakistan. The FLA recognizes Lakeshirts for piloting the tool to strive to address fair compensation and living wages for workers. Although Lakeshirts has not yet used the tool at its owned factory in the U.S., Lakeshirts has taken steps to improve the compensation for its workers. For one, Lakeshirts has a Profit-Sharing Plan that is determined annually based on earnings and profits from the prior business year. All active full-time and part-time employees are eligible for the plan. In 2017, Lakeshirts gave back more than \$1 million USD to employees as part of the profit sharing plan. Based on worker interviews conducted during the headquarter assessment in 2018, the FLA verified that employees used this money for a variety of things, including house payments, weddings, vacations, car repairs, and student loans.

The FLA recommends that Lakeshirts continue to pilot the tool at other facilities throughout its supply chain. Once Lakeshirts has piloted the tool in more facilities and more countries, it can develop a fair compensation strategy.

The below remediation chart shows the number of compensation benchmark violations related to responsible purchasing and production practices. Out of eight IEA assessments, FLA assessors found 14 benchmark violations related to compensation. Out of the 14 violations, ten have been successfully remediated. None of Lakeshirts' assessed factories had findings on minimum wage violations. During a 2015 SCI assessment at a contract facility in India, assessors found that the factory did not compensate workers at the appropriate rate when they worked on rest days or holidays. Moreover, the factory had inconsistent time records and pay slips that showed that work was done on rest days without official time records. Lakeshirts worked with the factory to ensure that workers are compensated at the premium rate and to improve time records and pay slip transparency. During an

SCIV assessment at the same facility in 2018, the assessor verified that workers no longer work on rest days or holidays and that the factory uses only one set of time records. The FLA recognizes Lakeshirts for working with suppliers to maintain transparent records and ensure that workers are compensated correctly and recommends Lakeshirts continue to closely monitor time records and pay slips.



Dialogue with Relevant Business Staff & Suppliers to Implement Responsible Purchasing and Production Practices

Frequent dialogue between Lakeshirts and its agents and suppliers about the status of production orders helps mitigate negative impacts on workers. Agents and contract suppliers submit weekly work in progress (WIP) reports to Lakeshirts so that all Lakeshirts staff are aware of the status of purchase orders. The WIP reports are also submitted to vendors and buyers so that they know the dates at the beginning of and throughout each process. The FLA conducted phone conversations with agents regarding factories sourced through agents. From those conversations, the FLA verified that the agents are in constant contact with Lakeshirts, as well as with their contract facilities. One agent explained that he has multiple quality control staff in their factories allowing for regular communication between the agent and factory management.

The owned factory produces the final product for customers as they screen-print or embroider the blanks sourced from contract facilities. When a customer plans to order, the Lakeshirts Customer Service team shares a work available summary to inform their customers. The Customer Services team is responsible for sharing product availability with sales representatives and customers at the beginning of negotiations. Once the order is placed, the sales representative receives a weekly report on Lakeshirts' WIP schedule that can be shared with the customer. Lakeshirts only sells in-stock predesigned products so buyers are always aware of what is available and are unable to order products that are not in stock.

The FLA verified one example of a discussion between a customer and Lakeshirts where Lakeshirts informed the buyer that they could not deliver the products on time due to production shortages, thereby protecting workers against unplanned overtime. The buyer's response was positive and they agreed on a delayed delivery date, partially because they had visibility of the order throughout the process. Customers provide constant feedback on how Lakeshirts can improve. For example, Lakeshirts improved its Point of Sale system after feedback from a customer. Feedback is also collected through a Customer Survey which the Lakeshirts Marketing Team conducts quarterly.

Lakeshirts currently does not have a formal or documented process to facilitate dialogue with suppliers. Feedback from suppliers can be used to analyze and review impact among different departments. The FLA recommends implementing a formal system to collect feedback and engage in dialogue, such as a supplier survey.

Incentivizing Suppliers to Improve Conditions for Workers

Lakeshirts has a supplier scorecard that is used to inform sourcing decisions and incentivize suppliers to improve both performance and working conditions. The scorecard includes service, delivery, quality, and CSR. Each criterion is weighted equally. Factories that score a certain level can become a Preferred Supplier and receive a certificate. Lakeshirts reviews the scorecard twice a year. Lakeshirts plans to create a similar scorecard for agents. As best practice, the FLA recommends Lakeshirts continue to explore other types of incentives for contract facilities based on the level of workplace standards.

Incentivizing the Owned Facility to Improve Conditions for Workers

The owned factory has a daily scorecard that is made available to all workers in the factory, which includes information on on-time pieces, pieces by the hour, defects, and cost data. On the production floor, there are Continuous Improvement Boards which shows the efficiency of each line. The level of transparency supports improving working conditions as workers and supervisors are incentivized to work as efficiently as possible because efficiency is a key part of their Performance Development Plan (PDP) Evaluations. In addition to the PDP Evaluations, Lakeshirts has a separate Compensation Evaluation that is based on personal performance, productivity of the department, and company profitability. Teams and team members who qualify for the Compensation Evaluation are provided with increase in wages. The Compensation Evaluation is used to incentivize entire departments and promotes team building.

All employees are encouraged to participate in the NIMBLE program, a program that encourages employees to promote, encourage and recognize the implementation of continuous improvement. The NIMBLE program allows employees to share ideas for changes in the business. Employees who submit ideas are eligible for incentives and gifts. Examples of submissions to the NIMBLE program include the following: implementing an alert system for when a delivery is shipped to ensure accurate receipt, consolidating and streamlining multiple orders for single buyers, and installing mirrors on forklifts.

Lakeshirts encourages team building and support. The “Fit to a Tee” program is an opportunity for employees to recognize their peers for positive actions that have contributed to Lakeshirts’ values. Nominations through this program are recognized in the quarterly performance reviews and winners receive rewards and recognition. The FLA recognizes the opportunities and incentives that Lakeshirts has provided to its workers.

PRINCIPLE 9: CONSULTING WITH CIVIL SOCIETY¹⁰

Civil Society Engagement Strategy

Lakeshirts has mapped CSOs and labor unions in all sourcing countries and developed a civil society engagement execution plan in 2019. The plan defines high risk countries, high production facilities, CSOs by types of engagement, budget, analysis, and how Lakeshirts plans to reach out to external

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

stakeholders. The plan also acknowledges the limitations to CSO engagement given Lakeshirts' size and footprint in its contract facilities.

Lakeshirts has chosen to focus on Mexico due to it being a high risk and high production country in close proximity to Lakeshirts' headquarters. To implement the strategy in Mexico, Lakeshirts first reached out to factories to ask where they need support and if the factories are currently engaged with CSOs in the region. The factories in Mexico provided a variety of responses, such as transportation, support in building homes, and trainings on nutrition and financial literacy. Lakeshirts has used this data to search for potential implementation partners, as further discussed in this Principle.

The FLA recommends that Lakeshirts continuously review and update its CSO execution plan based on actions implemented. The FLA also recommends that Lakeshirts explore additional ways to research and engage with local CSOs to facilitate improved working conditions in key sourcing countries.

Engaging Civil Society on Local Labor Issues

Lakeshirts is heavily involved in the local community around its owned facility in Detroit Lakes, MN, and has been since the inception of the company. Lakeshirts is involved in investments for local schools, supports affordable housing projects, sponsors windfarms, and works with local government agencies to provide job opportunities in the area. Lakeshirts also has a scholarship program for high school students to work at the factory in the summer, followed by a full-time job offer after graduation.

Lakeshirts is currently partnering with the International Rotary Club to find the implementation partner and support a project that will directly impact workers at the Mexico factories, based on the feedback from suppliers. In May 2019, Lakeshirts reached out to [Ollin Calli](#), a Tijuana, Mexico based collective dedicated to improving working conditions for manufacturing workers in the region. Lakeshirts has had conversations with the organization with the goal of collaborating on a project to benefit workers in the region.

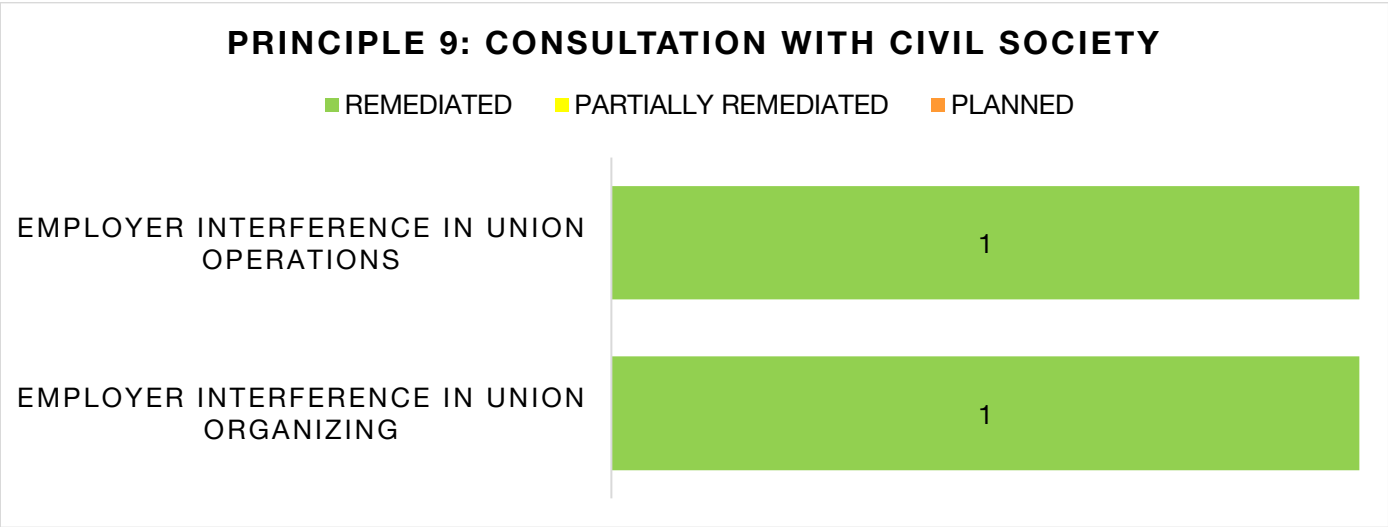
Engaging Civil Society on the Design & Implementation of Workplace Standards Strategies

In Detroit Lakes, MN, Lakeshirts has partnered with [The Village Family Services Center](#) to provide workers with worker well-being trainings and support services. The Village Family Services Center provides many types of services from supporting employee emotional health; workplace issues such as job stress coping skills; and financial services such as budget counseling and education. Through worker interviews, the FLA verified that these services are well used. The owned factory has established a Wellness Committee which has implemented many services that have been suggested by workers. As a result of suggestions from the Wellness Committee, the owned factory now subsidizes the cafeteria, provides on-site flu shots, and subsidizes massage therapists for workers' wellbeing.

Lakeshirts has yet to engage with an organization to support implementation of workplace standards strategies in contract facilities. However, it is actively looking for projects and partners to implement its CSO strategy. The FLA recommends that Lakeshirts continue to reach out and connect with CSOs that can provide support to workers in its contract suppliers.

Unions & Worker Representative Structures

For contract factories, Lakeshirts collects data on union and worker representatives through the pre-assessment process and through the audit process. The audit field observations verified that unions and worker representatives were invited to the opening and closing meetings of the audit. Lakeshirts has worked with factories to ensure the rights of unions and worker representatives are met. An SCI in China in 2016 found that the union was not democratically elected, and that the employer paid the dues for the workers. Lakeshirts worked with the factory to have a union chairman elected by the union, and for workers to fully pay for their dues.



The owned factory has six employee-led committees including the Community Involvement, Employee Events, Wellness, Cheer!, Corporate Social Responsibility and Safety Committees. During the headquarter assessment, the FLA interviewed members of the Safety Committee, including workers, who confirmed that they are involved in the remediation process for findings uncovered during audits at the owned factory. For example, members of the committee approached Lakeshirts management with the concern that the production floor was getting too hot during the summer months. Lakeshirts then worked with the committee to create a “Cool Down” room next to the production floor. Workers can access this air-conditioned room with free iced beverages at any time during the summer months. Other ideas that committees have brought forward to Lakeshirts’ management is to use magnetic hoop rings for their screen-printing machines. The magnetic hoop rings allow for more accurate printing and reduces the risks of mistakes.

Lakeshirts has prioritized providing a healthy working environment for its employees. In 2012, Lakeshirts and committees created an on-site cafeteria that includes nutritious and subsidized food options. More recently, Lakeshirts and the committees have worked together on a “Working on Wellness” component to employee’s healthcare plans. Workers who are working towards a healthier lifestyle and are taking steps towards improving overall health, by attending at least six Lakeshirts Wellness Committee sponsored activities, receive an extra premium on their health insurance.

PRINCIPLE 10: VERIFICATION REQUIREMENTS¹¹

Lakeshirts is an active affiliate with the FLA and attends board meetings frequently, most recently the February 2019 meeting in Washington, D.C. Lakeshirts has invited different staff from the CSR Committee to attend each meeting. Lakeshirts is currently participating in the Business Caucus Strategic Plan Group and was a listening member of the Transparency Working Group.

Lakeshirts' commitments to the FLA Principles and obligations are integrated into the CSR program and addressed in its standard operating procedures. The FLA confirms Lakeshirts 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.



Cafeteria at the owned production site in Detroit Lakes, Minnesota, USA

¹¹ Principle 10: Company affiliate meets FLA verification and program requirements.

SECTION 4: RECOMMENDATION TO THE FLA BOARD OF DIRECTORS

The FLA has provided a comprehensive review of Lakeshirts' social compliance program, highlighting where 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. On balance, FLA accreditation signifies a company has aligned its social compliance program with FLA standards, benchmarks, and protocols, and substantively improved conditions for workers. If a specific principle or benchmark is not yet met, accredited companies must address the gap, though this occurrence alone would not call into question the integrity of the affiliate's entire program.

The assessment of Lakeshirts' labor compliance program identified strong elements and areas for improvement:

Strengths:

- The CSR Committee, comprised of nine members from key teams and members from the executive team, facilitates broad cross-departmental collaboration on social compliance issues;
- The comprehensive monitoring guidance document outlines clear expectations for third party auditors;
- Centralized embroidery and screen-printing process leads to stable orders of blank goods from contract facilities and encourages responsible purchasing practices; all final products are finished at the owned factory; and
- Strong engagement with employees at the owned factory and within the local community in Detroit Lakes, MN.

Suggestions for improvement:

- Provide continuous support and training to agents on responsible purchasing practices and workplace standards;
- Continue to implement a fair compensation program and define a fair compensation strategy;
- Continue to support suppliers to sustainably remediate labor violations in Lakeshirts' supply chain; and
- Continue to implement the civil society engagement strategy and engage with civil society organizations (CSOs) in high risk or high production sourcing countries.

APPENDIX A: THE LAKESHIRTS CODE OF CONDUCT



Workplace Code Of Conduct

Lakeshirts, Inc. d/b/a Blue 84 and all its employees and representatives are opposed to forced, unfair, and abusive labor practices and use the Fair Labor Association Workplace Code of Conduct as our guide to selecting partners that share our values and beliefs. We strongly believe our Code of Conduct follows this commitment and contains the minimum of basic Human Rights and we require all of our vendors and suppliers to adopt this code.

Employment Relationship

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

Nondiscrimination

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

Harassment or Abuse

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

Forced Labor

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

Child Labor

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

Freedom of Association and Collective Bargaining

Employers shall recognize and respect the right of employees to freedom of association and collective bargaining. No employee shall be subject to harassment, intimidation or retaliation for her/his efforts to freely associate or bargain collectively.

Health, Safety and Environment

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

Hours of Work

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

Compensation

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

Women's rights

Without restricting the generality of the foregoing and for purposes of greater clarity and specificity, employers shall abide by the following condition:

- Female workers shall have the same work opportunities as men, without arbitrary restriction on the types of jobs or special limits on hours of work;
- The criteria related to marital or reproductive status (for example, pregnancy tests, the use of contraception, fertility status) as conditions of employment shall NEVER be used;
- New mothers shall be entitled to leaves of absence (with the right to return to work) for childbirth and recovery from childbirth.

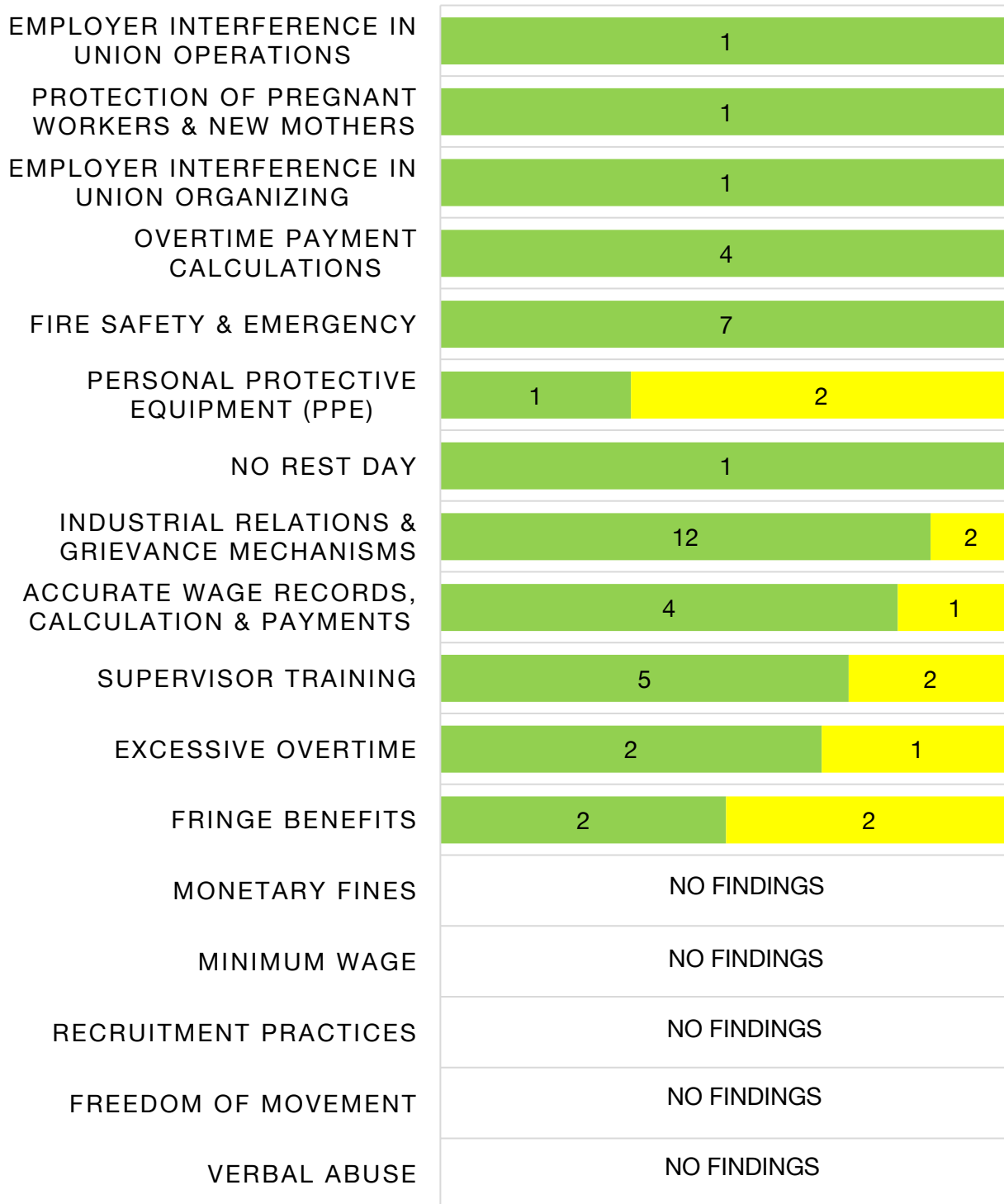
This is our minimum set of standards which must be adopted by all of our partners, their representatives, associates and suppliers. When differences or conflicts in standards arise, the highest standard shall apply. Lakeshirts, Inc. dba Blue 84 reserves the right to terminate any relationship in which these standards are not being upheld.

To report a code violation you can contact us at 800.627.2780 or email
hr@lakeshirts.com or corporateresponsibility@lakeshirts.com

APPENDIX B: LAKESHIRTS' REMEDIATION PROGRESS CHART

LAKESHIRTS REMEDIATION PROGRESS

■ REMEDIATED ■ PARTIALLY REMEDIATED ■ PLANNED



APPENDIX C: PRINCIPLES OF FAIR LABOR AND RESPONSIBLE SOURCING & PRODUCTION

PRINCIPLES & BENCHMARKS		
	PRODUCTION	SOURCING
WORKPLACE STANDARDS	Establishes and commits to clear standards.	
	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.	
RESPONSIBILITY & HEAD OFFICE/REGIONAL TRAINING	Identifies and trains specific staff responsible for implementing workplace standards and provides training to all head office staff.	Identifies and trains specific staff responsible for implementing workplace standards and provides training to all head office and regional staff.
	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 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.	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.
STAFF TRAINING	Production Staff Training: Company Affiliate trains all management staff and employees at owned production sites on workplace standards and tracks effectiveness of training.	Supplier Training: Company Affiliate obtains commitment and trains relevant supplier management on workplace standards and tracks effectiveness of supplier workforce training.
	Ensures that workplace standards are accessible to workers, managers and supervisors in written form and relevant languages.	Formally conveys workplace standards to suppliers and receives written acknowledgment of standards and commitment to uphold them.
	Ensures that workers, managers and supervisors are trained on workplace standards at regular intervals to take account of labor turnover and informs managers of the potential of FLA assessments and the Company's expectation to remediate.	Formally conveys workplace standards to suppliers and receives written acknowledgment of standards and commitment to uphold them.
	Measures the effectiveness of training for workers, managers and supervisors.	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.

FUNCTIONING GRIEVANCE MECHANISMS	Ensures workers have access to functioning grievance mechanisms, which include multiple reporting channels of which at least one is confidential.	
	Ensures there are functioning grievance mechanisms at owned production sites.	Ensures there are functioning grievance mechanisms at contract facilities.
	Where local mechanisms are not functioning, provides alternative channels for workers to contact the company head office directly and confidentially.	Where local mechanisms are not functioning, provides alternative channels for workers to contact the brand directly and confidentially.
	Ensures training and communication about the grievance mechanisms is provided to all workers.	
	Ensures grievance mechanisms lack penalty and include at least one confidential reporting channel.	
MONITORING	Conducts workplace standards compliance monitoring.	
	Conducts annual assessments of compliance with workplace standards at every owned production site.	Conducts pre-sourcing assessment of contract facilities to review compliance with workplace standards.
	Ensures that its monitoring program includes, but is not limited to: a) Worker interviews, b) Consultation with unions or worker representative structures (where applicable), c) Management interviews, d) Documentation review, e) Visual inspection, and Occupational safety and health review.	Monitors contract facilities regularly to assess compliance with workplace standards.
	Ensures that, where relevant, monitoring is consistent with applicable terms in collective bargaining agreements.	Ensures that its monitoring program includes, but is not limited to: a) Worker interviews, b) Consultation with unions or worker representative structures (where applicable), c) Management interviews, d) Documentation review, e) Visual inspection, and Occupational safety and health review.
	Conducts pre-production assessment of new owned production sites to review compliance with workplace standards.	Ensures that, where relevant, monitoring is consistent with applicable terms in collective bargaining agreements.
COLLECTION & MANAGEMENT OF COMPLIANCE INFORMATION	Collects, manages and analyzes workplace standards compliance information.	
	Maintains a complete and accurate list of owned production sites and collects and manages compliance and workplace information.	Maintains a complete and accurate list of contract facilities and collects and manages compliance and workplace information.
	Analyzes trends in noncompliance findings.	
TIMELY & PREVENTATIVE REMEDIATION	Remediates in a timely and preventative manner.	Works with suppliers to remediate in a timely and preventative manner.
	Provides regular follow-up and oversight to implement corrective action following assessments.	
	Conducts root cause analysis and take action to prevent future noncompliance in owned production sites.	Works with the supplier to determine root causes and take action to prevent

		future noncompliance in contract facilities.
	Records and tracks the progress and effectiveness of remediation for internal assessments.	
RESPONSIBLE PRODUCTION/PURCHASING PRACTICES	Aligns sales and planning practices with commitment to workplace standards.	Aligns planning and purchasing practices with commitment to workplace standards.
	<p>Formal, written policies and procedures for production planning that 1) articulate the many complexities involved in their global supply chains, including different customer (buyer) business models and 2) require relevant internal representatives to work with customers (buyers) to reduce negative impacts on working conditions.</p> <p>These policies and procedures shall address the alignment of sales with capacity, based on working hours as defined by the FLA Workplace Code of Conduct.</p>	<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>
	All relevant business and compliance staff and any contracted agent/intermediary are trained and knowledgeable of the consequences of their sales and planning practices on working conditions in order to mitigate negative impacts on code compliance.	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.
	Holds relevant staff and any contracted agent/intermediary accountable for the implementation of planning and sales practices that help avoid negative impacts on workers and working conditions.	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.
	Staff responsible for sales and planning engage with their labor compliance colleagues, any contracted agent/intermediary and customers 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.	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.
	Provides positive incentives for suppliers and/or facilities producing in a socially responsible and sustainable manner.	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.

CONSULTATION WITH CIVIL SOCIETY	Identifies, researches and engages with relevant labor non-governmental organizations, trade unions and other civil society institutions.	
	Develops a civil society organization (CSO) outreach strategy that reflects the geographical distribution of production.	Develops a civil society organization (CSO) outreach strategy that reflects the geographical distribution of sourcing.
	Develops and maintains links to relevant CSOs to gain understanding of local labor issues.	
	Strategizes with CSOs and knowledgeable local sources in the design and implementation of workplace standards compliance programs.	
	Consults with legally constituted unions or worker representative structures at owned production sites.	Consults with supplier management and legally constituted unions or worker representative structures to gain an understanding of relevant relationships.
VERIFICATION REQUIREMENTS	Meets FLA verification and program requirements.	
	Maintains standard operating procedures related to FLA affiliation.	
	Participates in FLA due diligence activities, including assessments at owned production sites and company headquarters, as applicable.	Participates in FLA due diligence activities, including assessments at contract facilities and company headquarters, as applicable.
	Completes a standardized annual report on fulfillment of Principles of Fair Labor and Responsible Production.	Completes a standardized annual report on fulfillment of Principles of Fair Labor and Responsible Sourcing.
	Maintains a complete and accurate profile and list of owned production sites with the FLA.	Maintains a complete and accurate profile and list of contract facilities with the FLA.
	Responds to FLA requests for documentation, contracts, information and clarification in a timely manner.	
	Pays annual dues and applicable fees on schedule.	