



OUTERSTUFF
ASSESSMENT FOR ACCREDITATION

October 2015

TABLE OF CONTENTS

Introduction..... 3

Section 1: Outerstuff's Labor Compliance Program 4

Section 2: Analysis of Outerstuff's Labor Compliance Program
Using the FLA Principles of Fair Labor and Responsible Sourcing 6

Section 3: Conclusion..... 31

Appendix: Outerstuff Workplace Code of Conduct 32

INTRODUCTION

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



The FLA Board of Directors voted to approve the accreditation of Outerstuff's compliance program on October 7, 2015 based on proven adherence to FLA's Workplace Code of Conduct and the Principles of Fair Labor and Responsible Sourcing. Details on FLA's accreditation methodology can be found at www.fairlabor.org/accreditation.



Overview of the sewing floor in a facility producing for Outerstuff.

SECTION 1: OUTERSTUFF'S LABOR COMPLIANCE PROGRAM

Outerstuff, Ltd. is a privately held company located in New York, New York. Outerstuff was founded in 1983 and specializes in licensed sports apparel for children and teens in North America. Outerstuff first joined the FLA as a C Licensee and became a B Licensee in 2010. In October 2012, Outerstuff became a Participating Company (PC)¹, selecting a two-year implementation period with a one-year extension granted in February 2014.

Outerstuff holds licensing contracts with the adidas-Group, Nike, Inc., and VF Corporation, the apparel companies that hold the licensing contracts for the National Football League (NFL), National Basketball Association (NBA), Major League Soccer (MLS), National Hockey League (NHL) Major League Baseball (MLB), and the National Collegiate Athletic Association (NCAA). Outerstuff also provides NBA, NHL, MLS, NFL and MLB apparel through its direct licenses with each league under a private label for each league's brand. Additionally, under the FLA Scope are Outerstuff NCAA brands for the license for adidas-College. adidas-College consists of two proprietary Outerstuff brands, Gen2 Sports in the upper and mid-tier markets, and Team Athletics in the value market.

Outerstuff adopted its first code of conduct in 2009. In 2015, Outerstuff revised its code of conduct to meet the FLA Workplace Code of Conduct. In 2008, Outerstuff hired its Corporate Social Responsibility (CSR) Manager, who was promoted to the Director of CSR & Product Integrity in 2014 and is responsible for the implementation of Outerstuff's compliance program. The Director of CSR & Product Integrity reports directly to the President and Owner of Outerstuff, and works along with the Executive Vice Presidents of Sales, Collegiate & University Licensing, Design & Merchandising, and the Vice Presidents of Global Sourcing and Production. In 2014, Outerstuff hired a Compliance & Product Integrity Coordinator who reports to the Director of CSR & Product Integrity and is responsible for supporting the implementation of the compliance program. While Outerstuff relies on the audits of its licensors, Outerstuff's compliance program focuses on implementation and communication of the workplace standards of its licensors and the FLA to its supply chain, remediation of findings from licensor audits, and implementation of responsible purchasing practices. Suppliers must maintain an approval rating from Outerstuff's licensors' audits. In the case a supplier does not maintain an approval rating, Outerstuff will no longer source product from that supplier for

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

that licensor. In addition to adhering to its licensor's supply chain requirements, Outerstuff's compliance program is evaluated by its licensors on an annual basis.

The table below describes Outerstuff's applicable facilities over the period 2011-2014, as reported to the FLA. The table includes Outerstuff's affiliation as a B Licensee, with the transition to a Participating Company expanding its FLA supply chain scope to 19 facilities. During this period, Outerstuff applicable facilities were subject to a total of 3 Independent External Assessments (IEA): 1 FLA Independent External Monitoring (IEM) assessment and 2 FLA Sustainable Compliance Initiative (SCI) assessments. Information on the results of these assessments and the remediation undertaken by Outerstuff in response to findings are publicly available on the FLA website and are discussed, as appropriate, in the next section.

OUTERSTUFF APPLICABLE FACILITIES & FLA ASSESSMENTS, 2011-2014								
COUNTRY	2011 APPLICABLE FACILITIES*	2011 FLA ASSESSMENTS	2012 APPLICABLE FACILITIES*	2012 FLA ASSESSMENTS**	2013 APPLICABLE FACILITIES	2013 FLA ASSESSMENTS***	2014 APPLICABLE FACILITIES	2014 FLA ASSESSMENTS
Bangladesh	1	1	1		2		2	
Cambodia					1		2	
China	1		2		5		4	
El Salvador	2		2		2	1	2	
Guatemala					2		1	
Honduras							1	
Indonesia			2		4		2	1
Lesotho							1	
Pakistan	1		1		1		1	
Thailand					1		1	
US			1		1		2	
TOTAL	5	1	9	0	19	1	19	1

* Outerstuff was a B Licensee, thus only Outerstuff's collegiate production was under the FLA's scope.

** In 2012, the FLA Monitoring Committee approved that no B Licensees would receive IEAs, and instead would receive a Verification Assessment of their implementation of the Principles of Fair Labor & Responsible Sourcing at the headquarter-level.

*** The FLA Monitoring Committee decided in 2013 that each unaccredited PC would receive 1 SCI assessment regardless of the number of facilities in its supply chain.

SECTION 2: ANALYSIS OF OUTERSTUFF'S LABOR COMPLIANCE PROGRAM USING THE FLA PRINCIPLES OF FAIR LABOR AND RESPONSIBLE SOURCING

Information used in this assessment originates from annual reports submitted by Outerstuff to the FLA verified through:

- 1) An assessment at Outerstuff headquarters conducted by FLA staff (November 2014);
- 2) Shadowing of Outerstuff's licensors' audits at an apparel factory in China (May 2014) and a screen printing facility in the United States (January 2015);
- 3) Shadowing of Outerstuff's Director of CSR & Product Integrity's pre-sourcing review of the Outerstuff compliance program with a potential new supplier (July 2015);
- 4) Information gathered in person, via phone interviews, and through email correspondence with Outerstuff staff;
- 5) Documentation review of supporting evidence submitted by Outerstuff;
- 6) Results of FLA Independent External Assessments at Outerstuff applicable facilities conducted by FLA assessors;
- 7) Interactions with Outerstuff and stakeholders in the context of a Third-Party Complaints involving facilities in Honduras and El Salvador in 2015 and a Third-Party Safeguards Investigation involving a facility in El Salvador in 2011 with the Independent Remediation Verification in 2015; and
- 8) Communication with stakeholders.

1. **WORKPLACE STANDARDS: COMPANY AFFILIATE ESTABLISHES AND COMMITS TO CLEAR STANDARDS**

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

Actions Taken:

Outerstuff adopted its first code of conduct in 2009. In 2015, Outerstuff revised its code of conduct to meet the FLA Workplace Code of Conduct. The Outerstuff Code of Conduct is applicable to all licensor contracts and contract suppliers of Outerstuff. The Outerstuff Vendor Code of Conduct also incorporates aspects of the codes from adidas-Group, Nike, Inc., and VF Corporation (licensors). The Outerstuff Vendor Code of Conduct exceeds the FLA Workplace Code of Conduct in its standards on "Health & Safety" and "Environmental Requirements" and also includes a standard for "Denial of Access" of any authorized Outerstuff staff.

Verification by FLA:

Throughout Outerstuff's implementation, FLA reviewed the Outerstuff Vendor Code of Conduct and identified areas that required alignment with the FLA Workplace Code of Conduct. In July 2015, Outerstuff revised its final element "Wages & Benefits" to align with the FLA's Compensation code language. FLA confirms that the 2015 Outerstuff Vendor Code of Conduct meets or exceeds the FLA Workplace Code of Conduct. A copy of the Outerstuff Vendor Code of Conduct can be found in the Appendix.

Recommendation:

FLA recommends that Outerstuff work to implement the Outerstuff Vendor Code of Conduct in its supplier agreements and provide code translations for all the local languages of its supplier factories.

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

Actions Taken:

Outerstuff's President & Owner has formally committed to upholding Outerstuff's workplace standards through communication to Outerstuff employees. Additionally, the President & Owner strives to visit all of Outerstuff's suppliers on an annual basis, in order to build and maintain strong, long-term relationships within its supply chain. Outerstuff's President & Owner also supported the change in affiliation status from a B Licensee to a PC in October 2012.

Verification by FLA:

FLA reviewed a memo from the Outerstuff President & Owner that went to all staff when Outerstuff became a PC in 2012. The Outerstuff President & Owner also sent a memo to all staff in 2013, describing Outerstuff's affiliation with the FLA, describing the work of the Director of CSR & Product Integrity, and attaching the FLA Workplace Standards. FLA also interviewed the President & Owner and other executive-level management to verify the commitment to uphold workplace standards is integrated throughout Outerstuff's business practices. In 2014, the President & Owner sent a memo to all staff on Outerstuff's commitment to the FLA's standards on responsible purchasing practices, civil society organization (CSO) engagement, and the FLA's Fair Compensation Work Plan. FLA identified Outerstuff's leadership engagement in its supply chain as a strength of the Outerstuff compliance program.

2. RESPONSIBILITY AND HEAD OFFICE/REGIONAL TRAINING: COMPANY AFFILIATE IDENTIFIES AND TRAINS SPECIFIC STAFF RESPONSIBLE FOR IMPLEMENTING WORKPLACE STANDARDS AND PROVIDES TRAINING TO ALL HEAD OFFICE AND REGIONAL STAFF

2.1 Company Affiliate identifies the person(s) responsible for implementing its workplace standards compliance program.

Actions Taken:

The Director of CSR & Product Integrity and the Compliance & Product Integrity Coordinator (CSR & Product Integrity Team) are responsible for the development and implementation of Outerstuff's compliance program. Outerstuff works with six agents throughout its supply chain. Additionally, the Owner & President of Outerstuff has a non-financial business partner, as described by Outerstuff, in South Korea that coordinates the production in its China contract supplier. Additionally, the non-financial business partner owns and operates two contract apparel suppliers of Outerstuff, one in Cambodia and one being built in Vietnam. Agents, in addition to factories, are required to sign the Outerstuff Vendor Code of Conduct agreement as discussed further in Principle 3.

Verification by FLA:

FLA verified that the CSR & Product Integrity Team is responsible for implementing Outerstuff's compliance program through a review of job descriptions and interviewing the CSR & Product Integrity team and other Outerstuff staff. FLA reviewed an informal organizational chart that reflects the Director of CSR & Product Integrity's coordination with other departments. FLA reviewed job descriptions of the Director of CSR & Product Integrity Team and verified that the Director's job responsibilities include creating, implementing and managing Outerstuff's compliance program; training sourcing managers, agents, and factory management on the compliance program; managing Outerstuff's licensors' audit cycles; managing remediation efforts; engaging with nongovernmental organizations,

CSOs and other stakeholders; and managing the Compliance & Product Integrity Coordinator. The Compliance & Product Integrity Coordinator's job responsibilities include reviewing potential new suppliers' factory profiles and compliance history; reviewing audit findings with the sourcing managers, agents, and factory management; supporting and tracking remediation efforts; collecting, mapping, and analyzing compliance data to identify noncompliance trends; and maintaining monthly, quarterly, and annual reports for licensors and the FLA. For agents, FLA verified that agents signed the Outerstuff Vendor Code of Conduct agreements for 2014, which requires their commitment to uphold the Outerstuff Vendor Code of Conduct.

2.2 Company Affiliate trains the person(s)/team(s) responsible for administering and implementing its workplace standards compliance program.

Actions Taken:

The Director of CSR & Product Integrity was hired in 2008 as the Compliance Manager for Outerstuff. Prior to Outerstuff, he worked for another apparel group as the Human Rights & Social Responsibility Manager. Additionally, the Director of CSR & Product Integrity has taught courses over the past 10 years in corporate social responsibility practices in the global supply chain at Baruch College, New York University, and Columbia University as an adjunct professor. Throughout Outerstuff's implementation period, the Director of CSR & Product Integrity has attended various social compliance trainings and meetings hosted by its licensors, Elevate, Collegiate Licensing Company (CLC), the American Apparel & Footwear Association (AAFA), Worldwide Responsible Accredited Production (WRAP), and the FLA. Topics of these trainings and meetings include social compliance auditing, licensor social compliance requirements, and global supply chain working conditions.

Since the CSR & Product Integrity Coordinator was hired in July 2014, she has completed various forms of formal and informal training on social compliance practices and the Outerstuff compliance program. She has completed trainings by the Director of CSR & Product Integrity on the Outerstuff's compliance program, the FLA, and the licensors' compliance programs. She has also completed various webinars and trainings from Elevate, WRAP, Business for Social Responsibility (BSR), and the FLA. The CSR & Product Integrity Coordinator observed the FLA field observation of a licensor audit in January 2015.

The CSR & Product Integrity Team communicates with its agents on the requirements of the Outerstuff compliance program and requests that the agents and factory management sign the Outerstuff Vendor Code of Conduct annually.

Outerstuff works with a number of service providers that are assigned by its licensors to conduct audits at Outerstuff's contract factories. The service providers are trained by Outerstuff's licensors to assess facilities against the licensors' standards during factory audits.

Verification by FLA:

FLA reviewed and verified the training materials the CSR & Product Integrity Team has studied to support the development of the Outerstuff compliance program. Throughout the headquarter assessment and discussions, the Director of CSR & Product Integrity demonstrated knowledge of its licensors' compliance programs and illustrated how Outerstuff has integrated those various requirements into its own compliance program. Additionally, FLA verified that the CSR & Product Integrity Coordinator has demonstrated increased knowledge since the headquarter assessment through various follow-up discussions on implementation of audit data analysis and policy and procedure development. FLA also reviewed the guidance materials on the establishment of effective grievance

mechanisms by Outerstuff's licensor. FLA identified as a strength the CSR & Product Integrity Team's pursuit of training and engagement opportunities.

Through two field observations, FLA observed audits conducted by two service providers on behalf of Outerstuff's licensors. Based on these observations, FLA recommended that Outerstuff address the gaps discussed in the observation reports with its licensors on the training of the service providers. Following feedback from the field observation conducted in January 2015, Outerstuff responded that it would address the recommendations with its licensor.

Recommendations:

FLA recommends the CSR & Product Integrity Team continue to pursue trainings in global social compliance issues. FLA recommends Outerstuff engage with its agents to implement regular training on the revised Outerstuff Vendor Code of Conduct. FLA also recommends Outerstuff implement systems to ensure the various formal and informal trainings are effective for the CSR & Product Integrity Team and Outerstuff's agents. FLA recommends that Outerstuff continue to engage with its licensors to ensure adequate training of third party monitors so that there is consistent implementation of its licensors' auditing standards.

2.3 Company Affiliate 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.

Actions Taken:

The Director of CSR & Product Integrity is responsible for training all Outerstuff staff. The director has had informal trainings and discussions with relevant Outerstuff staff on its compliance program. Additionally, with the support of the CSR & Product Integrity Coordinator, the Director developed a report to review noncompliances found in Outerstuff's supply chain. The Director reviewed this report with the vice presidents, directors, and managers of Production, Sourcing, and Design & Merchandising teams. The executive vice presidents of Sales have received training from the Director of CSR & Product Integrity, and also include the CSR & Product Integrity team in meetings with new buyers in order to inform them about Outerstuff's compliance program.

Verification by FLA:

Through interviews at the headquarter assessment, FLA verified that training on Outerstuff's compliance program has been conducted with senior-level management in Sourcing, Production, Design & Merchandising, and Sales. Senior-level management showed knowledge of the Outerstuff compliance program and responsible purchasing practices. Through interviews, senior-level management demonstrated knowledge on Outerstuff's pre-sourcing process, basic factory walk-through visual inspection, and common noncompliance issues in Outerstuff's contract factories.

FLA staff also reviewed the memos to all Outerstuff staff from the President & Owner on the Outerstuff's commitment to workplace standards and FLA affiliation. However, FLA did not verify that all Outerstuff staff received annual refresher training on the Outerstuff compliance program.

Recommendations:

FLA recommends that the CSR & Product Integrity Team develop a formal training program for all staff of Outerstuff to review on an annual basis. It is recommended that the training program include a system to collect feedback on the training to demonstrate that staff has gained knowledge from the training.

3. SUPPLIER TRAINING: COMPANY AFFILIATE OBTAINS COMMITMENT AND TRAINS RELEVANT SUPPLIER MANAGEMENT ON WORKPLACE STANDARDS AND TRACKS EFFECTIVENESS OF SUPPLIER WORKFORCE TRAINING

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

Actions Taken:

Outerstuff has developed a diligent onboarding supplier process (to be discussed in Principle 5), which fulfills the requirements of its licensors' compliance programs. Before new suppliers submit to a pre-sourcing audit from Outerstuff's licensors, agents and new supplier management are required to submit to Outerstuff the signed Outerstuff Vendor Code of Conduct. By signing the Outerstuff Vendor Code of Conduct, agents and suppliers are committing to uphold the Outerstuff workplace standards, licensor requirements, product safety requirements, and to remediate noncompliances. The Director of CSR & Product Integrity reviews these requirements in-person with new suppliers before Outerstuff pursues a business relationship with the supplier. Existing suppliers and agents are required to sign the Outerstuff Vendor Code of Conduct on an annual basis.

Verification by FLA:

FLA verified that all of Outerstuff's suppliers have signed the Outerstuff Vendor Code of Conduct. Additionally, FLA reviewed signed agreements from potential new suppliers of Outerstuff for future seasons.

Recommendations:

FLA recommends Outerstuff implement the newly updated Outerstuff Vendor Code of Conduct for suppliers and agents to sign in the agreements for 2016.

3.2 Company Affiliate obtains written agreement from suppliers to facilitate periodic assessments, including those organized by the FLA, and to actively contribute to consequent remediation activities.

Actions Taken:

The Outerstuff Vendor Code of Conduct includes that suppliers are to submit to periodic assessments from Outerstuff licensors, to make progress on remediation efforts, and to submit to announced and unannounced factory visits from the Director of CSR & Product Integrity.

Verification by FLA:

Through the FLA's review of the Outerstuff Vendor Code of Conduct, the FLA identified that only the licensors audits are addressed in the agreement for facilitating periodic assessments. However, through a field observation of a potential new supplier in July 2015, FLA verified that the Director of CSR & Product Integrity reviews the role of the FLA with the supplier.

Recommendation:

FLA recommends that Outerstuff incorporate into its written agreement that suppliers are to submit to assessments and activities conducted by the FLA.

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

Actions Taken:

Due to Outerstuff's licensor requirements, suppliers are required to maintain an approved status within the licensors' standards. In the Outerstuff Vendor Code of Conduct, Outerstuff specifies the requirements of one of its licensors' audit approval requirements. In the case that a factory does not maintain its approved status with the licensor, the supplier factory must submit to a follow-up audit to verify that remediation has taken place. If the factory does not maintain its approved status through the licensors' audits, Outerstuff is not able to continue its business relationship with the factory. The licensors' supplier approval process is the process by which Outerstuff conditions future business on workplace conditions.

In 2014, Outerstuff exited one of its suppliers due to the factory's failure to commit to remediation of social insurance findings.

Verification by FLA:

FLA verified the contents of the Outerstuff Vendor Code of Conduct and the approval status factories must maintain to continue production for Outerstuff's licensors. FLA also reviewed the scheduling of follow-up audits that were required should the factory not maintain its approval status. FLA verified that Outerstuff removed from its FLA factory list the supplier they exited due to lack of remediation in social insurance.

Recommendation:

To ensure improvement in factory conditions from year to year, FLA recommends Outerstuff continue to analyze annual audit results, including those of its other licensors, and review factories' continuous improvement through the Outerstuff scorecard further discussed in Principles 6 and 8.

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

Actions Taken:

When on-boarding a new supplier, Outerstuff provides the factory with the Outerstuff Vendor Code of Conduct, the codes of conduct from its licensors, and the FLA Workplace Code of Conduct. Outerstuff provides the codes of conduct from its licensors in applicable languages for its supplier facilities. Outerstuff requires its suppliers to post all the applicable licensors' codes of conduct and the applicable translations of the FLA Workplace Code of Conduct in factories. Outerstuff has translations of its licensors' codes of conduct and the FLA Workplace Code of Conduct collectively in the following languages: Thai, Urdu, Indonesian, Spanish, Chinese, Vietnamese, Cambodian, Bengla, Khmer, and Bahasa.

Verification by FLA:

FLA verified that Outerstuff has its licensors' codes of conduct and the FLA Workplace Code of Conduct in the relevant languages. In a field observation of an audit in the United States in January 2015, it was observed that the factory had English and Spanish speaking workers, but only the English versions of the licensor's and FLA code were

posted. During the audit, the factory gained access to the Spanish translations and posted the codes, which was verified by the auditor and FLA.

Recommendation:

Due to the varying standards in Outerstuff's licensors' codes of conduct and the FLA Workplace Code of Conduct, FLA recommends Outerstuff translate its revised Vendor Code of Conduct in all relevant languages to ensure all have access to the standards that meet or exceed the FLA Workplace Code of Conduct. Additionally, FLA recommends Outerstuff explore alternative methods of communicating its code to ensure that workers, managers, and supervisors have access to its workplace standards.

3.5 Company Affiliate ensures that workers, managers, and supervisors are trained on workplace standards at regular intervals to take account of labor turnover.

Actions Taken:

Some of Outerstuff's licensors assess training on workplace standards in their audits of Outerstuff factories and the requirement is included in the licensors' compliance benchmarks. Additionally, the Director of CSR & Product Integrity conducts informal trainings with factory management on Outerstuff's compliance program during the on-boarding process and at annual factory visits or factory management visits to Outerstuff headquarters.

Verification by FLA:

FLA reviewed the compliance benchmarks of two of Outerstuff's licensors and verified that workplace standards training requirements for workers, managers, and supervisors are included. Additionally, FLA reviewed the audit tools of Outerstuff's licensors and verified that workplace standards training is included. However, the training on workplace standards assessed by the licensors' service providers are specific to the licensors' workplace standards, not Outerstuff's Vendor Code of Conduct. Additionally, neither Outerstuff nor its licensors collect training feedback or document behavioral changes to ensure workers, managers, and supervisors gain knowledge from the trainings.

In a 2014 Outerstuff SCI in Indonesia, it was found through worker interviews that workers were subject to verbal abuse by supervisors. Through remediation verification, Outerstuff ensured that the factory implemented a training system for supervisors on workplace conduct. The factory engaged with Better Work Indonesia for training on professional etiquette, leadership skills, problem solving, and verbal abuse. The factory had numerous internal training sessions through 2014 and 2015. Additionally, the factory engaged with Total Quality Indonesia, an organization that focuses on responsibility and respect in a professional setting to conduct additional trainings and consultation. Now that training has been conducted, Total Quality Indonesia will support the factory in developing a worker questionnaire to assess if the verbal abuse issue has been remediated. Total Quality Indonesia will also provide consultation on the collective bargaining agreement to ensure sanctions against supervisors who continue to abuse workers are clear.

Additionally, at this 2014 SCI, it was found that the factory had not provided sufficient training to workers in its new hire orientation and ongoing training on areas such as grievance mechanisms, industrial relations, and compensation. Through remediation verification, Outerstuff ensured that the factory developed a more comprehensive training system for workers. The factory hired a human resource consultant to develop a training syllabus and procedures. The factory's existing training materials were enriched to provide more context to workers.

Recommendation:

FLA recommends that Outerstuff pursue the development of training for workers, managers, and supervisors on Outerstuff's revised Vendor Code of Conduct. Additionally, it is recommended that Outerstuff ensure that its factories develop a system to ensure that training of workplace standards is effective for workers, managers, and supervisors.

4. FUNCTIONING GRIEVANCE MECHANISMS: COMPANY AFFILIATE ENSURES WORKERS HAVE ACCESS TO GRIEVANCE MECHANISMS, WHICH INCLUDE MULTIPLE REPORTING CHANNELS OF WHICH AT LEAST ONE IS CONFIDENTIAL

4.1 Company Affiliate ensures there are functioning grievance procedures at suppliers.

Actions Taken:

Outerstuff has adopted and integrated the benchmarks of its licensors, which include standards for functioning grievance mechanisms. Through the audits conducted by the licensors' service providers, the functioning of factories' grievance systems is assessed through document review and interviews with factory management and workers. If it is found that an Outerstuff supplier does not have functioning internal grievance systems, the Director of CSR & Product Integrity will review a grievance systems guidance document with the factory management and support the development of enhanced grievance system policies and procedures.

Verification by FLA:

FLA verified the benchmarks of Outerstuff's licensors on grievance mechanisms and reviewed the licensors' audit tools to verify how grievance mechanisms are assessed. In a field observation of a 2014 audit in China, it was observed that while the auditor reviewed the grievance systems, the auditor only included a small number of questions during the worker interviews to assess worker awareness of grievance mechanisms. During a field observation of a 2015 audit in the United States, although the auditor assessed the grievance mechanisms and included questions on workers' awareness of grievance mechanisms, the factory did not have in place a secure, confidential, and anonymous channel for workers to submit grievances and receive resolutions.

Outerstuff addressed the recommendations on grievance mechanisms from the FLA's field observation reports with the relevant licensors and with the factory management. Additionally, the Director of CSR & Product Integrity incorporated the review of functioning grievance mechanisms into the factory on-boarding process and in annual factory visits. This review was verified in a 2015 FLA field observation in China.

Recommendation:

FLA recommends Outerstuff continue to work with its licensors to ensure that the functionality of grievance mechanisms is assessed effectively during the audit process. If grievance mechanisms are not being utilized by workers, FLA recommends Outerstuff develop an assessment system to review the functionality of the grievance mechanisms of its supply chain.

4.2 Where local mechanisms are not functioning, Company Affiliate provides alternative channels for workers to contact the brand directly and confidentially.

Actions Taken:

As one of its licensors' requirements, factories producing for this licensor are required to post the licensor's confidential hotline poster in the relevant local language. As part of the licensor's procedures for the confidential hotline, if a complaint from one of Outerstuff's factories is reported through the channel, this licensor informs Outerstuff of the complaint. Outerstuff has the licensor's hotline posters in Indonesian, Arabic, Bengali, English, Chinese, Spanish, Urdu, and Thai. The licensor's third party service providers ensure that the hotline channel poster is posted and viewable to workers when conducting audits. The hotline poster includes a local number and email address for workers to contact.

Verification by FLA:

FLA reviewed the confidential hotline poster and verified that Outerstuff has the poster in all relevant languages. Through the 2014 field observation of an audit in China, FLA observed that the auditor verified that the hotline poster was visible to workers. FLA also interviewed the licensor on its confidential hotline channel, and confirmed that procedures are in place to inform Outerstuff of any grievances submitted through the hotline channel. The licensor affirmed that they had not received grievances from any Outerstuff contract suppliers through the licensor's hotline channel.

In a 2011 IEM in Bangladesh, it was found that a confidential reporting channel was not in place at the factory. Through remediation verification, Outerstuff ensured that the Bengali hotline poster of Outerstuff's licensor was posted at the factory.

Recommendation:

FLA reviewed Outerstuff's supply chain and confirmed that all but one supplier produces for this licensor through Outerstuff. FLA recommends that Outerstuff develop a confidential reporting channel for the factory that is not producing this licensor's product and thus does not post the hotline poster.

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

Actions Taken:

The benchmarks of Outerstuff's licensors' include training on grievance systems. Outerstuff's licensors' service providers are to assess that workers are trained on grievance systems during the audit process.

Verification by FLA:

FLA verified the standards of training in the benchmarks of Outerstuff's licensors. However, it was noted that the licensors' audit tools do not provide for the collection of detailed information on grievance mechanism training for workers. Additionally, in the 2014 field observation in China, it was noted that training on grievance mechanisms was not assessed. .

Recommendation:

FLA recommends Outerstuff develop a system to ensure that factories are training their workers on grievance mechanisms. In this system, Outerstuff should work with factories to ensure worker trainings on grievance mechanisms are effective and include specific efforts to gain the trust of the workers to utilize the grievance system.

4.4 Company Affiliate ensures that grievance mechanisms lack penalty and have at least one confidential reporting channel.

Actions Taken:

The Director of CSR & Product Integrity reviews that grievance mechanisms lack penalty when reviewing grievance procedures during factory visits. The benchmarks of Outerstuff's licensors include that grievance mechanisms prevent retaliation and include a suggestion box as a confidential reporting channel. For one of the licensors, it is required that a non-retaliation policy be developed and posted next to the suggestion box. Additionally, Outerstuff's licensor's confidential hotline channel is made available to workers at the Outerstuff contract factories producing this licensor's branded apparel.

Verification by FLA:

During a 2015 field observation of the training of a potential supplier, FLA verified that the Director of CSR & Product Integrity reviewed the grievance procedures of the factory to ensure a lack of penalty. The FLA reviewed the benchmarks of Outerstuff's licensors and verified that the benchmarks include that grievance mechanisms lack penalty and that there is a channel through which workers can submit grievances confidentially. During the worker interviews of the 2015 field observation in the United States, FLA observed that there was a lack of trust in the confidentiality of the factory's grievance mechanisms. FLA recommended that Outerstuff work with this factory to develop a revised grievance mechanism to ensure worker confidentiality and to train the workers on this revised mechanism.

In a 2014 SCI in Indonesia, it was found that the suggestion box system for workers did not allow for workers to submit grievances anonymously. Through remediation verification, Outerstuff ensured that the factory revised its procedures to allow for anonymous reporting. Additionally, remediation efforts included installing 12 grievance boxes around the factory in discreet locations. The factory also developed a procedure to review and document all grievances submitted.

Recommendation:

FLA recommends Outerstuff develop a consistent system to review its factories' grievance mechanisms to ensure that they lack penalty and have at least one confidential reporting channel.

5. MONITORING: COMPANY AFFILIATE CONDUCTS WORKPLACE STANDARDS COMPLIANCE MONITORING

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

Actions Taken:

Outerstuff has implemented a diligent pre-sourcing process when on-boarding new suppliers in line with the requirements of its licensors. Generally, potential new suppliers will visit the Outerstuff headquarters prior to proceeding with the pre-sourcing process. In these meetings, the Director of CSR & Product Integrity walks through Outerstuff's pre-sourcing requirements with the potential supplier. Outerstuff requires its suppliers to submit completed forms from the licensor's Welcome Kit, the Outerstuff Factory Set-Up Form, the factory's auditing history, a service provider's factory information sheet, and the signed Outerstuff Vendor Code of Conduct. Through the various forms, the factory submits information about the factory's management; compliance program and processes; the factory's self-assessment on issues such as freedom of association, working hours, wages & benefits, health & safety; any healthy & safety or social compliance certifications; and information on subcontractors and agents.

Additionally, for one of Outerstuff's licensors, if a potential new supplier is not already approved by the licensor, Outerstuff must submit a business case form to the licensor.

Once a potential new supplier submits the appropriate information to Outerstuff, the Director of CSR & Product Integrity visits the factory to review the requirements of its compliance program and discuss the upcoming pre-sourcing audit. During this visit, the Director discusses the pre-sourcing audit requirements of its licensor, reviews grievance mechanisms, and discusses Outerstuff's affiliation with the FLA. After the visit is completed, Outerstuff will notify its licensor to conduct the pre-sourcing audit at the potential new supplier. If the supplier achieves an approval status after the pre-sourcing audit, the Director of CSR & Product Integrity notifies the Sourcing and Production departments that this supplier has been approved for upcoming seasons. If the supplier does not achieve approval status and the noncompliances found are not considered zero-tolerance issues by the licensor, the supplier factory will be subject to another audit within six months. In this case, the CSR & Product Integrity Team will work with the supplier to ensure remediation actions occur before the next audit. If the factory does not achieve approval status in the next audit, the supplier is not approved to proceed with Outerstuff sampling or practice production runs.

Verification by FLA:

Through document review, FLA verified the implementation of the various pre-sourcing documents that potential new suppliers are required to submit. FLA also reviewed Outerstuff's tracking documents for potential new supplier training, pre-sourcing audit scheduling, and licensors' factory approval status.

When interviewing senior-level management from the Design & Merchandising, Sourcing, and Production Teams, it was clear that management was well informed on Outerstuff's pre-sourcing processes and requirements for suppliers. In 2014, Outerstuff was projected to receive an increase in business from one of its licensors. The Outerstuff Sourcing and CSR & Product Integrity teams worked together to review potential new suppliers to accommodate the expansion in business. Then, the CSR & Product Integrity Team worked with the licensor to conduct pre-sourcing audits, ensuring that Design & Merchandising and Production would have a list of approved factories from which to select

In July 2015, FLA observed a meeting with the Director of CSR & Product Integrity at a potential new supplier, which took place prior to scheduling the licensor's pre-sourcing audit. During this meeting, the Director of CSR & Product Integrity conducted a factory walk-through, reviewed the various pre-sourcing forms the factory submitted, and discussed Outerstuff's compliance program requirements, grievance mechanism expectations, and responsible purchasing practice commitments.

FLA notes as strengths of the Outerstuff compliance program the diligence in the review of factory information, pre-sourcing audits, and knowledge of the pre-sourcing process by other Outerstuff staff.

5.2 Company Affiliate monitors contract facilities regularly to assess compliance with workplace standards.

Actions Taken:

Outerstuff does not monitor its contract facilities, however all Outerstuff suppliers are audited a minimum of once per year by Outerstuff's licensors' service providers. In the case that an Outerstuff supplier factory is manufacturing for more than one of its licensors, that supplier will be subject to an audit from each of the licensor's selected service providers. Each licensor trains its service providers on its own auditing methodology. Once the audit is conducted,

the licensor reviews the report by the service provider. Then, the findings and the proposed corrective action plans are shared with Outerstuff. Outerstuff is then responsible for ensuring the factory pursues remediation.

Verification by FLA:

Through document review, FLA verified that all Outerstuff suppliers are assessed on a regular basis by Outerstuff's licensor or licensors' service providers. FLA reviewed audit reports, a licensor's audits stored in the Fair Factories Clearinghouse (FFC) platform, audit trackers, audit findings stored in another licensor's platform, and regular and ongoing communication on remediation. FLA observed two audits conducted by service providers of Outerstuff licensors.

Due to the auditing requirements of Outerstuff's licensors, it is possible that some Outerstuff factories experience audit fatigue solely through the Outerstuff compliance program. It is possible that an Outerstuff supplier could receive anywhere from one to five audits in a year on behalf of Outerstuff, due to the licensors' annual audits, follow-up audits (if necessary), and the FLA SCI assessment.

Recommendation:

FLA recommends Outerstuff continue discussions with its licensors about greater collaboration in accepting or sharing audits to reduce the number of audits at a given factory each year. FLA also recommends Outerstuff vigorously pursue ownership approval of its compliance program from its licensors, which would allow Outerstuff to consolidate efforts to maintain a consistent monitoring program across all Outerstuff contract factories.

5.3 Company Affiliate ensures that monitoring includes as appropriate, but not limited to:

- A. Worker interviews,**
- B. Consultation with unions or worker representative structures (where applicable),**
- C. Management interview,**
- D. Documentation review,**
- E. Visual inspection, and**
- F. Occupational safety and health review**

Actions Taken:

All of Outerstuff's licensors require their third party service providers to conduct worker interviews, management interviews, documentation review, visual inspection, and occupational safety and health review during audits. Two of Outerstuff's licensors have service providers that contract out the audits for its licensees. The other licensor conducts the audits of Outerstuff's suppliers with the licensor's internal audit team.

Verification by FLA:

FLA confirmed through two field observations and review of audit tools and reports that the audits conducted by the service providers of Outerstuff's licensors include worker interviews, management interviews, documentation review, visual inspection, and occupational safety review. During the field observation in China, it was observed that worker representatives were not included in the opening and closing meeting, nor were they selected for worker interviews. FLA's recommendations from this field observation emphasized that worker representatives should be included in the audit process.

During the field observation in the United States, FLA observed that the licensor's service provider demonstrated a lack of expertise during the worker interviews and documentation review. For example, the auditor was not

prepared to speak with non-English speaking workers and had initially requested the factory's HR Manager to translate during worker interviews, posing the risk that workers might not feel comfortable discussing their concerns openly and jeopardizing confidentiality of the interview. Fortunately, Outerstuff's CSR & Product Integrity Coordinator offered to translate during the interviews for Spanish-speaking workers. Additionally, it was observed that the auditor did not review payroll documentation from the factory's peak production periods, when there is the greatest risk for issues with excessive overtime and payment for overtime work. Outerstuff addressed the FLA recommendations by reviewing the report's recommendations for the auditor with the licensor.

Recommendation:

FLA recommends Outerstuff continue to observe and review the quality of the audits conducted by the service providers of its licensors. Additionally, it is recommended that Outerstuff work with its licensors to ensure that auditors selected to conduct audits of Outerstuff contract factories are upholding the licensors' auditing standards and methodology. FLA also recommends that Outerstuff work with its licensors to integrate union and worker representative engagement during audits or in Outerstuff's factory visits.

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

Actions Taken:

The audit tool and Welcome Kit from one of Outerstuff's licensors requests information from the factory on the existence of any collective bargaining agreement (CBA), in order to ensure monitoring is consistent with its terms. Outerstuff also reports to the Collegiate Licensing Company (CLC) if there are CBAs in place at factories with unions.

Verification by FLA:

FLA confirms that the licensor's audit tool and Welcome Kit includes the request for information on collective bargaining agreements where factories have unions. FLA also reviewed the self assessment information submitted to the CLC on collective bargaining agreements in place.

Recommendation:

FLA recommends engaging with the active unions in Outerstuff's supply chain to gain understanding the contents of the collective bargaining agreements. FLA recommends Outerstuff engage with the factory and union representatives to understand union activity at the factory and why a collective bargaining agreement is in place or not in place.

6. COLLECTION AND MANAGEMENT OF COMPLIANCE INFORMATION: COMPANY AFFILIATE COLLECTS, MANAGES, AND ANALYZES WORKPLACE STANDARDS COMPLIANCE INFORMATION

6.1 Company Affiliate maintains a complete and accurate list of contract facilities and collects and manages compliance and workplace information.

Actions Taken:

The CSR & Product Integrity team maintains a complete and accurate list of suppliers, which includes records of past and future scheduled audits, dates of Outerstuff meetings and trainings with factory management, and facilities' approval status with Outerstuff's licensors. As part of the pre-sourcing process, Outerstuff requires all potential

suppliers to complete a Factory Setup Form, which includes basic information about the factory, its workers, and its social compliance history. For facilities associated with one of its licensors, Outerstuff uses the FFC platform to maintain records of: facility addresses and contact information; basic factory information on working hours, minimum wage, benefits, etc.; historic audit data; root causes of noncompliances; corrective action plans; and status of remediation. For another licensor, Outerstuff uses the licensor's platform to track factory compliance information. For the third licensor, Outerstuff uses an Excel tracker to track its factory compliance information.

Additionally, Outerstuff is assessed by its licensors on the working conditions of its supply chain. Outerstuff receives scorecards on an annual basis from two of its licensors. The licensors review different metrics and have different scoring systems for its licensee programs. One scorecard reviews the audit rankings of the Outerstuff contract factories producing for that licensee's product. The other licensee's scorecard requires Outerstuff to submit a self assessment to the licensee, which includes information about their Outerstuff compliance program, timeliness of remediation completion, and working conditions of the factories. This licensor's scorecard also includes a corrective action plan specific to Outerstuff.

Verification by FLA:

FLA reviewed samples of the Factory Setup Form completed by suppliers, Outerstuff's Approved Factory List tracker, and observed during the Headquarter assessment how CSR staff utilizes the FFC platform for managing audits and tracking remediation.

The FLA interviewed a licensor of Outerstuff about its scorecard methodology and relationship with Outerstuff. FLA verifies that Outerstuff engages with this licensor on a regular basis, and reviews the scorecard on an annual basis. The licensor also shared its procedures for how a licensee can take ownership of its compliance program. If a licensee scores a certain percentage, they become eligible to pursue ownership of its monitoring program. As the licensee implements its monitoring program, this licensor conducts due diligence and verification to ensure the monitoring is meeting its licensor's standards. FLA recommends Outerstuff continue to work to improve its scores with its licensors so that Outerstuff can pursue ownership of its monitoring program.

Recommendation:

FLA recognizes the efforts Outerstuff has made to manage the various sources of information their licensors require them to maintain. FLA recommends Outerstuff continue to ensure consistency of its management of workplace compliance information by formally tracking labor disputes, incidents, accidents, and presence of unions or worker representative structures and to ensure that this information is shared with Sourcing on a regular basis.

6.2 Company Affiliate analyzes trends in non-compliance findings.

Actions Taken:

Outerstuff analyzes the audit data for factories producing for one of its licensors using the FFC database, examining total findings broken out by region, country, and code element. The Director of CSR & Product Integrity reviews this report with Sourcing and Production staff.

Outerstuff has developed a country trend report based on its total audit findings, by code element, in each country over the last 3 years. Through this analysis, Outerstuff has identified the most prevalent and/or persistent social compliance issues of its facilities. Outerstuff has used this trend report to compare the pre-sourcing audit results of a potential supplier factory to the existing Outerstuff facilities in the country. This assessment was reviewed with

Sourcing and Production staff, and with the management of the potential new supplier, as a way to highlight critical issues for remediation.

Outerstuff has developed a Factory Scorecard methodology to track the audit history of individual factories by documenting year-on-year noncompliances by code element, enabling Outerstuff to identify repeating forms of noncompliance. The scorecard also places heavier weight on threshold and zero tolerance issues, allowing Outerstuff to analyze and account for the noncompliances that most negatively affect workers. The Factory Scorecard produces an annual overall factory grade and associated color-coding that is linked with factory approval status and follow-up actions. The scoring system also enables Outerstuff to compare social compliance performance across its factory base, and identify those requiring the most improvement.

Verification by FLA:

FLA reviewed the FFC noncompliance data analysis and confirmed in interviews with Sourcing and Production staff that they are knowledgeable about the report. FLA staff also reviewed examples of the country trend report and the Factory Scorecard. However, FLA noted Outerstuff's supplier in the United States is not incorporated into the country audit data analysis and factory scorecard.

Recommendations:

FLA recommends that Outerstuff work to incorporate audit data from the supplier in the United States into the country trend report and factory scorecard. Additionally, as Outerstuff brings on new suppliers, FLA recommends Outerstuff incorporate its audit data into the country trend report and factory scorecard. FLA also recommends Outerstuff work towards implementing the Factory Scorecard for all suppliers and further communicate with suppliers about the Factory Scorecard results. FLA recommends Outerstuff seek further opportunities to apply learnings from data analysis in its approach to remediation and sourcing decisions.

7. TIMELY AND PREVENTATIVE REMEDIATION: COMPANY AFFILIATE WORKS WITH SUPPLIERS TO REMEDIATE IN A TIMELY AND PREVENTATIVE MANNER

7.1 Company Affiliate provides regular follow-up and oversight to implement corrective action following assessments.

Actions Taken:

While Outerstuff does not conduct its own monitoring, Outerstuff takes ownership of remediation of the findings from its licensors audits. Once the service providers of Outerstuff's licensors conduct the audits, Outerstuff and its contract factories submit corrective action plans to address the noncompliances identified. The CSR & Product Integrity Coordinator is responsible for overseeing that corrective action plans are developed and implemented in a thorough and timely manner.

Verification by FLA:

Through document and platform reviews, FLA verified that Outerstuff submits corrective action plans to its licensors through either the FFC, the licensor's platform, or an Excel document. FLA reviewed daily communication between the CSR & Product Integrity Coordinator and factory management to follow-up on remediation activities with its suppliers. In some cases, the Outerstuff Production Manager may support the CSR & Product Integrity Coordinator to ensure remediation actions are being implemented. In the case of one licensor, if the supplier does not achieve its

approval status from the audit, the licensor will not review remediation efforts on the findings until after the next follow-up audit. However, Outerstuff tracks these remediation efforts to ensure the supplier is implementing remediation. For Outerstuff's other licensors, the licensor will review the remediation efforts before scheduling the follow-up audit. If remediation can be verified through desktop review, the licensors will not schedule the follow-up audit.

Recommendations:

FLA recommends Outerstuff enhance its collaboration with auditors and licensors in the development of remediation action plans with its factories. In addition, where there are union or worker representative structures, it is recommended Outerstuff engage with those groups on remediation as appropriate.

7.2 Company Affiliate works with suppliers to determine root causes and take action to prevent future non-compliance in contract facilities.

Actions Taken:

Outerstuff or the licensors' service providers will conduct root cause analysis for complex findings such as excessive overtime and social insurance. The learnings from root cause analysis conducted on excessive overtime and social insurance findings have been used to address similar non-compliances at other contract suppliers.

Verification by FLA:

FLA verified through document review and interviews that Outerstuff has conducted root cause analysis for excessive overtime and social insurance findings. In the case of excessive overtime findings, Outerstuff found that the Production staff were not taking into consideration the production capacity of the factory when submitting purchase orders. Throughout Principle 8, it will be discussed how Outerstuff has developed its Responsible Sourcing Practices to mitigate excessive overtime findings.

At the pre-sourcing meetings held with potential suppliers in China, Outerstuff discusses the expectations of one of its licensors that factories are to contribute to the five types of social insurance and that government-issued waivers are not acceptable. If it is found that the factory is not contributing to workers' social insurance, the factory may not be eligible for Outerstuff business, depending on the licensor the factory will produce for. One licensor requires 100% participation in all five types of insurance, while another licensor accepts a "step up" approach, which allows for the factory to gradually increase the participation percentage over time. Due to the complexity of social insurance in China, Outerstuff has included discussions on understanding social insurance challenges in its CSO Engagement Strategy. FLA recommends Outerstuff continue to conduct root cause analysis on social insurance findings to ensure thorough comprehension of the challenges at the factory-level.

Recommendation:

FLA recommends that Outerstuff develop a collaborative process of root cause analysis with the auditor, licensor, and factory management. Additionally, it is recommended that Outerstuff further expand the root cause analysis to other workplace code areas, including: health & safety, compensation, employment relationship, discrimination, harassment & abuse, forced labor, child labor, environmental, and freedom of association findings as applicable.

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

Actions Taken:

The CSR & Product Integrity Coordinator tracks remediation activities to completion and communicates with suppliers on a regular basis. Outerstuff regularly requests remediation documentation such as photographs and revised policies and procedures. Evidence of remediation is either submitted through the FFC, through email and stored on the Outerstuff server, or kept on an Excel tracker, depending on the licensor.

Verification by FLA:

Through document and platform review, FLA verified that the CSR & Product Coordinator tracks remediation of corrective action plans to completion.

Recommendation:

FLA recommends Outerstuff develop a documented process to determine the effectiveness of remediation efforts. Additionally, FLA recommends Outerstuff work with its licensors to develop a system to assess if remediation of previous findings is sustainable through the annual audit schedule.

8. RESPONSIBLE PURCHASING PRACTICES: COMPANY AFFILIATE ALIGNS PLANNING AND PURCHASING PRACTICES WITH COMMITMENT TO WORKPLACE STANDARDS

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

Actions Taken:

In 2015, the Director of CSR & Product Integrity developed the Outerstuff Responsible Sourcing Practices Policy. The policy outlines the Outerstuff business model, focused on team youth apparel in professional sports leagues. Some challenges of operating in this market include placing purchase orders depending on the results of each league's playoffs and championships, variable consumer demand resulting from player injuries and trades, and consideration of suppliers' capabilities for team and youth apparel production. Outerstuff has identified its Design, Sales, Art, Production, Technical, Sourcing, and Compliance Departments to contribute to the development of its Time & Action Calendars to plan for future seasons and track progress of the season's development and production. Meetings are held twice a year to review the upcoming seasons and develop the Time & Action Calendars and adequate lead time. The Responsible Sourcing Practices Policy also includes information on the social compliance findings trend report developed by the CSR & Product Integrity Team and the factory on-boarding and audit process.

The Outerstuff Responsible Sourcing Policy also addresses financial considerations when making purchasing decisions. Outerstuff requests pricing information from factories that have maintained their approval status or are pursuing approval status with Outerstuff's licensors. Outerstuff reviews the pricing quotes internally and then with

the factories. In the case of a supplier that submits a low price quote to attract business, Outerstuff will review this quote with the factory and assess why it is not aligned with quotes submitted by Outerstuff's current supply chain. The Outerstuff Responsible Sourcing Policy states that Outerstuff will place orders in approved factories, and not place orders in unapproved factories even if they submit the lowest price quote.

The Outerstuff Responsible Sourcing Practices policy was developed to ensure all Outerstuff departments work towards reducing negative impacts on working conditions in contract facilities. The policy was developed with the support of the Production and Sourcing Departments and states that the importance of internal accountability has been communicated to all departments. Lastly, the policy states that the Outerstuff factory scorecard will be integrated into Outerstuff's sourcing practices once fully developed and implemented.

Verification by FLA:

FLA reviewed the Outerstuff Responsible Sourcing policy and confirms all the elements listed in the Principle 8.1 benchmarks are addressed in the policy. At the time of the headquarter assessment, Outerstuff had not yet developed this policy, but through interviews with senior-level management, FLA confirms that the activities included in policy, such as the Time & Action Calendar development and semi-annual meetings, were practices already taking place at Outerstuff. FLA identified the collaboration among Outerstuff's departments in the development of this policy and its implementation as a strength of the Outerstuff compliance program.

Recommendation:

FLA recommends Outerstuff continue to implement and integrate the factory scorecard into Outerstuff's responsible sourcing practices.

8.2 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.

Actions Taken:

Since the FLA Board of Directors approved the revised Principle 8 language in October 2013, the Director of CSR & Product Integrity has been working with Outerstuff's senior-level management on responsible purchasing practices training and development. As Outerstuff is in the team business and the "hot market," which require strict factory shipment dates, Outerstuff has worked to implement planning and development practices to address excessive overtime findings. The Director of CSR & Product Integrity reviewed the country trend reports with the Production and Sourcing departments to expand their awareness of overtime noncompliances in Outerstuff's supply chain. Additionally, Outerstuff worked to ensure that samples are made by factories that will receive the production orders, rather than placing sample orders at factories with more capacity to accommodate the sample order. Lastly, Outerstuff's Production and Sourcing staff were trained to request production capacity from the factories and to place purchase orders in line with production capacity and that allow for flexibility in movement of orders in the case of "hot market" demand.

Verification by FLA:

Through interviews at the headquarter assessment, FLA confirms Outerstuff's senior-level management of the Design & Merchandising, Sales, Production, and Sourcing departments were knowledgeable of the consequences of planning and purchasing practices. Additionally, FLA interviewed Production and Sourcing managers who exhibited knowledge of their impact on working conditions and contributed to the development of Outerstuff's Responsible Sourcing Practices. Outerstuff also hired a Production Manager in late 2013 that worked to implement responsible

purchasing practices with its suppliers to mitigate excessive overtime issues during the 2014 Chinese New Year. While formal training on responsible purchasing practices has not been conducted, FLA identifies Outerstuff's regular internal dialogue, awareness, and collaboration on responsible purchasing practices to be strengths of Outerstuff's compliance program. Through the interviews at the headquarter assessment, FLA verified that discussions with the various departments on responsible purchasing practices have been effective in implementing Outerstuff's Responsible Sourcing Practices Policy.

Recommendations:

FLA recommends Outerstuff continue to develop staff training on Responsible Sourcing Practices and expand this training to Outerstuff's agents. FLA also recommends that Outerstuff develop written training materials on responsible purchasing practices that can be utilized in the case of new hire training.

8.3 Company Affiliate 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.

Actions Taken:

The Design, Sourcing, and Production Teams are responsible for developing and maintaining the season's Time & Action Calendar, which outlines the deadlines of all necessary product development, sourcing, design, and production decisions and actions that must take place to ensure adequate lead time for suppliers. Job descriptions of senior-level management include collaboration with other departments to develop and maintain the Time & Action Calendar. Additionally, performance reviews of Design, Sourcing, and Production staff include productivity, consistency, and punctuality metrics.

Verification by FLA:

Through document review, FLA verified that Outerstuff has utilized job descriptions and performance reviews to hold relevant staff accountable for implementing purchasing practices that mitigate negative impacts on workers and working conditions. Through interviews at the headquarter assessment, FLA verified that relevant departments also hold regular meetings to review the status of the season's Time & Action Calendar. FLA identified as a strength the awareness of accountability each relevant department had in its role to implement better purchasing practices. Additionally, in 2015, the President & Owner sent a memo to all Outerstuff staff that highlighted Outerstuff's commitment to development of Responsible Purchasing Practices to drive awareness of this initiative through all levels of the company.

Recommendations:

FLA recommends Outerstuff further develop mechanisms to hold agents accountable and integrate them into the Company's efforts to purchase responsibly.

8.4 Company Affiliate 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.

Actions Taken:

Outerstuff's Production and Sourcing staff communicate with suppliers on a daily basis to ensure the progress of purchase orders. Through these discussions with suppliers, the Design staff have worked to increase their lead time in the Time & Action Calendar to 12 months prior to the shipping window. Outerstuff has also worked to request accurate production capacity projections from its suppliers and to give suppliers purchase order projections to accommodate the capacity projections. Outerstuff will submit purchase orders below the original capacity projection, in order to accommodate changes so as not to overwhelm suppliers, but if additional production capacity is available, Outerstuff may allocate additional orders for "hot market" apparel demands. Additionally, Outerstuff discusses with suppliers the importance of communicating with Outerstuff any challenges in completing orders within the shipping window.

Verification by FLA:

FLA verified through document review and interviews at the headquarter assessment that Production and Sourcing staff communicate with suppliers on a daily basis regarding the status of the season's purchase orders. FLA also reviewed the Time & Action Calendar to verify Outerstuff 12-month lead time plans for its seasons. During an FLA field observation with a potential new supplier in China, the Director of CSR & Product Integrity discussed the importance of communicating production challenges to Outerstuff and to avoid excessive overtime.

Through an interview with an Outerstuff Production Manager, FLA verified that Outerstuff has worked to implement supplier feedback into its purchasing practices. Prior to Chinese New Year 2015, Outerstuff's Production team ensured that it gave early purchase order projections to its global suppliers that ordered greige goods from China. These early projections allowed for the suppliers to purchase their greige goods before the Chinese New Year production rush and mitigate the risk of suppliers missing their shipping windows due to Chinese New Year. FLA identified Outerstuff's implementation of supplier feedback into its responsible purchasing practices as a strength of the Outerstuff compliance program.

Recommendation:

FLA recommends Outerstuff continue to assess its suppliers' challenges to allow for continuous improvement of Outerstuff's responsible purchasing practices.

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

Actions Taken:

In 2015, the CSR & Product Integrity Team developed a Factory Scorecard based on the 2014 audit cycle results to evaluate the Outerstuff supply chain. Outerstuff will work to continue to implement the Factory Scorecard by incorporating the results of the 2015 audit cycle. Outerstuff currently offers a 50% refund on audit fees to its suppliers if the supplier is able to maintain its approval status from the licensors' audits from year-to-year. Currently, Outerstuff does not have a formal incentives program but expresses long-term commitment to its suppliers through visits from senior-level management and an annual visit from the President & Owner of Outerstuff.

Verification by FLA:

Through an interview with the President & Owner, FLA verified that the President & Owner communicates Outerstuff's business commitment to its suppliers. Outerstuff has relationships with most of its suppliers that have lasted from 5 to 20 years. Additionally, with the expansion of business from one of Outerstuff's licensors, the

President & Owner visited factories that Outerstuff projected would receive an expansion of Outerstuff's business. Outerstuff worked throughout 2014 and 2015 to review new potential suppliers for the added business, but also worked to identify existing suppliers that would be able accommodate the growing business. FLA reviewed Outerstuff's factory list for 2015, and while a few factories have been added or deactivated, FLA confirms that Outerstuff has made an effort to maintain its supply chain size and grow orders within its current suppliers. FLA also reviewed communication with a supplier to verify that they received a 50% reimbursement from Outerstuff for maintaining its approval status from the licensor's audit.

FLA identified Outerstuff's commitment to long term business relationships with suppliers as a strength of the Outerstuff compliance program.

Recommendation:

FLA recommends Outerstuff continue to implement the Factory Scorecard for all contract factories and use this analysis to inform purchasing decisions and provision of incentives. FLA recommends Outerstuff develop a formal incentives program for suppliers that supports their continuous improvement in socially responsible and sustainable practices.

9. CONSULTATION WITH CIVIL SOCIETY: COMPANY AFFILIATE IDENTIFIEDS, RESEARCHES, AND ENGAGES WITH WITH RELEVANT LABOR NON-GOVERNMENTAL ORGANIZATIONS, TRADE UNIONS, AND OTHER CIVIL SOCIETY INSTITUTIONS

9.1 Company Affiliate develops a civil society organization (CSO) outreach strategy that reflects the geographical distribution of sourcing.

Actions Taken:

Throughout the first half of 2015, Outerstuff developed its CSO outreach strategy with support from the FLA's CSO Engagement Director. Outerstuff identified Bangladesh, Cambodia, China, El Salvador, and Honduras as countries of focus for CSO engagement due to the amount of business Outerstuff has in these countries and the risk of worker rights violations. Outerstuff began by engaging with its licensors and the FLA to understand the civil society landscape and how to engage in a cooperative and mutually productive manner. After the CSR & Product Integrity Team conducted research on CSOs in the focus countries, Outerstuff had information exchange meetings with various CSOs to discuss systemic country issues and relevant capacities. Outerstuff also identified other organizations for future engagement in 2015 and 2016. The final element of Outerstuff's strategy is keeping Outerstuff's senior-level management informed of the engagement, learnings, and proposals for future collaboration with CSOs.

Outerstuff identified the following issues by country in which they would pursue CSO engagement to acquire a better understanding and inform Outerstuff's compliance program. Bangladesh: Health, Safety, and Environment with an emphasis on structural, fire, and electrical safety; El Salvador and Honduras: Freedom of Association, and Harassment or Abuse; China: challenges factories face in implementing social insurance regulations. Outerstuff has identified and engaged with stakeholders in Bangladesh, Cambodia, El Salvador, and Honduras.

Verification by FLA:

In the beginning of Outerstuff's implementation period, FLA had observed reactive CSO engagement from Outerstuff, specifically in the Americas. In 2015, through several meetings and discussions with the FLA CSO Engagement Director, Outerstuff developed a comprehensive CSO Engagement Strategy. FLA verified through document review and interviews that Outerstuff took into consideration its supply chain's high production countries, countries with high risk working conditions, and its previous engagements with CSOs and other stakeholders. FLA verified that Outerstuff has begun to map CSOs relevant to the CSO Engagement Strategy. Although it is in the early stages of implementation, as a result of the time and consideration put into the development process, FLA identifies Outerstuff's comprehensive CSO Engagement Strategy as a strength of its compliance program.

Recommendation:

FLA recommends Outerstuff continue to implement the CSO Engagement Strategy and develop a comprehensive CSO mapping of CSOs relevant to the strategy to proactively engage with CSOs.

9.2 Company Affiliate develops and maintains links to relevant civil society organizations (CSOs) to gain understanding of local labor issues.

Actions Taken:

Outerstuff's previous CSO engagement was largely limited to when CSOs brought worker rights issues to their attention. For example, in 2011, the Institute for Global Labour and Human Rights released an investigative report on Outerstuff's contract supplier, Style Avenue. Additionally, Outerstuff was notified by a non-governmental organization (NGO) on freedom of association violations at PETRALEX, an Outerstuff contract supplier. In April 2014, Outerstuff became a signatory of The Bangladesh Accord on Fire and Building Safety. Outerstuff also submitted its supply chain in Bangladesh to the Alliance for Bangladesh Worker Safety.

Throughout 2015, the Director of CSR & Product Integrity worked to proactively engage CSOs during various trips to Outerstuff suppliers. The Director of CSR & Product Integrity met with Cambodian NGOs to review the factory conditions of Outerstuff's Cambodian contract suppliers and to learn about the primary focus areas of these CSOs. One of the topics raised during a meeting was the lawsuit filed by the Garment Manufacturers Association in Cambodia (GMAC) against six trade unions regarding work stoppages due to freedom of association activities that purportedly harmed operation of factories. The NGO noted that two of Outerstuff's suppliers were among the factories included in the lawsuit.

In May 2015, the Director of CSR & Product Integrity joined the Manager of Compliance at Colosseum Athletics in Vietnam for a NGO's women's health event at a Colosseum supplier. The event included working with a local Cambodian NGO to hold an interactive event for workers at the factory to learn more about personal health. The Director of CSR & Product Integrity also engaged with a NGO with a Vietnam office to learn more about the trends in noncompliances, root causes, and opportunities for improvement of working conditions in the country.

In 2015, Outerstuff's Director of CSR & Product Integrity attended Americas Group meetings to learn more about the group's organizing efforts to address women's issues in the garment industry, specifically child care facilities and occupational health & safety in Honduras and El Salvador. Outerstuff has growing business in Central America, thus the interest in the Americas Group. The Americas Group is a multi-stakeholder forum of brands and labor rights organizations that are working together to promote and support globally competitive and social responsible apparel and footwear industries in the Americas. Outerstuff also engaged with other international NGOs to learn about their work and discuss key topics, like social insurance in China.

Verification by FLA:

FLA confirms that Outerstuff worked to engage in conversations and establish relationships with local CSOs and global organizations working on labor rights issues. FLA verified engagement with the identified CSOs by written confirmation or by attending engagements with the CSO and Outerstuff.

In addition to the engagements mentioned above, Outerstuff was also involved in two FLA Third Party Complaints, in El Salvador and Honduras, and a voluntary safeguards investigation and verification in El Salvador. Through these FLA safeguards activities, Outerstuff engaged with independent labor monitors in the Central American region and learned about the concerns of FEASIES at Style Avenue in El Salvador. Outerstuff has collaborated with College Kids, an FLA C Licensee, through the safeguard investigation, third party complaint, and remediation efforts at Style Avenue.

In the case of the lawsuit filed by GMAC in Cambodia, the Director of CSR & Product Integrity raised the lawsuit with the President & Owner of Outerstuff and its Cambodia suppliers. Further discussion with the suppliers is scheduled to take place. FLA recommends Outerstuff continue to engage with the Cambodian NGO to reaffirm that the lawsuit is being addressed internally and with its suppliers. FLA confirms that Outerstuff has established CSO or other stakeholder engagements in 45% of its sourcing countries.

Recommendation:

FLA recommends Outerstuff continue to implement its CSO Engagement Strategy, with a focus on CSO engagement in high production and high risk countries. FLA also recommends Outerstuff to pursue further CSO engagement and activities in the Americas.

9.3 Company Affiliate strategizes with CSOs and knowledgeable local sources in the design and implementation of workplace standards compliance programs.

Actions Taken:

Through Outerstuff's CSO Engagement Strategy, the Director of CSR & Product Integrity has focused Outerstuff's engagement on gaining knowledge of local labor issues to improve the implementation of Outerstuff's compliance program. Outerstuff engaged with local CSOs and global organizations to learn more about the various conditions in its high production and high risk sourcing countries. Learnings from these engagements have been shared with Outerstuff's senior-level management, Sourcing, Production, agents, and factory management.

Outerstuff encouraged and supported the engagement of its suppliers in Better Work Bangladesh and Cambodia, working with these suppliers to ensure remediation of findings in the Better Work assessments. Additionally, Outerstuff has reviewed the reports from The Bangladesh Accord on Fire and Building Safety and the Alliance for Bangladesh Worker Safety for a factory in that country and is tracking remediation efforts.

Outerstuff has committed resources to establishing a worker engagement program in the new facility in Vietnam, once Outerstuff begins production.

Verification by FLA:

FLA confirms that Outerstuff's CSO engagements have informed the development of Outerstuff's compliance program to address systemic and endemic sourcing country issues. Outerstuff is working to incorporate its learnings from engagements with CSOs into meetings and remediation with its factories. FLA also reviewed briefings from the Director of CSR & Product Integrity to senior-level management on the CSO engagement learnings.

Recommendation:

FLA recommends Outerstuff work to implement its CSO learnings into its country trend reports that are shared with potential new suppliers, buyers, and other Outerstuff stakeholders. FLA recommends Outerstuff pursue engagement with CSOs to support the development and implementation of workplace standards compliance strategies, including effective factory management, supervisor, and worker trainings; worker communication channels; and factory site-specific remediation plans.

9.4 Company Affiliate consults with supplier management and legally constituted unions or worker representative structures to gain an understanding of relevant relationships.

Actions Taken:

Outerstuff's experience with legally constituted unions at its factories has been focused in the safeguard investigations at Style Avenue and the Third Party Complaint at PETRALEX. In 2011, the FLA conducted a safeguards investigation at Style Avenue in El Salvador regarding allegations of workers' rights violations including harassment or abuse, forced overtime, excessive overtime, violations of freedom of association, contaminated drinking water, and insufficient wages. Remediation plans were developed and implemented; however, due to concerns reported by a union at Style Avenue, Outerstuff and College Kids commissioned an FLA Verification of the implementation of remediation plans. The verification investigation found that further remediation was necessary to address findings in freedom of association, harassment and gender discrimination, payment of worker benefits, special protections for certain categories of workers, Implementation of Ministry of Labor and Social Welfare (MTPS) resolutions, and payment of workers for the factory's suspension of work. Following the Third Party Verification at Style Avenue, SITS, affiliated with FECS, filed a Third Party Complaint when the factory suspended operations for 10 days and only paid workers for three of the days, in violation of Salvadoran law. In June 2015, Outerstuff and College Kids informed the FLA that the factory and the unions had reached an agreement through which workers affected by the suspension of work received their full salaries.

In the case of the Third Party Complaint at PETRALEX, a number of FLA brands were involved. The other FLA brands, such as Dallas Cowboys Merchandising, Gear For Sports Inc., and VF Corporation, were primarily engaged with the Third Party Complaint process and in communication with PETRALEX and the unions.

Verification by FLA:

Through meetings and discussions with the FLA on the various FLA Third Party Complaint activities, FLA confirmed Outerstuff's engagement with Style Avenue and PETRALEX on union issues. In the safeguards investigation at Style Avenue, the Director of CSR & Product Integrity engaged with FEASIES after the investigation, including sharing the report from the investigation. FLA confirms there has been consistent engagement from Outerstuff with FEASIES, including email communications and in-person meetings to discuss remediation efforts at Style Avenue. Additionally, roundtable discussions were held with FEASIES, Style Avenue, Outerstuff, and College Kids. There has been effort to include other unions at Style Avenue in these roundtable discussions on workplace conditions. However, in the Third Party Complaint filed by SITS at Style Avenue, FLA verified that Outerstuff did not directly engage with SITS or FECS. FLA verified that Outerstuff did confirm with the WRC that workers received their full salaries. FLA recommends Outerstuff develop an understanding of the dynamics of the various unions at Style Avenue and continue to pursue engagement with all unions.

In June 2015, the Secretary of Organization of FITH, the union federation to which PETRALEX is affiliated, spoke at a meeting with FLA brands involved in the Third Party Complaint, the WRC, and the FLA about the Third Party

Complaint and its successful outcome in reinstating the workers. FLA confirms that Outerstuff and staff from its licensor attended this meeting.

Recommendation:

FLA recommends Outerstuff pursue proactive engagement with union and worker representative structures in their contract factories and consult with suppliers to understand the relevant relationships. It is recommended that Outerstuff pursue opportunities to engage with unions in their local language, if language is a barrier to engagement. FLA also recommends Outerstuff develop procedures for staff to understand union structures and how to engage with unions based on learnings from experiences with the Third Party Complaints of Style Avenue and PETRALEX.

10. VERIFICATION REQUIREMENTS: COMPANY AFFILIATE MEETS FLA VERIFICATION AND PROGRAMMATIC REQUIREMENTS

10.1 Company Affiliate maintains standard operating procedures related to FLA affiliation.

Actions Taken:

In 2015, Outerstuff developed the Outerstuff FLA Affiliation Obligations to outline procedures for maintaining FLA affiliation. After developing these procedures, the CSR & Product Integrity Team collected feedback from Sourcing and Production staff and conducted training for senior-level management from Production, Sourcing, and Design & Merchandising departments. The contents of the procedures include maintaining an accurate factory list, ensuring the FLA is able to conduct SCI assessments and receives Outerstuff's corrective action plans to address the findings, submitting the annual self-assessment, submitting to accreditation field activities, and payment of annual membership and monitoring dues.

Verification by FLA:

Through document review, FLA verified the contents of the Outerstuff FLA Affiliation Obligations.

10.2 Company Affiliate participates in FLA due diligence activities, including assessments at contract facilities and company headquarters, as applicable.

Actions Taken:

Outerstuff received two SCI Assessments, three field observations, and one headquarter assessment. Additionally, Outerstuff received one IEM and one headquarter verification assessment as a B Licensee. Outerstuff has submitted its corrective action plans for all FLA IEAs and has provided updates to remediation. Outerstuff's SCI assessment for 2015 had not yet been conducted by the FLA at the time of this report.

Verification by FLA:

FLA confirms Outerstuff's participation in all FLA due diligence activities. Outerstuff has worked diligently to ensure that corrective action plans and remediation updates to its SCI assessments are submitted in a timely manner. It is noted that for Outerstuff's 2011 IEM in Bangladesh, this report has FLA language stating that Outerstuff did not incorporate all of the FLA's feedback in the CAP review process.

Recommendation:

FLA recommends Outerstuff continue to submit remediation updates to the FLA until remediation is completed.

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

Actions Taken:

Outerstuff has submitted annual reports to the FLA covering activities from 2012, 2013, and 2014.

Verification by FLA:

The FLA confirms that Outerstuff submitted annual reports with information on activities from 2012, 2013, and 2014 in a timely manner.

10.4 Company Affiliate maintains a complete and accurate profile and list of contract facilities with the FLA.

Actions Taken:

Outerstuff has provided a complete and accurate profile and list of contract facilities.

Verification by FLA:

The FLA confirms Outerstuff has provided a complete and accurate profile and list of contract facilities.

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

Actions Taken:

Outerstuff is in good standing with the FLA for meeting its obligations and has provided all requested documentation, contracts, information, and clarification in a timely manner. Outerstuff signed the monitoring service agreement as a Participating Company in 2013.

Outerstuff has attended all board meetings since the company's affiliation as a Participating Company in October 2012. It is noted that the Director of CSR & Product Integrity is an active and vocal member of the FLA's Business Caucus and participates during the Monitoring Committee and Board of Directors meetings. Additionally, Outerstuff participated in a remediation panel at the 2015 University Advisory Council meeting. Outerstuff also contributed to interviews with the FLA Services team for the development of the Principle 8 Responsible Purchasing Practices Guidance Document.

Verification by FLA:

The FLA confirms Outerstuff has met all FLA requests for information and participates regularly in various FLA-related activities.

10.6 Company Affiliate pays annual dues and applicable fees on schedule.

Actions Taken:

Outerstuff has paid its dues and fees in full in a timely manner.

Verification by FLA:

FLA confirms that Outerstuff has paid its dues and fees in full in a timely manner. Documentation is available at FLA headquarters.

SECTION 3: CONCLUSION

The FLA acknowledges the uniqueness of Outerstuff as a Participating Company, primarily licensing for three licensors and required to implement its licensors' requirements in Outerstuff's compliance program in addition to the FLA's Workplace Code of Conduct and Principles of Fair Labor and Responsible Sourcing. The Outerstuff compliance program assessed for FLA accreditation was found to be a complex program at the intersection of licensor and FLA compliance program requirements.

The FLA staff conclusion is that since affiliation as a PC, Outerstuff has built a labor compliance program that, on balance, aligns with FLA standards, benchmarks, and protocols. Accreditation is an early measure of the capacity of a company's labor compliance program to ensure respectful and ethical treatment of workers and thus there are numerous recommendations in this report designed to advance a company's program further towards ensuring decent working conditions within their supply chain.

The assessment identifies certain areas in which Outerstuff's labor compliance program has been strong and others with respect to which improvements are possible.

Strengths of Outerstuff's labor compliance program include: (1) clear commitment and support from the President & Owner to adhere to workplace standards and integrate standards into business operations; (2) collaboration throughout senior-level management of Design & Merchandising, Sales, Sourcing, and Production departments to support the implementation of workplace standards; (3) commitment and support from Outerstuff's licensors in the implementation of Outerstuff's compliance program; (4) diligence in new supplier on-boarding and training on Outerstuff's compliance program; (5) collaboration amongst the CSR & Product Integrity, Design & Merchandising, Sales, Sourcing, and Production in the development of Outerstuff's Responsible Sourcing Practices; (6) commitment to building long-term relationships and open communication with suppliers.

Suggestions for strengthening Outerstuff's labor compliance program include: (1) implementation of Outerstuff's revised Vendor Code of Conduct; (2) development of systems to ensure training methods for Outerstuff's CSR & Product Integrity Team, staff, suppliers, and agents are effective; (3) collaboration amongst Outerstuff's licensors to reduce audit fatigue and to ensure the quality of audits by service providers; (4) ensuring internal factory grievance mechanisms are functioning through factory audits, worker trainings, and union engagement; (5) continued development and application of compliance data analysis in sourcing decisions; (6) continued implementation and strengthening of the Outerstuff CSO Engagement Strategy; (7) proactive engagement with unions and worker representative structures in place at Outerstuff contract facilities.

APPENDIX: OUTERSTUFF CODE OF CONDUCT

General Principle

Business partners must comply fully with all legal requirements relevant to the conduct of their business.

Below is the Outerstuff Employee Standards. This document **MUST** be translated into local language and posted in the factory for all workers to review.

Employment Standards

Forced Labor / Child Labor

There shall be no use of forced labor, including prison labor, indentured labor, bonded labor or other forms of forced labor. No person shall be employed under the age of 15 or less than the age for completing compulsory education, whichever is higher.

Discrimination

Business partners must not discriminate in recruitment and employment practices. Decisions about hiring, salary, benefits, training opportunities, work assignments, advancements, discipline and termination must be based solely on ability to perform the job, rather than on the basis of personal characteristics or beliefs, such as race, national origin, gender, religion, age, disability, marital status, parental status, association membership, sexual orientation or political opinion. Additionally, business partners must implement effective measures to protect migrant employees against any form of discrimination and to provide appropriate support services that reflect their special status.

Wages & Benefits

Employees have a right to compensation for a regular work week that is sufficient to meet the worker's basic needs and provide some discretionary income. Wages must equal or exceed the minimum wage required by law or the prevailing industry wage, whichever is higher, and legally mandated benefits must be provided. In addition to compensation for regular working hours, employees must be compensated for overtime hours at the premium rate legally required in the country of manufacture or, in those countries where such laws do not exist, at a rate exceeding the regular hourly compensation rate.

Wages are essential for meeting the basic needs of employees, reasonable savings and expenditure. Where compensation does not meet worker's basic needs and provide some discretionary income, each employer and Outerstuff shall work with the FLA to take appropriate actions that seek to progressively realize a level of compensation that does

Working Hours

Employees must not be required 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, except in "extraordinary circumstances" such as: events or circumstances which substantially disrupt production during peak production periods, holidays or seasonal fluctuations; and which are out of the

ordinary and out of the control of the employer, including earthquakes, floods, fires, national emergencies, inevitable accidents, or periods of prolonged political instability.

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. Employees must be allowed at least 24 consecutive hours rest within every seven-day period, and must receive paid annual leave.

Freedom of Association & Collective Bargaining

Business partners must recognize and respect the right of employees to join and organize associations of their own choosing and to bargain collectively. Business partners must develop and fully implement mechanisms for resolving industrial disputes, including employee grievances, and ensure effective communication with employees and their representatives.

Disciplinary Practices

Employees must be treated with respect and dignity. No employee may be subjected to any physical, sexual, psychological and verbal harassment or abuse or to fines or penalties as a disciplinary measure.

Business partners must publicize and enforce a no-retaliation policy that permits factory employees to express their concerns about workplace conditions to factory management or to us without fear of retribution or losing their jobs.

Denial of Access

Applies to a situation where an authorized Outerstuff employee has been denied access to any part of the premises, buildings, or rooms of a factory that is being visited for any reason. This will result in the factory being deactivated, and no further work will be given.

Health & Safety

A safe and hygienic working environment must be provided, and occupational health and safety practices which prevent accidents and injury must be promoted. This includes protection from fire, accidents and toxic substances. Lighting, heating and ventilation systems must be adequate. Employees must have access at all times to sanitary facilities that should be adequate and clean as well as residential facilities that are provided to employees must meet the same standards. Business partners must have health and safety policies that are clearly communicated to employees.

Environmental Requirements

Business partners must make progressive improvement in environmental performance in their own operations and required the same of their partners, suppliers and subcontractors. This includes: integrating principles of sustainability into business decisions; responsible use of natural resources; adoption of cleaner production and pollution prevention measures; and designing and developing products, materials and technologies according to the principles of sustainability.