



FAIR LABOR
ASSOCIATION™

**Fair Labor Association
Year Two
Annual Public Report
Part 1 of 4**

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This is the first of four parts of a printer-friendly version of the Fair Labor Association's Year Two report, which was designed for website use. Therefore, some of the website features (including links and layering) have been modified or removed from this print version. Please access the FLA's website, accessible at www.fairlabor.org/2004report, to utilize these features.

Please note also that the FLA publicly reports on all of its independent external monitoring visits on a factory-by-factory basis. Those reports, which are called FLA tracking charts, complement the FLA's annual public report by providing very detailed information about selected factories. The tracking charts can be found at <http://www.fairlabor.org/all/transparency/reports.html>

Please direct questions about the report to info@fairlabor.org.

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I. ABOUT THIS REPORT: FLA Year Two Annual Public Report

What does this report do?

This is the second Annual Public Report published by the Fair Labor Association (FLA). It provides the public with an impartial, in-depth view into what 25 diverse companies have done in the past year to improve the working conditions in the factories where they produce around the world. The Year Two Public Report complements the FLA Tracking Charts, which are extremely detailed reports from FLA monitoring visits to FLA company supplier factories. Together, these macro- and micro-level views of companies' labor compliance activities represent the most comprehensive body of independent reporting on companies' efforts to promote adherence to international labor standards published to date. By perusing a company's factory monitoring reports and reading about its labor compliance program in the Year Two Public Report, a concerned consumer or shareholder can gain valuable perspective into a company's approach to improving factory conditions.

This report includes:

- Updated progress reports on companies' labor compliance programs
 - 10 Participating Companies
 - 15 Category B University Licensees
- The FLA's evaluative report of the first accredited labor compliance program, Reebok footwear
- An overview of the FLA's findings from its independent external monitoring visits to companies' supplier factories around the world
- An in-focus report on freedom of association: the FLA's approach to it, and the challenges it poses
- Case studies of third party complaints issued to the FLA during Year Two

The FLA was formed in 1999 and developed a system of monitoring, remediation, third party complaints, and public reporting that aims to increase and sustain factory compliance with its Workplace Code of Conduct. The Code is based on the core labor standards of the International Labour Organization (ILO). While the FLA must continue to make improvements in public reporting, it considers that its efforts to push the boundaries in its field will ultimately contribute to more rigorous systems for corporate accountability and improved conditions for workers around the world. We look forward to continued experimentation with ways to improve workplace conditions and to communicate companies' activities to the public.

What is different about this report?

The Fair Labor Association is the only multi-stakeholder initiative that promotes international labor standards and provides an unprecedented level of detailed reporting on companies' efforts to improve workplaces. This report is different from other

transparency reports in that it includes a wide range of companies – large and small, with diverse suppliers – and strives to report their activities in an objective and consistent manner. This report differs from the FLA’s Year One Public Report mainly as a result of improvements that have been made to the FLA’s systems for public reporting and verification, based on the FLA’s experiences in Year One and feedback from the public.

Improvements in FLA public reporting in Year Two:

- This year’s report covers more companies. It includes information about 25 companies, up from 6 in the first year’s report.
- It contains an evaluative report of Reebok footwear, which is the first FLA accredited labor compliance program.
- The Year Two Public Report is more accessible to more readers. By putting the report in web format, it is easier to download and navigate, affording readers access to particular information in a matter of a few clicks.
- It offers a more in-depth look into an essential yet challenging Code provision: freedom of association.

Improvements in FLA verification measures in Year Two:

- In Year Two, all FLA independent external monitoring visits were conducted by FLA-accredited monitors who were selected and paid by the FLA. They were unannounced to the supplier factory and the company.
- Due to improved FLA oversight of monitoring, reports from visits were more rigorous and comprehensive.
- The FLA conducted verification visits to selected facilities following company remediation, signifying an added check on company and factory efforts to comply with the FLA Code.
- The FLA staff conducted on-sight audits to all participating companies’ headquarters. In some cases, the staff also made visits to companies’ field offices.

Who should use this report?

Consumers and shareholders who seek to make educated buying decisions

This report can be useful for consumers interested in learning more about companies that are committed to international labor standards. After a review of a particular company’s section, a consumer or shareholder can make an informed decision about the products he/she is buying or wearing.

Other companies seeking to learn from good practices in labor compliance

By providing examples of good practice, the FLA aims to raise the bar for company compliance with labor standards internationally. Companies within the FLA share different approaches to challenging situations, and the Public Report offers other companies the opportunity to benefit from some of these experiences.

Researchers and others seeking reliable information

The FLA strives to provide credible, independently-verified information about company labor compliance activities. This report offers a broad view of companies’ activities by

bringing together information collected through factory monitoring visits, audits at participating company headquarters, company self-reporting, and third party complaints.

What to keep in mind when reading this report

Different companies have different needs and resources

The FLA does not believe that there is any one tried and true approach to addressing noncompliance internationally. The size of a company, where it does business, how diffuse its supply chain is – all of these factors and more influence the approach a company takes to ensuring compliance with international labor standards. For this reason, direct comparisons or the application of a single labor compliance model may not necessarily prove helpful in designing or evaluating a company's compliance program.

Systems lead to sustainable compliance

Over time we have learned that it is only once we address the root causes of noncompliance that sustainable solutions can be found. Therefore, we have moved to a reporting approach that has a greater focus on companies' progress in systematically addressing serious or persistent noncompliance issues.

The issues addressed here are global and pervasive

The global challenges facing workers and their advocates are overwhelming. The FLA is working to address these challenges using a model of cooperation, monitoring, remediation, and public reporting. Other initiatives are taking different approaches to deal with these same issues. We look forward to continued experimentation and shared learning with the diverse group of people working to improve the lives of workers around the world.

II. Companies Up Close

This section provides detailed reports on 25 companies' efforts in Year Two to improve the working conditions in the factories where they produce around the world. Each report provides:

- An overview of each company -- its size, applicable brands, the number and location of facilities and monitoring visits
- A description of the staff and program responsible for promoting FLA Standards
- Features of the program focusing on the company's particular approach to labor compliance and, in some cases, improvements in the program since the Year One Public Report

Participating Company reports also include:

- A summary of FLA independent external monitoring in factories where a company produces – information about the visits and what the monitors reported

Company reports have been arranged in two categories, Participating Companies and Category B Licensees. The report structure for each category differs slightly from the other, reflecting the differences in the FLA requirements for each category.

A. Participating Companies

Participating Companies commit to implement FLA Standards in factories *throughout their supply chains*. In Year Two, all companies in this category were apparel and footwear companies. They ranged in size from major publicly traded multinational companies to small, private companies. Approximately half of the participating companies included in this report are FLA university licensees, which are sometimes referred to as Category A Licensees.

B. Category B Licensees

Category B Licensees commit to implement FLA Standards *in the factories where they produce licensed goods for FLA College or University Affiliates*. The companies included in this category produced a range of collegiate products ranging from collegiate apparel to paper products to commemorative jewelry.

A. Participating Companies

Participating Companies (PCs) commit to implement FLA Standards in factories throughout their supply chains. Reports on the following companies seek to provide the reader with information about their efforts to comply with FLA requirements.

- 1) adidas-Salomon
- 2) Eddie Bauer
- 3) GEAR for Sports
- 4) Liz Claiborne
- 5) Nike
- 6) Nordstrom
- 7) Patagonia
- 8) Phillips-Van Heusen
- 9) Reebok (including Reebok footwear, an FLA-accredited compliance program)
- 10) Zephyr-Graf-X

It is important to note that these reports are descriptive in character during companies' "initial implementation period," which is the period of two or three years when a company develops its labor compliance program. At the end of that period, the FLA Board decides whether the program is in compliance with FLA requirements. If so, the program receives FLA accreditation. As of the end of Year Two, only Reebok footwear's compliance program was eligible for FLA accreditation. When applying to the FLA, Reebok footwear opted for a two-year initial implementation period. Therefore, an evaluative report on Reebok footwear's labor compliance program is included here.

FLA Participating Companies must comply with the following requirements throughout their supply chains:

- Adopting and communicating the Workplace Code to workers and management at applicable facilities
- Training internal compliance staff to monitor and remediate noncompliance issues
- Conducting internal monitoring of applicable facilities
- Submitting to unannounced, independent external monitoring visits to factories throughout its supply chain
- Remediating noncompliance issues in a timely manner
- Taking steps to prevent persistent patterns of noncompliance, or instances of serious noncompliance
- Collecting and managing compliance information effectively
- Providing workers with confidential reporting channels to report noncompliance issues to the company
- Consulting with non-governmental organizations, unions, and other local experts in its work

1) adidas-Salomon

1. adidas-Salomon Company Profile

Company Name: **adidas-Salomon**

Year of FLA Implementation: **2nd year**

FLA Initial Implementation Period Ends: **Dec 2004**

Annual Consolidated Revenue in FY 2003 (millions): **6,267 € Euros**

Company Status: **Public -- listed on German Stock Exchange**

FLA Applicable Brands / Brand's Percentage of Total Consolidated Revenue:
adidas® / 78%

Total Applicable Facilities Worldwide in FLA Y2:

436 applicable facilities

See endnotes for a list of whereⁱ

Applicable Facilities Subject to Internal Monitoring Visits in FLA Y2:

257 applicable facilities

See endnotes for a list of where

Total FLA Independent External Monitoring Visits in FLA Y2:

13 applicable facilities (12 apparel; 1 footwear) were independently monitored by FLA.

Part 4 below provides detailed information. The factory tracking charts available at <http://www.fairlabor.org/all/transparency/reports.html> give individual reports on each monitoring visit.

Compliance Staff Worldwide:

32 fulltime, 1 part-time staff worldwide – based in Europe, Americas and Asia

Part 2 below provides detailed program information.

Third parties contracted by compliance team? **Yes**

See endnotes for a list of the third parties and the work conducted.ⁱⁱ

Notes:

- **adidas is included in FLA Year One report, available at http://www.fairlabor.org/all/transparency/annual_report.html**

- **adidas is a Category A university licensee.**

See endnotes for a list of the universities,ⁱⁱⁱ or access the FLA database to learn about where licensed goods are produced.

2. adidas-Salomon's Labor Compliance Program in Year Two¹

The Social and Environmental Affairs department (SEA) administers adidas' Standards of Engagement, which correspond with the standards enumerated in the FLA's Workplace Code. The SEA team is comprised of 32 full-time and one part-time staff members, who are based in three regions, Asia, the Americas, and Europe. The department is overseen by a global director, who shares decision-making and operational management with three regional heads. The leadership team reports to adidas-Salomon's General Counsel, who sits on adidas-Salomon's Executive Board.

In Year Two, with the exception of licensees' facilities, adidas did not rely on third parties to conduct internal monitoring visits. In some particular circumstances, the company did work with some third parties for capacity-building and training (see endnote 3 for details).

The company has developed a "Lean" manufacturing² production model, which requires collaboration between SEA and the teams implementing this model. As a result, SEA conducted several joint audits with Lean teams. Moreover, staff from other departments, including Quality Control and Operations, has been involved in remediation of particular issues, such as verification of workers' hours in China. Senior sourcing management also used their influence with suppliers to address serious noncompliance issues in various instances.

A notable example of adidas' compliance mainstreaming within adidas' corporate structure is the development of SEA's factory rating tool in Year Two. Factory compliance ratings are among the factors used to determine where adidas sourcing takes place (other factors are quality, delivery, and product development), and the amount of orders any given factory receives. adidas consolidated more than a quarter of its supply chain in Year Two, based on combined ratings in these categories.

¹ For the six companies that were part of the first FLA Public Report, Year Two spans from July 2002 until December 2003, rather than the January-December 2003 reporting period for other companies included in this report. The FLA extended the Year Two reporting period for these companies in order to transition to a reporting cycle that is based on the calendar year.

² In this context, "Lean management" is an approach to managing supply chains to improve quality, eliminate waste, reduce total costs, and shorten lead times. The methodology includes fostering a company culture of continuous improvement in which all employees improve their skill levels and production processes so that the organization achieves just in time delivery and efficiency goals.

3. Features of adidas' Labor Compliance Program in Year Two

A. Compliance Systems Developed in Year Two

1. Freedom of Association in Central America

With a view to addressing the endemic problems facing fledgling unions in Central America, adidas conducted an assessment of the underlying causes of freedom of association issues in the region. Among key issues were perceptions among some workers that unions were corrupt; the pre-screening of job applicants by export processing zone administrators in order to ensure that union-affiliated workers do not access zone workforces; and, government's ineffectiveness in addressing hiring discrimination, blacklisting, and union-busting.

The company has taken several steps towards remediation and prevention of this major noncompliance issue in all factories in the region.

- adidas' factory team interviewed hundreds of workers (of a 2,500 worker population) to gain a better understanding of problems, and tailor future trainings to workers' needs.
- adidas encouraged factories to hire SOE coordinators, and has since trained those coordinators, and conducted two self-audit pilots at the end of the reporting period.
- adidas also worked with management and workers to establish worker-management communication committees. (Notably the company acknowledges that the committees need improvement with regard to their representativeness, depth of topics addressed, and clarity of purpose among participants.)
- With a view to improving worker and management understanding about freedom of association, adidas cooperated with Reebok to sponsor an interactive training session for 155 factory managers and workers conducted by Verite. More trainings are planned in all facilities for the next reporting period.

According to reports from FLA Year Two monitoring visits to adidas' applicable facilities in Guatemala, Honduras, and Mexico, monitors did not observe noncompliance with freedom of association standards.

Go to <http://www.fairlabor.org/all/transparency/reports.html> to access reports from FLA independent external monitoring in adidas' applicable facilities.

2. Hours of Work in China

In two of adidas' applicable facilities in China, FLA-accredited monitors observed that hours of work exceeded the acceptable hours delineated in the FLA Workplace Code. It was also reported that overtime was not fully paid in some cases. As reported in the tracking charts, adidas devised plans to remediate these issues.

adidas observed that these cases illustrated some of the problems that arise in the majority of its apparel and accessory suppliers in China, where it is common for workers to work excessive hours.

In response to this issue, in 2002, adidas' SEA team formed a Working Hours Taskforce to investigate root causes. The taskforce traced long hours to poor production planning, inefficiencies on the production floor, delays in raw materials, and demands from purchasing companies. Relating to this last point, in 2003, the taskforce reviewed adidas' sourcing, development and production systems; customer expectations; and the performance of material supplier to determine if they affected working hours in the supply chain. After finding that these factors did, indeed, impact supplier working hours, they adopted recommendations for sourcing managers, which included:

- A revised method of calculating supplier production capacity, order forecasting and dealing with unplanned orders
- Suggestions for monitoring the quality and delivery performance of raw materials suppliers
- Guidelines for adidas staff who are making last-minute orders.

At the local level, the SEA staff has started to work with factory management to implement the company's standardized remediation policy for hours of work noncompliance. The policy requires that they:

- Develop management system for working hours and payroll
- Eliminate excessive hours from the factory work schedule, as well as double bookkeeping systems
- Set up monitoring systems to help managers identify when workers or departments are approaching legal limits
- Develop overtime sign-up lists for workers as proof that overtime is voluntary
- Submit overtime approval request forms to adidas country managers prior to working overtime

For factories that were less responsive to these remediation efforts, SEA developed formal enforcement policies including warning letter protocols and factory performance ratings that ultimately would affect the level of production volumes awarded. SEA staff and sourcing management also were expected to follow up with management (via phone, email, joint factory visits and face-to-face meetings) consistently to address working hour compliance. While there is anecdotal evidence that this strategy can, indeed, decrease working hours, the program had not been rolled out in all facilities, and its impact is still to be measured at the end of the Year Two reporting period.

B. Improvements in Implementing the FLA Requirements

- The SEA department moved towards a monitoring system that can identify underlying causes of noncompliance findings. To this end, the team began using a new audit tool and factory rating system during the reporting period (described in section 2). According to adidas, the tools prompted deeper evaluation of the standards, provided standardized remediation steps, and resulted in more objective factory performance ratings.
- In Year Two, the department focused resources on training and capacity-building for suppliers with a view to addressing the systemic causes of noncompliance. In Year

Two, adidas conducted more than 90 factory management trainings in Asia, Europe and the Americas.

- adidas' Fair Wage Study in Indonesia focused on finding ways to define, measure and implement a fair wage. The study was conducted by an Indonesian NGO and an independent expert analyzed the findings. The company used the findings to develop the company's wage policy.
- adidas organized stakeholder dialogue meetings in Guangzhou, China in November 2003, and Brussels, Belgium in October 2003. The meetings involved representatives from academia, investment groups, labor and advocacy groups, and factory workers, and focused on areas where adidas could improve its approach to compliance. The company reported that it needed to further improve its approach to these consultations, but that the meetings helped to focus the SEA program's plan for the following year.
- In Portugal and Turkey, adidas piloted worker consultations in which a cross-section of apparel factory workers participated in discussions about compliance, led by third party groups. adidas staff were observers at the meetings. The worker discussions revealed that top-down and bottom-up methods of communication about compliance were not working, so adidas reported that it was working to change these structures.

4. FLA Independent External Monitoring in adidas' Applicable Facilities

A. An Introduction to FLA Independent External Monitoring

FLA independent external monitoring (IEM) is one way that the FLA verifies Participating Companies' compliance activities in the factories where they produce. The FLA conducts unannounced independent external monitoring visits in approximately 5% of all Participating Company applicable facilities that are deemed to be high risk (and no less than 3.5% of the company's total factory list), and reports on all noncompliance findings in those factories. By observing these monitoring reports and the company's ensuing remediation, the FLA can verify a company's progress in developing systems for effective prevention and remediation of noncompliance issues each year. The FLA tracking charts (accessed at <http://www.fairlabor.org/all/transparency/reports.html>) provide detailed information about monitoring findings and adidas' approach to remediation of noncompliance issues.

B. Summary of FLA Year Two Independent External Monitoring in adidas' Applicable Facilities

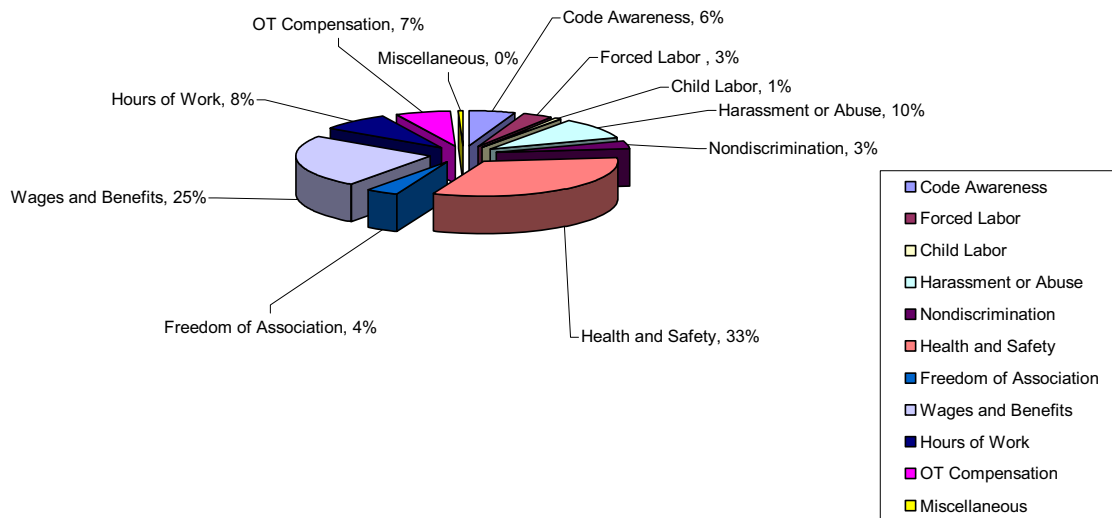
The following table provides information about FLA independent monitoring visits undertaken in adidas' Applicable Facilities in Year Two. It provides background information about the factories, the monitors, and their visits.

adidas Independent External Monitoring (IEM) Summary – Year Two		
Number of IEMs in Year Two:		13
Remediation shared with other FLA Companies:		6
Remediation undertaken independently:		7
Total person days spent monitoring facilities:		83
Please note: This total does not include the audit conducted by COVERCO in Guatemala. COVERCO's methodology differs from the standard FLA audit in that monitors visit the factory repeatedly over a four-month period and a total number of person days is not calculated.		
Average person days per facility:		7
Average number of workers per independently monitored facility:		1,603
Regions	Independent External Monitoring Visits	FLA-Accredited Monitors Conducting Visits
East Asia -- China	2	Bureau Veritas (2)
Southeast Asia -- Vietnam, Indonesia, Thailand, Malaysia,	7	Global Standards (3), Bureau Veritas (1), Kenan Institute Asia (3),
South Asia -- Pakistan	1	Société Generale de Surveillance (1)
Americas -- Mexico, Guatemala, Honduras	3	A & L Group, Inc. (2), Coverco (1)

C. Independent External Monitoring Results

adidas-Salomon **Noncompliance Issues Grouped by Code Provision** *Number of IEMs = 12***

Please note: This pie chart provides a very cursory overview of noncompliance issues organized by FLA Code Provision. Click on any Code Provision name in the legend of the website version of this report for a list of FLA Benchmarks that are used to measure compliance with that Provision. A more detailed explanation of these issues follows in the sections following the pie chart.



Please visit the FLA tracking charts (<http://www.fairlabor.org/all/transparency/reports.html>) to learn more about adidas' approach to remediation of all of the issues summarized in the chart above.

*** Because the report for one of the facilities was not available at the time when this report was written, this chart is based on 12 out of 13 factory reports.*

The figure above displays the percentage breakdown by Code Provision of the total non-compliance issues reported by FLA independent monitors in adidas facilities, which adidas addressed through remediation in Year Two. Non-compliance findings with regard to **Health and Safety** were the most frequently reported issues, making up

33% of the total non-compliance issues identified.³ The most commonly reported and remediated Health and Safety issues were related to inadequate postings and evacuation procedures, safety equipment, personal protective equipment, and machinery maintenance.

Noncompliance with the FLA's Hours and Wages standard was also common, with a total of 40% of all findings relating to **Wages and Benefits** (25%), **Hours of Work** (8%) and **Overtime Compensation** (7%). The top Hours and Wages issues that were reported by FLA monitors and taken up by adidas through corrective action plans were related to overtime limitations, overtime compensation, worker awareness of their wages and benefits, and the factory's provision of legal benefits to workers.

Noncompliance with other Code Provisions was reported by FLA monitors with less frequency. As discussed in previous sections, the FLA is working to develop systems for more effective monitoring and remediation of the Code Provisions that are particularly complex and difficult to assess, such as Freedom of Association and Collective Bargaining, Nondiscrimination, and Harassment and Abuse.

There were no findings of forced or bonded labor in facilities producing for adidas. Likewise, there were no findings of underage workers in these facilities. The **Forced Labor** (2%) and **Child Labor** (1%) noncompliance reported above related to other benchmarks categorized under these Code provisions. Please follow the links in the graph above to learn more about the benchmarks for these and other FLA Code provisions, and visit the FLA factory tracking charts to learn more about adidas' approach to remediating all of the noncompliance issues mentioned above.

³ Health and safety are often the most evident and measurable issues in a facility, and therefore figure very highly in the total number of findings.

2) Eddie Bauer

1. Eddie Bauer's Company Profile

Company Name: **Eddie Bauer**

Year of FLA Implementation: **2nd year**

FLA Initial Implementation Period Ends: **Dec 2004**

Annual Consolidated Revenue in FY 2003 (millions): **\$1,300**

Company Status: **Part of Spiegel Group, which is publicly traded**

FLA Applicable Brands / Brand's Percentage of Total Consolidated Revenue:
Eddie Bauer® Apparel / 84%

Total Applicable Facilities Worldwide in FLA Y2:

288 applicable facilities

See endnotes for a list of where^{iv}

Applicable Facilities subject to Internal Monitoring Visits in FLA Y2:

201 applicable facilities

See endnotes for a list of where

Total FLA Independent External Monitoring Visits in FLA Y2:

9 applicable facilities independently monitored by FLA

Part 4 below provides detailed information. The factory tracking charts available at <http://www.fairlabor.org/all/transparency/reports.html> give individual reports on each monitoring visit.

Compliance Staff Worldwide:

4 full-time and 14 part-time staff worldwide - based at corporate headquarters and in two regions: Asia and the Americas.

Part 2 below provides detailed program information.

Third parties contracted by compliance team? **Yes**

See endnotes for a list of the third parties and the work conducted.^v

Notes:

Eddie Bauer is included in FLA Year One report, available at http://www.fairlabor.org/all/transparency/annual_report.html

2. Eddie Bauer 's Labor Compliance Program in Year Two⁴

In Year Two, Eddie Bauer's Global Labor Practice Program continued its compliance work with respect to Eddie Bauer's Code of Conduct, which corresponds to the FLA Code of Conduct. The company experienced bankruptcy, however, in Year Two, which had a direct effect on relationships with suppliers, as well as the Global Labor Practices' Program's monitoring plan. As a result, Eddie Bauer Compliance staff members focused on key compliance activities in an effort to uphold the company's FLA obligations despite bankruptcy.

In Year Two, the Global Labor Practices Program was managed by the Director of Public Affairs and Corporate Social Responsibility, who reports to the Divisional Vice President of Sourcing and Production. Two full-time compliance staff members at headquarters coordinated with two full-time compliance staff members in Asia to administer the program. Approximately 14 staff members from various divisions of Eddie Bauer -- including corporate and overseas sourcing staff, merchandising staff, and senior management -- have part-time responsibilities for compliance work. At the field level, merchandising and sourcing staff communicated Eddie Bauer's Code to factories, assisted with internal audits, and followed-up on some remediation plans.

Eddie Bauer contracted the monitoring company Global Social Compliance to conduct 34 first-time monitoring visits to new sourcing facilities in Year Two. Eddie Bauer staff conducted all other monitoring visits during this period.

3. Features of Eddie Bauer 's Labor Compliance Program in Year Two

A. Compliance Systems Developed in Year Two

In Year Two, Eddie Bauer instituted a pre-sourcing protocol requiring all new contractors to submit to and pay for a complete monitoring visit by a third-party monitor (Global Social Compliance) prior to being accepted into the company's factory base. Eddie Bauer reported that conditioning business on compliance in some instances encouraged factories to take proactive measures to improve their compliance systems in advance of the monitoring visit.

Eddie Bauer reported that it focused much of its compliance efforts in Year Two on China in response to various findings there, relating primarily to hours of work and fair compensation. Fraudulent records kept by factories in China were also a main concern for the company. With a view to addressing these issues, the Global Labor Practices Program conducted unannounced internal monitoring visits more frequently in China, and remediation was overseen through more frequent return visits and follow-up communications. Factories were encouraged to address management systems that contributed to noncompliance issues. In several cases, the company reported having successfully influenced vendors and factories to hire specialized compliance staff or consultants to improve compliance systems.

⁴ For the six companies that were part of the first FLA Public Report, Year Two spans from July 2002 until December 2003, rather than the January-December 2003 reporting period for other companies included in this report. The FLA extended the Year Two reporting period for these companies in order to transition to a reporting cycle that is based on the calendar year.

FLA independent monitoring in four Eddie Bauer facilities in China and Hong Kong supported the company's observation that working hours and overtime compensation are challenging issues in the company's applicable facilities in the region. At the time of drafting this report, Eddie Bauer had completed follow-up visits to at least two of the facilities monitored by the FLA in order to observe the extent to which remediation of issues relating to working hours and other Code provisions had been undertaken. The company reported positive progress in this regard, but added that further follow-up is in order. To review progress in these facilities, go to <http://www.fairlabor.org/all/transparency/reports.html>.

It is worth noting that due to bankruptcy, Eddie Bauer reported having limited resources to fund special initiatives/projects in Year Two. Therefore, the Global Labor Practices Program focused on its core programs, namely monitoring and remediation.

B. Improvements in Implementing the FLA Requirements

- A new full-time Senior Labor Practices Auditor was hired during the reporting period. She helped to develop Eddie Bauer's compliance program in Asia, and provided training to the Assistant Compliance Auditor based in the region.
- In Year Two, the Global Labor Compliance Program conducted half-day compliance training seminars in Hong Kong, China (Dongguan and Shanghai), Thailand and Taiwan for approximately 60 Eddie Bauer staff members. The seminars addressed local labor law and compliance challenges, FLA participation requirements, and monitoring methods. The trainer also conducted onsite factory trainings with selected staff members as a supplementary compliance exercise.
- Eddie Bauer participated in a two-day interactive training that focused on worker interview techniques. The training was conducted by Verite and took place in Portland, OR. The two Global Labor Compliance Program staff members who attended the training used their new skills to train other staff members at headquarters and in Asia.

4. FLA Independent External Monitoring in Eddie Bauer 's Applicable Facilities

B. An Introduction to FLA Independent External Monitoring

FLA independent external monitoring (IEM) is one way that the FLA verifies Participating Companies' compliance activities in the factories where they produce. The FLA conducts unannounced independent external monitoring visits in approximately 5% of all Participating Company applicable facilities that are deemed to be high risk (and no less than 3.5% of the company's total factory list), and reports on all noncompliance findings in those factories. By observing these monitoring reports and the company's ensuing remediation, the FLA can verify a company's progress in developing systems for effective prevention and remediation of noncompliance issues each year. The FLA tracking charts (available at <http://www.fairlabor.org/all/transparency/reports.html>) provide detailed information about monitoring findings and Eddie Bauer's approach to remediation of noncompliance issues.

B. Summary of FLA Year Two Independent External Monitoring in Eddie Bauer's Applicable Facilities

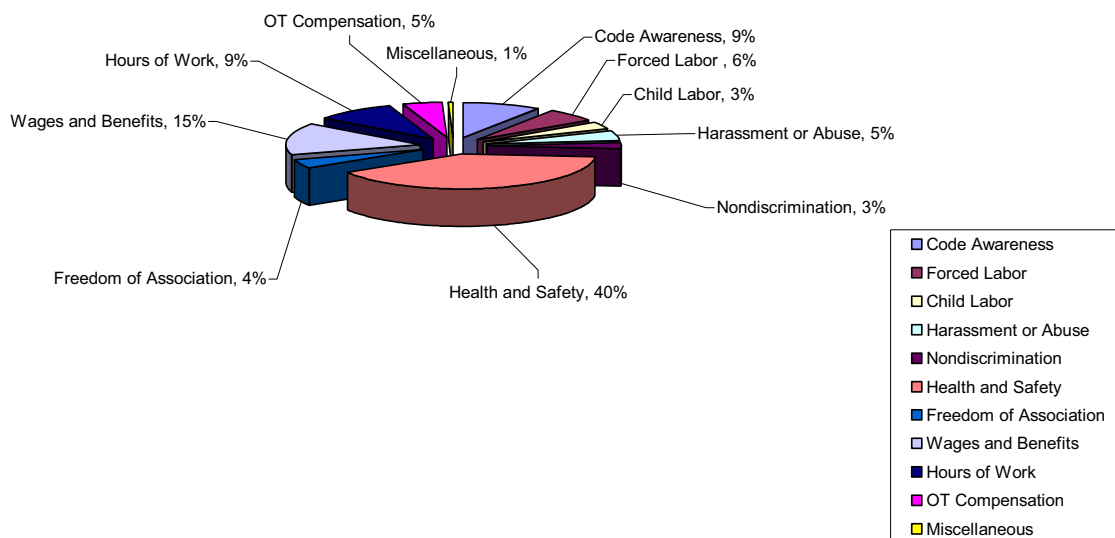
The following table provides information about FLA independent monitoring visits undertaken in Eddie Bauer applicable facilities in Year Two. It provides background information about the factories, the monitors, and their visits.

Eddie Bauer Independent External Monitoring (IEM) Summary – Year Two		
Number of IEMs in Year Two:	9	
Remediation shared with other FLA Companies:	2	
Remediation undertaken independently:	7	
Total person days spent monitoring facilities:	50	
Average person days per facility:	6	
Average number of workers per independently monitored facility:	761	
Regions	Independent External Monitoring Visits	FLA-Accredited Monitors Conducting Visits
East Asia -- China, Hong Kong	4	Societe General du Serveillance (3), Bureau Veritas (1)
Southeast Asia -- Vietnam, Indonesia, Thailand	3	Global Standards (1), Bureau Veritas (1), Kenan Institute Asia (1)
Americas -- USA, Mexico	2	A & L Group, Inc (1), Cotecna (1)

C. Independent External Monitoring Results

Eddie Bauer **Noncompliance Issues Grouped by Code Provision** *Number of IEMs = 9*

Please note: This pie chart provides a very cursory overview of noncompliance issues organized by FLA Code Provision. Click on any Code Provision name in the legend of the website version of this report for a list of FLA Benchmarks that are used to measure compliance with that Provision. A more detailed explanation of these issues follows in the section following the pie chart.



Please visit the FLA tracking charts (<http://www.fairlabor.org/all/transparency/reports.html>) to learn more about Eddie Bauer's approach to remediation of all of the issues summarized here.

The figure above displays the percentage breakdown by Code Provision of the total non-compliance issues reported by FLA independent monitors in Eddie Bauer facilities, which Eddie Bauer addressed through remediation in Year Two. Non-compliance findings with regard to **Health and Safety** were the most frequently reported issues, making up 40% of the total non-compliance issues identified.⁵ The most commonly reported and

⁵ Health and safety are often the most evident and measurable noncompliance issues in many facilities worldwide, and therefore figure very highly in the total number of findings.

remediated Health and Safety issues were related to fire safety, safety equipment and personal protective equipment.

Issues related to Hours and Wages were also common, with a total of 29% of all findings relating to **Wages and Benefits** (15%), **Hours of Work** (9%) and **Overtime Compensation** (5%). The top Hours and Wages issues that were reported by FLA monitors and taken up by Eddie Bauer through corrective action plans were related to overtime limitations, the factory's provision of legal benefits to workers, and inadequate time-recording systems.

Other Code Provisions were reported by FLA monitors with less frequency. As discussed in previous sections, the FLA is working to develop systems for more effective monitoring and remediation of the Code Provisions that are particularly complex and difficult to assess, such as Nondiscrimination, Freedom of Association and Collective Bargaining, and Harassment and Abuse.

There were no findings of forced or bonded labor in facilities producing for Eddie Bauer. Likewise, there were no findings of underage workers in these facilities. The **Forced Labor** (6%) and **Child Labor** (3%) noncompliance reported above related to other benchmarks categorized under these Code provisions. Please follow the links in the graph above to learn more about the benchmarks for these and other FLA Code provisions, and visit the FLA factory tracking charts to learn more about Eddie Bauer's approach to remediation of all of the noncompliance issues mentioned above.

3) GEAR For Sports

1. GEAR For Sports Company Profile

Company Name: **GFSI, Inc.**

Year of FLA Implementation: **1st year**

FLA Initial Implementation Period Ends: **Dec 2005**

Annual Consolidated Revenue in FY 2003 (millions): **Range: \$100-500***

**The FLA provides revenue ranges for companies that are not traded publicly*

Company Status: **GEAR for Sports is privately owned**

FLA Applicable Brands / Brand's Percentage of Total Consolidated Revenue:

GEAR For Sports® / 67%

Champion Custom Products® / 33%

Total Applicable Facilities Worldwide in FLA Y2:

34 applicable facilities

See endnotes for a list of where^{vi}

Applicable Facilities subject to Internal Monitoring Visits in FLA Y2:

20 applicable facilities

See endnotes for a list of where

Total FLA Independent External Monitoring Visits in FLA Y2:

1 applicable facility independently monitored by FLA

Part 4 below provides detailed information. The factory tracking charts available at <http://www.fairlabor.org/all/transparency/reports.html> give individual reports on each monitoring visit.

Compliance Staff Worldwide:

1 full-time staff person based at company headquarters coordinates with several GEAR staff members who are not in the compliance department.

Part 2 below provides detailed program information.

Third parties contracted by compliance team? **Yes**

See endnotes for a list of the third parties and the work conducted.^{vii}

Notes:

- **GEAR for Sports is an FLA Category A University Licensee.**

See endnotes for a list of the universities,^{viii} or access the FLA database to learn about where licensed goods are produced.

- **GEAR was considered an FLA Participating Company in Year One, but postponed the start of its initial implementation of the FLA program to Year Two.**

2. GEAR For Sports' Labor Compliance Program in Year Two⁶

In Year Two, GEAR for Sports ("GEAR") completed the **first year** of its initial implementation period of the FLA program. GEAR's Global Human Rights Program is the department responsible for ensuring compliance with the GEAR For Sports/Champion Custom Code of Conduct, which corresponds to the FLA Code of Conduct. During the reporting period, the Global Human Rights Program consisted of one full-time staff member, the Director of Logistics, Customs, and Global Human Rights, who managed and directed all the functions of the program. This position was supported by two staff members at corporate headquarters who assisted with managing FLA program requirements on a part-time basis. The Director of Logistics, Customs, and Global Human Rights reports to the Senior Vice President of Sourcing, Inventory Management, and Logistics, who in turn reports to the President/Chief Operating Officer.

The Global Human Rights program relied on the Quality Control staff of the company's agents/buying agent to communicate the Code to factory management, and conduct internal monitoring and remediation follow-up. In this first year of implementing FLA requirements, internal monitors conducted compliance audits of 20 facilities, which represented 60% of the company's factory base. In addition, GEAR reported that its Quality Control staff visited all contract factories on a weekly basis and, as such, were responsible for conducting informal reviews of workplace conditions in the course of their work.

⁶ For those companies being reported on for the first time, Year Two extends from January through December 2003.

3. Features of GEAR's Labor Compliance Program in Year Two⁷

A. Compliance Systems Developed in Year Two

In the **first year** of its initial implementation of the FLA program, GEAR's Global Human Rights Program focused on implementing FLA company obligations -- particularly factory monitoring and remediation -- and training its staff and internal monitors (i.e., Quality Control/Buying Agent staff) about FLA standards.

- Those engaged in internal monitoring and remediation were introduced to the FLA monitoring protocol and audit instrument requirements, as well as some regional and country-specific labor issues.
- Internal monitors conducted compliance audits of 20 facilities, which represented 60% of GEAR's factory base.
- In Year Two, the staff responsible for monitoring in Honduras and Guatemala attended a meeting of multi-stakeholder participants in the FLA Central America Project. Suppliers for GEAR also attended the meeting, upon a strong recommendation from GEAR.

B. Improvements in Implementing the FLA Requirements

In Year Two, GEAR For Sports completed the **first year** of its initial implementation of the FLA program. Progress on its fulfillment of FLA requirements will be reported on in next year's report.

⁷ Please note that this section in no way seeks to capture all of the compliance activities reported to the FLA by companies. Instead, the FLA considers it an overview of company activities that will provide the reader with a better understanding of each company's approach and focus in Year Two.

4. FLA Independent External Monitoring in GEAR’s Applicable Facilities

C. An Introduction to FLA Independent External Monitoring

FLA independent external monitoring (IEM) is one way that the FLA verifies Participating Companies’ compliance activities in the factories where they produce. The FLA conducts unannounced independent external monitoring visits in approximately 5% of all Participating Company applicable facilities that are deemed to be high risk (and no less than 3.5% of the company’s total factory list), and reports on all noncompliance findings in those factories. By observing these monitoring reports and the company’s ensuing remediation, the FLA can verify a company’s progress in developing systems for effective prevention and remediation of noncompliance issues each year. The FLA tracking charts (available at <http://www.fairlabor.org/all/transparency/reports.html>) provide detailed information about monitoring findings and Gear for Sports’ approach to remediation of noncompliance issues.

B. Summary of FLA Year Two Independent External Monitoring in GEAR For Sports’ Applicable Facilities

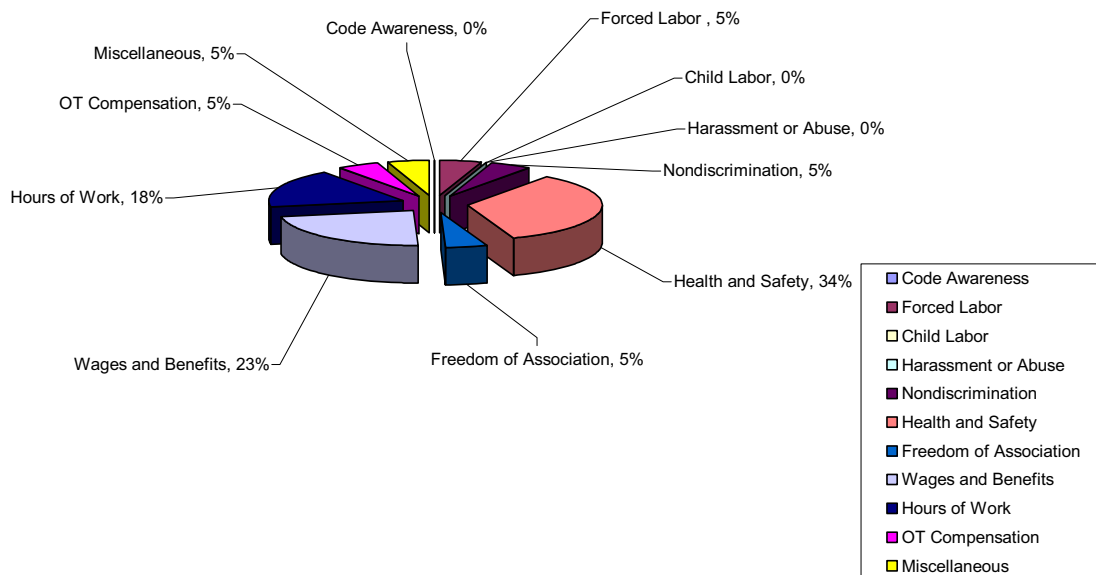
The following table provides information about FLA independent monitoring visits undertaken in GEAR For Sports applicable facilities in Year Two. It provides background information about the factories, the monitors, and their visits.

GEAR For Sports Independent External Monitoring (IEM) Summary – Year Two		
Number of IEMs in Year Two:		1
Remediation shared with other FLA Companies:		0
Remediation undertaken independently:		1
Total person days spent monitoring facilities:		4
Average person days per facility:		4
Average number of workers per independently monitored facility:		362
Regions	Independent External Monitoring Visits	FLA-Accredited Monitors Conducting Visits
Americas -- Honduras	1	A & L Group Inc. (ALGI)

C. Independent External Monitoring Results

Gear for Sports **Noncompliance Issues Grouped by Code Provision** *Number of IEMs = 1*

Please note: This pie chart provides a very cursory overview of noncompliance issues organized by FLA Code Provision. Click on any Code Provision name in the legend of the website version of this report for a list of FLA Benchmarks that are used to measure compliance with that Provision. A more detailed explanation of these issues follows in the section following the pie chart.



Please visit the FLA tracking chart (at <http://www.fairlabor.org/all/transparency/reports.html>) for this factory to learn more about GEAR's approach to remediation of the issues summarized here.

The figure above displays the percentage of total noncompliance issues reported by FLA independent monitors, which GEAR took up through remediation in Year Two.

In the case of GEAR, this graph represents findings and remediation in one factory, since the FLA monitored one GEAR facility this year (see section 4-A for further explanation of the FLA's approach to monitoring). Issues related to Hours and Wages were the most commonly reported, with a total of 51% of all finding relating to **Wages and Benefits** (23%), **Hours of Work** (18%), **Overtime Compensation** (5%), and **Forced Labor** (5% -- relating to forced overtime; no forced or bonded labor was observed in the facility). Among other things, GEAR has reported that it is working with the factory to ensure that workers do not work through their lunch breaks and do not

feel compelled to work overtime against their will. In order to ensure that workers receive legal overtime payment, to install a clock system to more accurately record workers' hours.

Totaling 34% of issues, **Health and Safety** issues ranged from lack of fire precautions in the cafeteria to workers failure to use safety equipment. Some of GEAR's corrective action plans included working with the factory to conduct trainings for workers about use of safety equipment, and making infrastructure changes as necessary.

It is worth noting that there is a union present in the monitored facility, however the FLA monitor has raised some questions about its legitimacy. Please visit the FLA factory tracking chart to learn more about how GEAR has addressed this and other noncompliance findings.

4) Liz Claiborne, Inc.

1. Liz Claiborne, Inc. Company Profile

Company Name: **Liz Claiborne, Inc (LCI)**

Year of FLA Implementation: **2nd year**

FLA Initial Implementation Period Ends: **Dec 2004**

Annual Consolidated Revenue in FY 2003 (millions): **\$ 4,241**

Company Status: **Public [NYSE: LIZ]**

FLA Applicable Brands / Brand's Percentage of Total Consolidated Revenue:

The following brands make up approx. 48% of LCI revenue:

Liz Claiborne®*, Claiborne® (Men's), Dana Buchman®, Villager®, Emma James®, Russ®, Crazy Horse® (Women's & Men's), First Issue®, Axxess®, Sigrid Olsen®, Elisabeth® - Retail

**Lizsport, Lizwear, Liz & Co., and Liz Claiborne-Women have merged under the Liz Claiborne label.*

Total Applicable Facilities Worldwide in FLA Y2:

273 applicable facilities

See endnotes for a list of where^{ix}

Applicable Facilities subject to Internal Monitoring Visits in FLA Y2:

199 applicable facilities

See endnotes for a list of where

Total FLA Independent External Monitoring Visits in FLA Y2:

13 applicable facilities independently monitored by FLA

Part 4 below provides detailed information. The factory tracking charts available at <http://www.fairlabor.org/all/transparency/reports.html> give individual reports on each monitoring visit.

Compliance Staff Worldwide:

4 full-time and 17 part-time staff worldwide - based in various countries, with headquarters in US.

Part 2 below provides detailed program information.

Third parties contracted by compliance team? **Yes**

See endnotes for a list of the third parties and the work conducted.^x

Notes:

- LCI is included in FLA Year One report, which can be accessed at http://www.fairlabor.org/all/transparency/annual_report.html.
- LCI was involved in remediation of a third party complaint issued to FLA in June 2003 regarding a facility in Guatemala. Status as of July 2004: OPEN.
See the third party complaints section of this report for a report on that factory.
- LCI acquired several new brands in 2003, and is working to include them in the FLA in the future.

2. Liz Claiborne, Inc.'s Labor Compliance Program in Year Two⁸

LCI's Standards of Engagement are based on the FLA's Workplace Code of Conduct. In Year Two, LCI increased the size of its Compliance Department, which, as of December 2003, consisted of 4 full-time and 17 part-time staff worldwide. The Vice President of Human Rights Compliance is based in New York and oversees compliance activities in coordination with compliance team members -- some of whom are LCI agents -- located in 9 different countries in East Asia, South Asia, and the Americas. The VP of Human Rights Compliance reports to the Senior Vice President of Corporate Affairs/General Counsel, who in turn reports to LCI's Chairman of the Board and CEO.

In countries where LCI did not possess adequate staff resources, LCI contracted with Global Social Compliance (GSC) to conduct internal monitoring visits and follow-up. In sum, GSC monitored 34 factories on LCI's behalf. In Thailand, Kenan Institute Asia was contracted to conduct 2 compliance visits.

With a view to supplementing LCI Compliance Department activities, LCI quality staff and country managers were instructed to report all noncompliance issues to the Compliance Staff. Such reporting increased in Year Two, particular in the Americas, where in several cases, quality staff actively participated in remediation (e.g., a quality technician with an engineering background has made various health and safety changes in factories). At the executive level, the VP of Human Rights participated in quarterly meetings of the LCI Allocation Committee (which makes decisions about factory allocations for future seasons), as well as monthly executive collaboration meetings and other high-level meetings, where manufacturing, sourcing and compliance issues are discussed.

⁸ For the six companies that were part of the first FLA Public Report, Year Two spans from July 2002 until December 2003, rather than the January-December 2003 reporting period for other companies included in this report. The FLA extended the Year Two reporting period for these companies in order to transition to a reporting cycle that is based on the calendar year.

3. Features of LCI's Labor Compliance Program in Year Two⁹

A. Compliance Systems Developed in Year Two

LCI reported that it focused considerable attention on Hours of Work and Overtime Wages in Year Two, since these were two of the most common and challenging noncompliance issues encountered by the company. LCI staff reported having used alternative methods to determine working hours in many cases, e.g., reviewing shipping information or broken needle records, and night surveillance of the factory. These findings were also instrumental in measuring whether workers received adequate overtime pay.

LCI focused on this issue in China where monitors had found especially high rates of noncompliance with these standards there, citing issues of double books and workers' understanding of overtime policies. Therefore, the compliance team worked to develop relationships with management that would lead to transparent payroll record-keeping. The company also worked with suppliers to develop overtime policies, requiring that they post them where they were visible for workers to review. LCI also made several follow-up visits and phone calls to key facilities in order to chart their progress in ensuring "reasonable" work hours and fair wage payments.

LCI hosted five vendor workshops in China during the reporting period, which included sessions that focused on payroll records and working hours, and the need for transparency and compliance with regard to these standards. In addition, the VP of Human Rights and LCI's Lead Monitor in Asia held approximately 30 individual meetings with high level representatives of main suppliers during the year to highlight the importance of improvement in this area.

The FLA conducted five (5) independent monitoring visits to LCI applicable facilities in China in Year Two. Of these factories, FLA monitors reported noncompliance with at least one of the three FLA Hours and Wages standards in four facilities. Through correspondence and return visits, LCI staff required various corrective actions, ranging from the purchase of new timekeeping software, to the payment of overtime wages that were not paid to workers who worked Sundays, to policy postings and trainings for workers and supervisors for improved understanding of the pay system. Please see LCI tracking charts to review these reports in detail.

While the company reported that some factories had made improvements (an estimated 20 percent) as a result of various efforts, the continued high rate of noncompliance with hours of work and overtime standards had led the compliance staff to consider taking more drastic measures -- including ultimately dropping noncompliant facilities from factory lists. The company also reported that it looked forward to actively participating in the FLA's Hours of Work in China project as an alternative means by which to bring about compliance.

⁹ Please note that this section in no way seeks to capture all of the compliance activities reported to the FLA by companies. Instead, the FLA considers it an overview of company activities that will provide the reader with a better understanding of each company's approach and focus in Year Two.

B. Improvements in Implementing the FLA Requirements

- This year, LCI increased internal monitoring from 28% of all active applicable facilities to over 50%, surpassing the company's goal for internal monitoring for the period. Monitoring was targeted at facilities where there was a higher risk of noncompliance, as well as those not monitored in Year One.
- Of the 199 factories that LCI internally monitored in Year Two, almost half received follow-up visits. LCI's Compliance Department conducted 95 follow-up visits in all during the reporting period.
- LCI standardized worker interview questions and procedures for improved factory monitoring. The policy instructs monitors to conduct at least 10 interviews or 5% of the workforce, whichever is greater, in locations that provide worker confidentiality, such as cafeterias or dormitories, or offsite locations.
- In Year Two, all new factories were audited before being approved for sourcing. At least six factories were declined for sourcing because of noncompliance issues, in particular falsified payroll and time records. In at least one case, factory remediation of key issues resulted in LCI's eventually sourcing there.

4. FLA Independent External Monitoring in Liz Claiborne's Applicable Facilities

A. An Introduction to FLA Independent External Monitoring

FLA independent external monitoring (IEM) is one way that the FLA verifies Participating Companies' compliance activities in the factories where they produce. The FLA conducts unannounced independent external monitoring visits in approximately 5% of all Participating Company applicable facilities that are deemed to be high risk (and no less than 3.5% of the company's total factory list), and reports on all noncompliance findings in those factories. By observing these monitoring reports and the company's ensuing remediation, the FLA can verify a company's progress in developing systems for effective prevention and remediation of noncompliance issues each year. The FLA tracking charts (<http://www.fairlabor.org/all/transparency/reports.html>) provide detailed information about monitoring findings and LCI's approach to remediation of noncompliance issues.

B. Summary of FLA Independent External Monitoring in LCI Applicable Facilities

The following table provides information about FLA independent monitoring visits undertaken in LCI applicable facilities in Year Two. It provides background information about the factories, the monitors, and their visits.

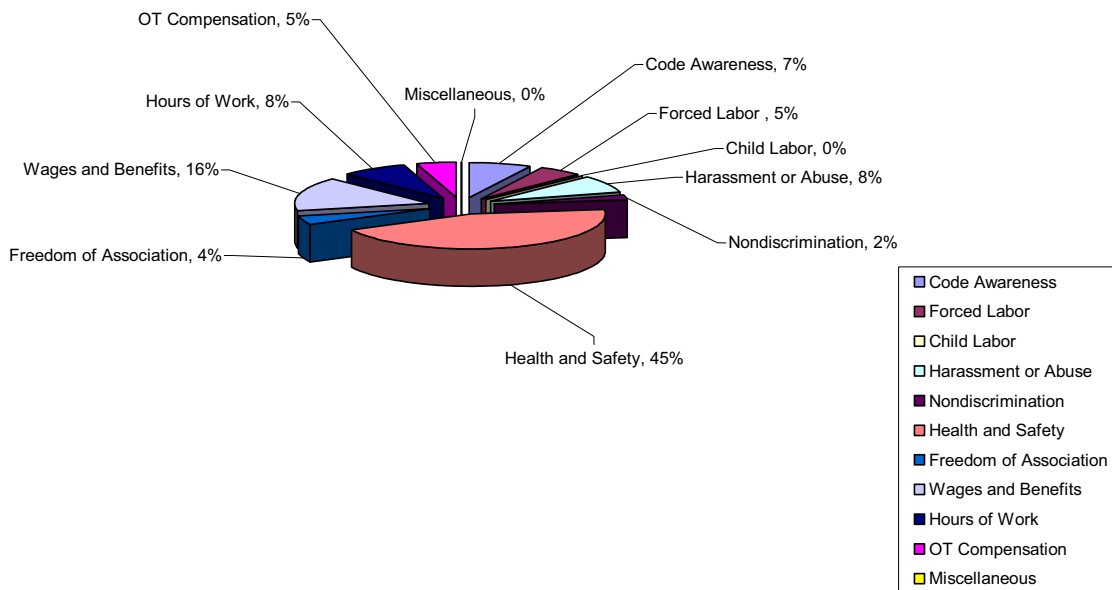
LCI Independent External Monitoring (IEM) Summary – Year Two		
Number of IEMs in Year Two:		11
Remediation shared with other FLA Companies:		5
Remediation undertaken independently:		6
Total person days spent monitoring facilities:*		71.5
Average person days per facility:*		7
Average number of workers per independently monitored facility:*		370
Regions	Independent External Monitoring Visits	FLA-Accredited Monitors Conducting Visits
East Asia -- China, Hong Kong	5	Kenan Institute Asia (2), SGS (2), Bureau Veritas (1)
Southeast Asia -- Indonesia, Philippines	2	Bureau Veritas (2)
South Asia -- India	2	SGS (1), Bureau Veritas (1)
Americas -- Guatemala, Peru	2	Coverco (1), Cotecna (1)

** Because the report for one of the facilities has not yet been submitted, these figures are based on 10 factory reports.*

C. Independent External Monitoring Results

Liz Claiborne, Inc. **Noncompliance Issues Grouped by Code Provision** Number of IEMs = 10**

Please note: This pie chart provides a very cursory overview of noncompliance issues organized by FLA Code Provision. Click on any Code Provision name in the legend of the website version of this report for a list of FLA Benchmarks that are used to measure compliance with that Provision. A more detailed explanation of these issues follows in the sections following the pie chart.



Please visit the FLA tracking charts (<http://www.fairlabor.org/all/transparency/reports.html>) to learn more about LCI's approach to remediation of all of the issues summarized here.

***Please note: Because the report for one of the LCI facilities monitored by FLA was not yet available at the time of drafting this report, this pie graph is based on findings from 10 factory reports.*

The figure above displays the percentage of total noncompliance issues reported by FLA independent monitors, which LCI took up through remediation in Year Two. **Health and Safety** was the noncompliance issue that was most commonly reported in independently monitored LCI facilities, making up 45% of the total noncompliance issues (i.e., approximately 7 health and safety issues were raised in each facility).¹⁰

¹⁰ Health and safety are often the most evident and measurable noncompliance issues in many facilities worldwide, and therefore figure very highly in the total number of findings.

Reported and remediated health and safety issues included inadequate safety postings and evacuation procedures, insufficient personal protective equipment and other safety equipment, and chemical management issues.

Issues related to Hours and Wages were also common in Year Two visits to LCI facilities. A total of 29% of all findings related to **Wages and Benefits** (16%), **Hours of Work** (8%) or **Overtime Compensation** (5%). Top Hours and Wages issues that were reported by FLA monitors and taken up by LCI through corrective action plans were excessive overtime and inadequate time recording systems. Moreover, monitors were unable to confirm that minimum wage laws had been applied due to inadequate record-keeping.

Other Code Provisions were reported by FLA monitors with less frequency. As discussed in previous sections, the FLA is working to develop systems for more effective monitoring and remediation of the Code Provisions that are particularly complex and difficult to assess, such as Nondiscrimination, Freedom of Association and Collective Bargaining, and Harassment and Abuse.

There were no findings of forced or bonded labor in facilities producing for LCI. The **Forced Labor** (5%) noncompliance reported above related to other benchmarks categorized under this Code provision. Please follow the links in the graph above to learn more about the benchmarks for this and other FLA Code provisions, and visit the FLA factory tracking charts to learn more about LCI's approach to remediation of all of the noncompliance issues mentioned above.

5) Nike, Inc.

1. Nike Company Profile

Company Name: **Nike Inc.**

Year of FLA Implementation: **2nd year**

FLA Initial Implementation Period Ends: **Dec 2004**

Annual Consolidated Revenue in FY 2003 (millions): **\$9,776**

Company Status: **Public [NYSE:NKE]**

FLA Applicable Brands / Brand's Percentage of Total Consolidated Revenue:
Nike / 91%

Total Applicable Facilities Worldwide in FLA Y2:

1,074 applicable facilities

See endnotes for a list of where^{xi}

Applicable Facilities subject to Internal Monitoring Visits in FLA Y2:

860 applicable facilities

See endnotes for a list of where

Total FLA Independent External Monitoring Visits in FLA Y2:

40 applicable facilities (30 apparel; 10 footwear) were independently monitored by FLA

Part 4 below provides detailed information. The factory tracking charts available at <http://www.fairlabor.org/all/transparency/reports.html> give individual reports on each monitoring visit.

Compliance Staff Worldwide:

99 full-time and 2 part-time staff worldwide - based in various regions, with headquarters in the US.

Part 2 below provides detailed program information.

Third parties contracted by compliance team? **Yes**

See endnotes for a list of the third parties and the work conducted^{xii}

Notes:

- **Nike is included in FLA Year One report, accessed at http://www.fairlabor.org/all/transparency/annual_report.html**
- **Nike is a university licensee.**

See endnotes for a list of the universities,^{xiii} or access the FLA database to learn about where licensed goods are produced.

- **Nike was involved in remediation of two (2) third party complaints during the reporting period:**
 - **Complaint issued in July 2003 regarding a facility in Sri Lanka -- status as of July 2004: CLOSED;** *Complete report can be accessed in FLA Year One Public Report.*
 - **Complaint issued January 2002 regarding facility in Dominican Republic – status as of July 2004: CLOSED;** *Please see complete report in third party complaints section of this report.*

2. Nike's Labor Compliance Program in Year Two¹¹

The goal of Nike's compliance program is to implement Nike's Code of Conduct (which corresponds with FLA's Workplace Code) throughout its supply chain. In Year Two, the Nike Compliance department increased its size to more than 90 full-time and 2 part-time staff members around the world. The Vice President of Compliance, who reports to the Vice President of Apparel Sourcing, oversees the compliance staff, which is based at Nike headquarters and in Nike liaison and production offices overseas. Compliance field staff is organized into four regional teams: Americas, Europe/Middle East/Africa, North Asia, and South Asia.

Nike compliance staff conducts most management audits, which are comprehensive internal monitoring visits. In Year Two, Nike contracted third party monitoring groups to conduct pre-sourcing audits. The company also contracted with third-parties to undertake capacity building programs (endnote xii provides the list of groups Nike worked with in Year Two).

Other members of Nike's staff are involved in the company's compliance activities. For instance, Nike production managers, who make frequent visits to Nike facilities, are responsible for carrying out SHAPE factory assessments (which involve a brief review of factory working conditions – see FLA's Year One report for further explanation) and following up on some factory remediation plans. Nike reports that sourcing staff members are required to spend 10-15% of their time doing compliance-related work. Sourcing managers also use their leverage as buyers to influence factories to move forward with various compliance activities.

¹¹ For the six companies that were part of the first FLA Public Report, Year Two spans from July 2002 until December 2003, rather than the January-December 2003 reporting period for other companies included in this report. The FLA extended the Year Two reporting period for these companies in order to transition to a reporting cycle that is based on the calendar year.

3. Features of Nike's Labor Compliance Program in Year Two¹²

A. Compliance Systems Developed in Year Two

1. Training and Capacity-building:

According to Nike records, more than 11,000 factory employees have participated in various capacity-building programs sponsored by Nike during the reporting period, from August 2002 through November 2003. Trainings for managers included cross-cultural trainings in the Americas for factories with Asian management and Spanish-speaking employees. Managers participated in trainings on labor law and health and safety in China and Hong Kong, and projects with ISOS in Indonesia, Vietnam and China focused on health and safety. The ISOS health project in Indonesia, for example, included assessments of nine factories' health facilities, and six-week training sessions for the health care providers at those facilities. Global Alliance also offered supervisor trainings in more than 30 Nike contracted facilities.

Workers also participated in trainings. The Global Alliance, ISOS, and other local organizations ran worker development programs that focused on key issues like reproductive health, basic labor standards, and life skills, such as personal finance. Workers from more than 50 factories participated in these programs, most of which were rolled out in Nike contracted footwear facilities. See endnote xii for a list of groups that Nike contracted for capacity-building work.

2. Grievance Reporting Systems

In order to strengthen mechanisms for reporting workplace problems at a local level, Nike cooperated with local organizations to develop grievance reporting systems, one in Indonesia and the other in China. As of the end of the reporting period, Nike had completed phase one of a pilot project that was initiated in July 2003 in cooperation with a local group in Qingdao, China. The project involves multiple steps that aim to put an effective complaints mechanism in place for workers.

As part of its first phase, the group assessed the workers' knowledge of Chinese Labor Law. Next, it designed a peer-training for 50 workers who will ultimately act as trainers for other workers. At the end of the reporting period, the group was in the process of developing grievance communication systems, which include grievance boxes, a hotline, access to the labor union office for consultations, and email addresses. Once the systems are developed, the 50 nominated workers will participate in the trainings that focus on: work hours, vacation/holiday, worker health and safety, labor disputes, labor contracts, and social insurance. Over the long term, the 50 workers are expected to train other workers, and about half of them will participate in the "grievance committee" at the factory where the pilot is taking place. A follow-up assessment is planned at the end of the project in order to measure the degree to which workers' understanding of the Code and grievance procedures has improved.

¹² Please note that this section in no way seeks to capture all of the compliance activities reported to the FLA by companies. Instead, the FLA considers it an overview of company activities that will provide the reader with a better understanding of each company's approach and focus in Year Two.

3. Hours and Wages

Nike reported that excessive overtime and inaccurate computation of overtime wages were two of the top issues that concerned the company's compliance staff in Year Two. Nike's annual report to the FLA discussed various cases in Canada and the United States where the company states that it secured restitution of back pay for workers when they were not paid adequately for hours worked. Year Two FLA independent external monitoring reports provide supporting evidence that overtime issues exist in Nike's North American facilities, and that the company has taken steps in those particular instances to provide back-pay to workers who have not received adequate overtime pay.

Nike also reported that it was working to address issues of overtime and compensation in Thailand by working with factories to reduce the common practice of keeping double books. In several Year Two monitoring visits of Nike contracted facilities, FLA monitors did indeed observe some issues relating to overtime in facilities; for example, workers did not have a clear understanding of overtime wage calculation and voluntary overtime. In those facilities, Nike worked with factories to institute overtime work and pay policies, which were posted for workers to see. Nike also encouraged factories to alleviate overtime by monitoring production schedules and workers' hours. Reports on Nike's contracted facilities that were monitored by the FLA can be accessed at <http://www.fairlabor.org/all/transparency/reports.html>.

B. Improvements in Implementing the FLA Requirements

- Nike increased the size of its compliance staff to include more than 90 full-time and 2 part-time staff. At the end of the last reporting period, Nike had approximately 64 staff members. During Year Two, compliance program leadership focused on training the entire compliance staff. Trainings included the "Global Compliance Summit" in November 2002, where the entire compliance staff met for a week; a weeklong "M-auditor boot camp" for internal monitors; and environment, health and safety training for staff in the Americas and Asia.
- Nike internal compliance staff began to conduct all "Management audits" (in addition to SHAPE audits – see the FLA Year One Public Report for more on these different monitoring approaches) throughout the Nike supply chain. Prior to September 2002, these audits were conducted by third party monitors. In Year Two, however, third party monitors were relied upon to conduct pre-sourcing monitoring only, and participated in trainings that introduced them to Nike's new monitoring process.
- At the end of the reporting period Nike was in the process of improving its compliance database so that records could be synchronized between offices in different regions. Records include information about communication between compliance and production managers about specific factory remediation issues.

4. FLA Independent External Monitoring in Nike's Applicable Facilities

A. An Introduction to FLA Independent External Monitoring

FLA independent external monitoring (IEM) is one way that the FLA verifies Participating Companies' compliance activities in the factories where they produce. The FLA conducts unannounced independent external monitoring visits in approximately 5% of all Participating Company applicable facilities that are deemed to be high risk (and no less than 3.5% of the company's total factory list), and reports on all noncompliance findings in those factories. By observing these monitoring reports and the company's ensuing remediation, the FLA can verify a company's progress in developing systems for effective prevention and remediation of noncompliance issues each year. The FLA tracking charts provide detailed information about monitoring findings and Nike's approach to remediation of noncompliance issues. They can be accessed at <http://www.fairlabor.org/all/transparency/reports.html>.

B. Summary of FLA Year Two Independent External Monitoring in Nike's Applicable Facilities

The following table provides information about FLA independent monitoring visits undertaken in Nike applicable facilities in Year Two. It provides background information about the factories, the monitors, and their visits.

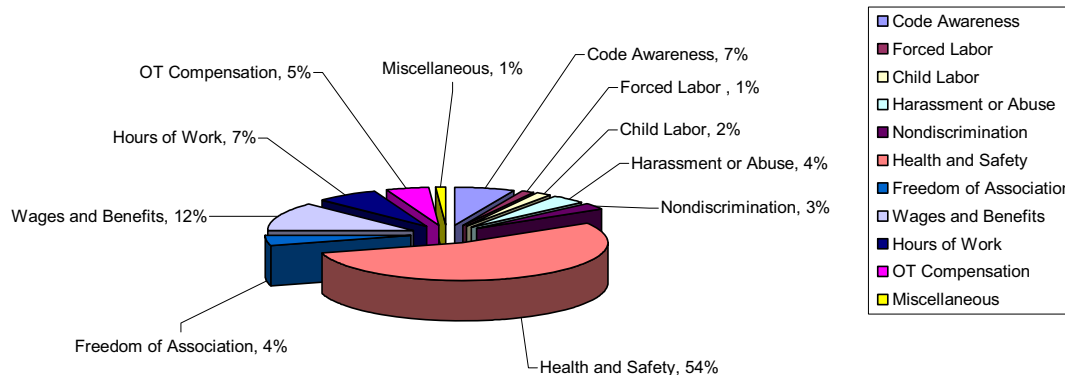
Nike Independent External Monitoring (IEM) Summary – Year Two		
Number of IEMs in Year Two:	40	
Remediation shared with other FLA Companies:	10	
Remediation undertaken independently:	30	
Total person days spent monitoring facilities:	545	
Average person days per facility:	14	
Average number of workers per independently monitored facility:	2,234	
Regions	Independent External Monitoring Visits	FLA-Accredited Monitors Conducting Visits
East Asia -- China	9	Kenan Institute Asia (4), Societe General du Serveillance (2), Bureau Veritas (3)
Southeast Asia -- Malaysia, Thailand, Indonesia, Vietnam	16	Kenan Institute Asia (7) , Societe General du Serveillance (3), Bureau Veritas (6)
South Asia -- India, Pakistan	7	T-Group Solutions (3), Societe General du Serveillance (2), Phulki (2)
Americas -- USA, Mexico, Dominican Republic, Honduras, Brazil	8	Cotecna (3), A & L Group, Inc (5)

C. Independent External Monitoring Results

Nike **Noncompliance Issues Grouped by Code Provision**

Number of IEMs = 40

Please note: This pie chart provides a very cursory overview of noncompliance issues organized by FLA Code Provision. Click on any Code Provision name in the legend of the website version of this report for a list of FLA Benchmarks that are used to measure compliance with that Provision. A more detailed explanation of these issues follows in the section following the pie chart.



Please visit the FLA tracking charts <http://www.fairlabor.org/all/transparency/reports.html> to learn more about Nike's approach to remediation of all of the issues summarized here.

The figure above displays the percentage breakdown by Code Provision of the total non-compliance issues reported by FLA independent monitors in Nike applicable facilities, which Nike addressed through remediation in Year Two. Non-compliance findings relating to **Health and Safety** were the most frequently reported issues, making up 54% of the total non-compliance issues identified.¹³ The most commonly reported and remediated Health and Safety issues related to inadequate postings and evacuation procedures, safety equipment and personal protective equipment.

¹³ Health and safety are often the most evident and measurable issues in a facility, and therefore figure very highly in the total number of findings.

Issues related to Hours and Wages were also common, with a total of 24% of all findings relating to **Wages and Benefits** (12%), **Hours of Work** (7%) and **Overtime Compensation** (5%). The top Hours and Wages issues that were reported by FLA monitors and taken up by Nike through corrective action plans were related to overtime limitations, overtime compensation, and worker awareness of their wages and benefits.

There were no findings of underage workers in facilities producing for Nike. Issues categorized under the **Child Labor** provision (2% of all noncompliance reported) mainly related to factories having inadequate documentation for workers' ages in factories records, as required by the FLA.

There were no findings of forced or bonded labor in these facilities. Most noncompliance issues categorized under the **Forced Labor** provision (1% of all noncompliance reported) related to factories keeping inadequate records to demonstrate compliance with all FLA benchmarks for this Provision.

As discussed in previous sections, the FLA is working to develop systems for more effective monitoring and remediation of the Code Provisions that are particularly complex and difficult to assess, such as Freedom of Association and Collective Bargaining, Nondiscrimination, and Harassment and Abuse.

Please visit the FLA factory tracking charts to see complete reports on these and other monitoring findings, and to learn more about Nike's approach to remediation of all of the noncompliance issues mentioned above.

6) Nordstrom, Inc.

1. Nordstrom's Profile

Company Name: **Nordstrom, Inc.**

Year of FLA Implementation: **1st year**

FLA Initial Implementation Period Ends: **Dec 2005**

Annual Sales in FY 2003 (millions): **\$6,500 (approx.)**

Company Status: **public [NASDAQ:JWN]**

FLA Applicable Brands / Brand's Percentage of Total Sales:

Nordstrom Private Labeled Apparel / 15% (approx.)

Total Applicable Facilities Worldwide in FLA Y2:

302 applicable facilities

See endnotes for a list of where^{xiv}

Applicable Facilities subject to Internal Monitoring Visits in FLA Y2:

281 applicable facilities

See endnotes for a list of where

Total FLA Independent External Monitoring Visits in FLA Y2:

12 applicable facilities independently monitored by FLA

Part 4 below provides detailed information. The factory tracking charts available at <http://www.fairlabor.org/all/transparency/reports.html> give individual reports on each monitoring visit.

Compliance Staff Worldwide:

9 full-time staff worldwide - based at headquarters in US

Part 2 below provides detailed program information.

Third parties contracted by compliance team? **Yes**

See endnotes for a list of the third parties and the work conducted.^{xv}

Notes:

Nordstrom is the first retailer to join the FLA.

2. Nordstrom's Labor Compliance Program in Year Two¹⁴

Nordstrom completed the **first year** of its three-year initial implementation period of the FLA program in December 2003. Over the course of the year, Nordstrom Product Group (NPG), which is responsible for the production of Nordstrom private-label products, applied the FLA program to the group's apparel lines. The company has furthermore committed to integrate the FLA program into the labor compliance programs that apply to footwear and gifts in coming years.

Nordstrom's Social Compliance program is the principal department within its corporate structure responsible for carrying out FLA requirements. The program administers the compliance process with respect to the Nordstrom Code of Conduct, which corresponds to the provisions of the FLA Code of Conduct. The Code is conveyed to Nordstrom's vendors, factories, and buying agents through the *Nordstrom Partnership Guidelines*.

The Social Compliance program is housed within the Nordstrom Product Group (NPG) division and interacts with all departments within NPG. The Division Vice President leads the Social Compliance program and reports to the Executive Vice President, Director of Supply Chain. In Year Two, the Social Compliance program was comprised of 9 staff members based at Nordstrom's US headquarters. The staff was responsible for designing the program, training, and oversight of the program worldwide. They cooperated with four "Key Agents" in Asia and the Middle East, who carried-out monitoring, remediation, and other compliance activities on behalf of Nordstrom. Nordstrom also relied on third-party monitors to conduct all monitoring visits to factories not under the scope of a Key Agent, as well as all pre-sourcing visits to new facilities. In sum, Cal Safety Compliance Corporation conducted 123 audits and Bureau Veritas conducted 66 audits on behalf of Nordstrom around the world. Further details are provided in endnote xv. Nordstrom conducted internal monitoring visits to 100% of its applicable facilities at least once in the reporting period.

Social Compliance staff participated in a 'cross-functional team' comprised of staff representatives from Sourcing, Production, Quality Assurance, Logistic, Customs Compliance and International Payment with a view to a more thorough integration of compliance into Nordstrom's core business model. Members of these departments also reviewed factory compliance and followed-up on remediation when they visited factories.

¹⁴ For first year companies, the FLA Year Two ran from January-December 2003.

3. Features of Nordstrom's Labor Compliance Program in Year Two¹⁵

A. Compliance Systems Developed in Year Two

- In 2003, Nordstrom evaluated its Social Compliance Program and developed a 3-year plan, which included goals for the program's growth. The plan was established and approved by all executive levels of Nordstrom. Quarterly reports were created to evaluate the Social Compliance program's progress in meeting goals.
- The Social Compliance Program developed an information database for data collection and analysis of compliance in contract facilities. Audit reports were stored on the database, and accumulated data were used to focus future compliance activities in different countries/regions.
- The company contracted third-party monitors to conduct full social compliance audits at all new factories prior to their addition to Nordstrom's factory base (go to footnote xv to access the list of monitoring groups). According to the policy, factories are not authorized to receive purchase orders unless they have successfully completed any remediation action items identified in the pre-sourcing audit.
- Since agents are Nordstrom's in-country representatives and are relied upon to provide specialized knowledge regarding relevant law and social norms that affect workers in applicable facilities, Nordstrom required all agents that were involved in social compliance work to participate in trainings on Nordstrom standards and basic auditing techniques. In order to become "Nordstrom Qualified Agents" (agents who took the lead with regard to social compliance issues), agents were required to participate in approximately one week of classroom and in-factory trainings sponsored by Nordstrom, and in SA8000 training within a year's time.
- The Social Compliance program held supplier workshops in Italy, Portugal, Turkey, Brazil, US, China, India, and Macau with a total of 679 participants. The Social Compliance program also identified country-specific training needs with respect to certain areas of compliance, with plans to carry out trainings in 2004-5.

B. Improvements in Implementing the FLA Requirements

In Year Two, Nordstrom completed the **first year** of its initial implementation of the FLA program. Improvements in its fulfillment of FLA requirements will be reported on in next year's report.

¹⁵ Please note that this section in no way seeks to capture all of the compliance activities reported to the FLA by companies. Instead, the FLA considers it an overview of company activities that will provide the reader with a better understanding of each company's approach and focus in Year Two.

4. FLA Independent External Monitoring in Nordstrom's Applicable Facilities

A. An Introduction to FLA Independent External Monitoring

FLA independent external monitoring (IEM) is one way that the FLA verifies Participating Companies' compliance activities in the factories where they produce. The FLA conducts unannounced independent external monitoring visits in approximately 5% of all Participating Company applicable facilities that are deemed to be high risk (and no less than 3.5% of the company's total factory list), and reports on all noncompliance findings in those factories. By observing these monitoring reports and the company's ensuing remediation, the FLA can verify a company's progress in developing systems for effective prevention and remediation of noncompliance issues each year. The FLA tracking charts (accessed at <http://www.fairlabor.org/all/transparency/reports.html>) provide detailed information about monitoring findings and Nordstrom's approach to remediation of noncompliance issues.

B. Summary of FLA Year Two Independent External Monitoring in Nordstrom's Applicable Facilities

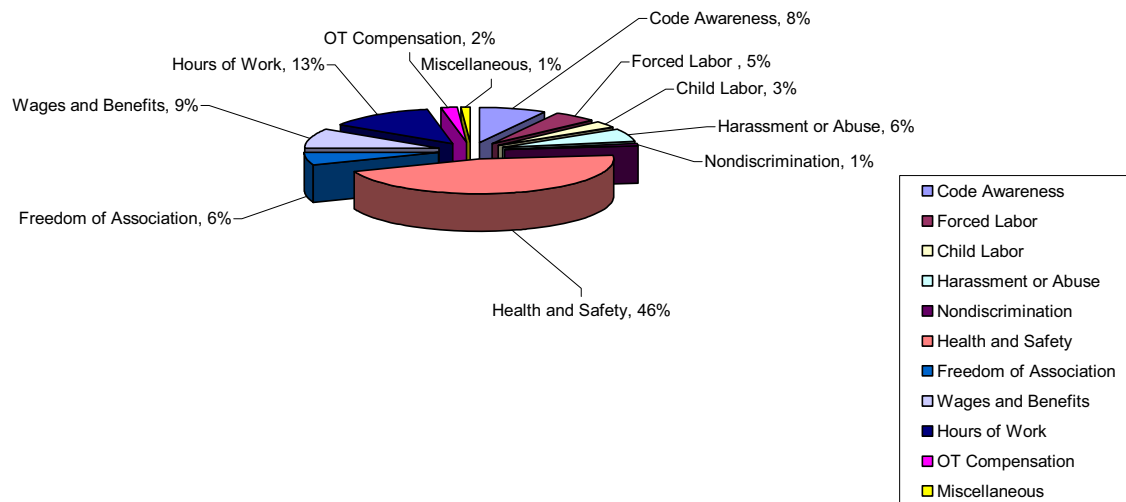
The following table provides information about FLA independent monitoring visits undertaken in Nordstrom applicable facilities in Year Two. It provides background information about the factories, the monitors, and their visits.

Nordstrom Independent External Monitoring (IEM) Summary – Year Two		
Number of IEMs in Year Two:		12
Remediation shared with other FLA Companies:		7
Remediation undertaken independently:		5
Total person days spent monitoring facilities:		54
Average person days per facility:		5
Average number of workers per independently monitored facility:		780
Regions	Independent External Monitoring Visits	FLA-Accredited Monitors Conducting Visits
East Asia -- China, Hong Kong	7	Kenan Institute Asia (1), Societe General du Serveillance (4), Bureau Veritas (2)
Southeast Asia -- Malaysia	1	Kenan Institute Asia (1)
South Asia -- India	1	Bureau Veritas (1)
Europe, Africa, Middle East (EAME) -- Turkey	1	Societe General du Serveillance (1)
Americas -- USA, Peru	2	Cotecna (2)

C. Independent External Monitoring Results

Nordstrom **Noncompliance Issues Grouped by Code Provision** *Number of IEMs = 12*

Please note: This pie chart provides a very cursory overview of noncompliance issues organized by FLA Code Provision. Click on any Code Provision name in the legend for a list of FLA Benchmarks that are used to measure compliance with that Provision. A more detailed explanation of these issues follows in the sections following the pie chart.



Please visit the FLA tracking charts (<http://www.fairlabor.org/all/transparency/reports.html>) to learn more about Nordstrom’s approach to remediation of all of the issues summarized here.

The figure above displays the percentage breakdown by Code element of the total non-compliance issues reported by FLA independent monitors in Nordstrom facilities, which Nordstrom addressed through remediation in Year Two. Non-compliance findings with regard to **Health and Safety** were the most frequently reported issues, making up 46% of the total non-compliance issues identified.¹⁶ The most commonly reported and

¹⁶ Health and safety are often the most evident and measurable noncompliance issues in many facilities worldwide, and therefore figure very highly in the total number of findings.

remediated Health and Safety issues were related to inadequate postings and evacuation procedures, safety equipment, and personal protective equipment.

Issues related to Hours and Wages were also common, with a total of 24% of all findings relating to **Wages and Benefits** (9%), **Hours of Work** (13%) and **Overtime Compensation** (2%). The top Hours and Wages issues that were reported by FLA monitors and taken up by Nordstrom through corrective action plans were related to overtime limitations, worker awareness of wages and benefits, and the factory's provision of legal benefits to workers.

Six percent of the IEM findings for Nordstrom related to **Harassment and Abuse**. Three noncompliance issues related to inadequate disciplinary practices and training for management. One finding related to verbal abuse, while another related to the use of monetary fines for poor performance. The last issue was categorized as "other."

There were no findings of forced or bonded labor in facilities producing for Nordstrom. Four out of five noncompliance issues categorized under the **Forced Labor** provision (5% of all noncompliance reported) related to the use of recruitment contracts that did not correspond with FLA Standards, and the other one related to factory recordkeeping practices.

Likewise, there were no findings of underage workers in these facilities. Of the three issues categorized under the **Child Labor** provision (3% of all findings), two related to improper factory documentation of workers' ages. The third issue related to noncompliance with local laws that aim to protect young workers, those between the minimum working age and the age of 18.

As discussed in previous sections, the FLA is working to develop systems for more effective monitoring and remediation of the Code elements that are particularly complex and difficult to assess, such as Nondiscrimination, Freedom of Association and Collective Bargaining, and Harassment and Abuse.

Please visit the FLA factory tracking charts (<http://www.fairlabor.org/all/transparency/reports.html>) to learn more about Nordstrom's approach to remediation of all of the noncompliance issues mentioned above.

7) Patagonia

1. Patagonia Company Profile

Company Name: **Patagonia**

Year of FLA Implementation: **1st year**

FLA Initial Implementation Period Ends: **Dec 2005**

Annual Consolidated Revenue in FY 2003 (millions): **Range: 100-500***

*The FLA provides revenue ranges for companies that are not publicly owned

Company Status: **Patagonia is privately owned**

FLA Applicable Brands / Brand's Percentage of Total Consolidated Revenue:

The following brands make up 100% of Patagonia's Revenues:

Patagonia®

WaterGirl® by Patagonia

Lotus® by Patagonia

Total Applicable Facilities Worldwide in FLA Y2:

60 applicable facilities

See endnotes for a list of where^{xvi}

Applicable Facilities subject to Internal Monitoring Visits in FLA Y2:

14 applicable facilities

See endnotes for a list of where

Total FLA Independent External Monitoring Visits in FLA Y2:

3 applicable facilities independently monitored by FLA

Part 4 below provides detailed information. The factory tracking charts available at <http://www.fairlabor.org/all/transparency/reports.html> give individual reports on each monitoring visit.

Compliance Staff Worldwide:

One full-time and one part-time staff - based at company headquarters

Part 2 below provides detailed program information

Third parties contracted by compliance team? **Yes**

See endnotes for a list of the third parties and the work conducted.^{xvii}

Notes:

Patagonia was considered an FLA Participating Company in Year One, but postponed the start of its initial implementation of the FLA program to FLA Year Two.

2. Patagonia's Labor Compliance Program in Year Two¹⁷

In Year Two, Patagonia completed the **first year** of its three-year initial implementation period of the FLA program. Patagonia's Social Audit Program was responsible for ensuring adherence to the labor standards defined in Patagonia's Code of Conduct, which corresponds to the FLA Code of Conduct. In this first year, the position Social Audit Coordinator was created in order to manage Patagonia's labor compliance efforts, including the implementation of FLA requirements. The Coordinator reports to the Executive Vice President of Legal and Human Resources, who oversees the program, and in turn reports to Patagonia's CEO.

At the factory level, Patagonia's production team members are the company personnel involved in communicating the Code standards to contractors and monitoring progress on remediation. Patagonia estimates that for production staff, 10% of their position is devoted to compliance-related activities. With a view to full labor compliance audits, as required by the FLA, the company relies on third-party monitors. In 2003, Patagonia contracted Cal Safety Compliance Corporation (CSCC) to conduct full monitoring visits in 20% of its active facilities.

3. Features of Patagonia's Labor Compliance Program in Year Two¹⁸

A. Compliance Systems Developed in Year Two

In the first year of its initial implementation period of the FLA program, the focus of Patagonia's Social Audit Program was on building the program and improving capacity at the operations level. This included reorganization within the company to create a specialized compliance department, investigation of the best approaches to staff training, and regular consultations with the FLA staff. Patagonia noted that while its approach to compliance has historically been reactive, the company is in the process of transitioning towards a more proactive program to ensure compliance with the Code.

- The company took initial steps to improve management commitment to FLA requirements. The compliance team asked all suppliers to post the Code of Conduct in production facilities, and considered ways to create systems for workers to report noncompliance directly to Patagonia, should managers fail to comply with the Code.

¹⁷ For first year companies, the FLA Year Two ran from January-December 2003.

¹⁸ Please note that this section in no way seeks to capture all of the compliance activities reported to the FLA by companies. Instead, the FLA considers it an overview of company activities that will provide the reader with a better understanding of each company's approach and focus in Year Two.

Factories were also required to submit to unannounced visits by FLA-accredited monitors.

- The company viewed this first year of participating in FLA independent external monitoring and the ensuing remediation in three facilities as a good learning experience for staff as they initiate the company's new program. Two of the three monitored facilities were shared with other companies, providing opportunities for learning about different approaches to remediation.
- The company continued to implement the policy of pre-sourcing audits, which requires all new facilities to undergo a full monitoring visit before receiving orders from Patagonia. All new facilities were accepted as sourcing facilities in Year Two.
- Over the course of the next year, Patagonia has committed to ensuring programmatic developments in the area of training. In Year Three, the Social Audit Coordinator and Executive VP of Legal and Human Resources will receive more training to enable better selection of monitoring firms, improved data collection and analysis, and more robust remediation and prevention efforts. Patagonia is also committed to improving its engagement with local groups in coming years (such as NGOs, trade unions and other civil society organizations).

B. Improvements in Implementing the FLA Requirements

As Year Two represented the first year of FLA implementation for Patagonia, progress in the development of its program will be reported on next year.

4. FLA Independent External Monitoring in Patagonia's Applicable Facilities

D. An Introduction to FLA Independent External Monitoring

FLA independent external monitoring (IEM) is one way that the FLA verifies Participating Companies' compliance activities in the factories where they produce. The FLA conducts unannounced independent external monitoring visits in approximately 5% of all Participating Company applicable facilities that are deemed to be high risk (and no less than 3.5% of the company's total factory list), and reports on all noncompliance findings in those factories. By observing these monitoring reports and the company's ensuing remediation, the FLA can verify a company's progress in developing systems for effective prevention and remediation of noncompliance issues each year. The FLA tracking charts (which can be accessed at <http://www.fairlabor.org/all/transparency/reports.html>) provide detailed information about monitoring findings and Patagonia's approach to remediation of noncompliance issues.

B. Summary of FLA Year Two Independent External Monitoring in Patagonia's Applicable Facilities

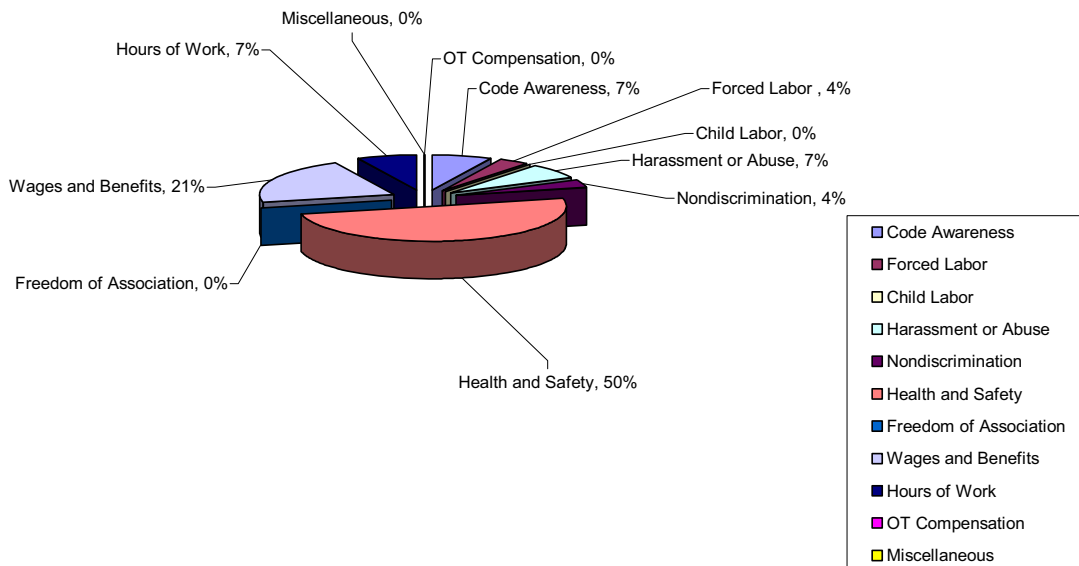
The following table provides information about FLA independent monitoring visits undertaken in Patagonia applicable facilities in Year Two. It provides background information about the factories, the monitors, and their visits.

Patagonia Independent External Monitoring (IEM) Summary – Year Two		
Number of IEMs in Year Two:		3
Remediation shared with other FLA Companies:		2
Remediation undertaken independently:		1
Total person days spent monitoring facilities:		20
Average person days per facility:		7
Average number of workers per independently monitored facility:		1,314
Regions	Independent External Monitoring Visits	FLA-Accredited Monitors Conducting Visits
Southeast Asia --Malaysia, Thailand	2	Kenan Institute Asia (2)
Americas -- USA	1	Cotecna (1)

C. Independent External Monitoring Results

Patagonia **Noncompliance Issues Grouped by Code Provision*** Number of IEMs = 3

Please note: This pie chart provides a very cursory overview of noncompliance issues organized by FLA Code Provision. Click on any Code Provision name in the legend of the website version of this report for a list of FLA Benchmarks that are used to measure compliance with that Provision. A more detailed explanation of these issues follows in the section following the pie chart.



* Please visit the FLA tracking charts (at <http://www.fairlabor.org/all/transparency/reports.html>) to learn more about Patagonia's approach to remediation of all of the issues summarized here.

The figure above displays the percentage breakdown by Code element of the total non-compliance issues reported by FLA independent monitors who visited 3 Patagonia facilities. Patagonia took action to remediate these issues in Year Two. Non-compliance findings with regard to **Health and Safety** were the most frequently reported issues, making up 50% of the total non-compliance issues identified.¹⁹ The most commonly reported and remediated Health and Safety issues related to document maintenance

¹⁹ Health and safety are often the most evident and measurable noncompliance issues in many facilities worldwide, and therefore figure very highly in the total number of findings.

and accessibility, safety equipment, personal protective equipment, and chemical management.

Issues related to Hours and Wages were also common, with a total of 28% of all findings relating to **Wages and Benefits** (21%) and **Hours of Work** (7%). The top Hours and Wages issue that was reported by FLA monitors and taken up by Patagonia through corrective action plans was related to worker awareness of their wages and benefits.

Other Code elements were reported by FLA monitors with less frequency. As discussed in previous sections, the FLA is working to develop systems for more effective monitoring and remediation of the Code elements that are particularly complex and difficult to assess, such as Nondiscrimination, Freedom of Association and Collective Bargaining, and Harassment and Abuse.

Although 4 percent of findings were categorized as Forced Labor, it is worth noting that there were no findings of forced or bonded labor in facilities producing for Patagonia. Those noncompliance issues related to other **Forced Labor** benchmarks. Please follow the links in the graph above to learn more about the benchmarks for this and other FLA Code provisions, and visit the FLA factory tracking charts to learn more about Patagonia's approach to remediating all of the non-compliance issues mentioned above.

8) Phillips-Van Heusen Corp.

1. Phillips-Van Heusen's Company Profile

Company Name: **Phillips-Van Heusen (PVH)**

Year of FLA Implementation: **2nd year**

FLA Initial Implementation Period Ends: **Dec 2004**

Annual Consolidated Revenue in FY 2003 (millions): **\$1,404**

Company Status: **Public [NYSE:PVH]**

FLA Applicable Brands / Brand's Percentage of Total Consolidated Revenue:

Phillips-Van Heusen® / 27%

G.H. Bass® / 26%

Total Applicable Facilities Worldwide in FLA Y2:

190 applicable facilities

See endnotes for a list of where^{xviii}

Applicable Facilities subject to Internal Monitoring Visits in FLA Y2:

190 applicable facilities were internally monitored

See endnotes for a list of where

Total FLA Independent External Monitoring Visits in FLA Y2:

6 applicable facilities (5 apparel; 1 footwear) were independently monitored by FLA

Part 4 below provides detailed information. The factory tracking charts available at <http://www.fairlabor.org/all/transparency/reports.html> give individual reports on each monitoring visit.

Compliance Staff Worldwide:

12 full-time and 46 part-time staff worldwide - based mainly in regional offices, with headquarters in the US

Part 2 below provides detailed program information.

Third parties contracted by compliance team? **Yes**

See endnotes for a list of the third parties and the work conducted.^{xix}

Notes:

PVH is included in FLA Year One report, which can be accessed at http://www.fairlabor.org/all/transparency/annual_report.html.

2. PVH's Labor Compliance Program in Year Two²⁰

Phillips-Van Heusen's Global Human Rights Program is responsible for implementing the Company's "A Shared Commitment" Code of Conduct, which corresponds with the FLA Workplace Code. In Year Two, the Global Human Rights Program included 12 full-time and 46 part-time staff members, which were organized into regional teams, which were in turn headed by regional leaders. The five regional teams cover: United States and Canada; Central and South America; Europe, Africa and the Middle East; India and Southeast Asia; and China and Far East. All Human Rights Program activities are overseen by PVH's Vice President of Global Human Rights Programs and Social Responsibility, who reports to the Company's Executive Vice President of Foreign Operations and, for any critical issues, has direct communication with the Chairman/President of the Board. The VP of Global Human Rights Programs and Social Responsibility is based at headquarters in the US.

With a view to mainstreaming compliance into the company's broader business model, the Human Rights staff offered trainings to selected staff from other departments, particularly sourcing and merchandising. Staff from different departments also participated in awareness training sessions given by the Human Rights team for vendors around the world; they also received the company's quarterly human rights newsletter. Moreover, through periodic meetings with sourcing divisions and informal teamwork in the field, the Human Rights team exchanged key information about factories on a regular basis. The Human Rights and sourcing staff leadership also used their combined influence in discussions with factory owners/management about the need to remediate various noncompliance issues in factories.

PVH contracted third party monitors to conduct pre-sourcing audits and to follow-up in regions where the Global Human Rights Program did not have local staff, language expertise, and/or resources; for situations where an independent assessment was necessary; or during periods when the Human Rights staff's workload surpassed internal resources (see endnote xix for a list of monitors).

3. Features of PVH's Labor Compliance Program in Year Two²¹

A. Compliance Systems Developed in Year Two

In Year Two, PVH's Global Human Rights Program developed the Critical Engagement and Impact Program (CEIP). CEIP seeks to move away from "traditional" monitoring. Through more in-depth analysis of key problems in factories and coaching of factory management, the program seeks to improve capacity at the factory level to address

²⁰ For the six companies that were part of the first FLA Public Report, Year Two spans from July 2002 until December 2003, rather than the January-December 2003 reporting period for other companies included in this report. The FLA extended the Year Two reporting period for these companies in order to transition to a reporting cycle that is based on the calendar year.

²¹ Please note that this section in no way seeks to capture all of the compliance activities reported to the FLA by companies. Instead, the FLA considers it an overview of company activities that will provide the reader with a better understanding of each company's approach and focus in Year Two.

noncompliance in a sustainable manner. In Year Two, PVH Human Rights staff started to implement the program in 120 apparel factories. To that end, the staff conducted more intensive monitoring and consultation in factories over longer periods. Staff received training in management, conflict resolution, and other techniques, which enabled them to identify practices that lead to noncompliance issues, and to work with management to develop long-term and sustainable solutions to those issues. Factories that had a recurring cycle of alternating compliance and noncompliance were selected to participate in CEIP. The main requirement of factories was a commitment to good faith participation and transparent exchanges with the Human Rights team.

To bring factory management through the CEIP process, Human Rights staff was expected to:

- Develop factory transparency so as to reduce the use of tactics to cover-up noncompliance issues, such as keeping double books or coaching workers for interviews.
- Develop, in conjunction with management, longer-term remediation plans that address management practices that are seen to contribute to noncompliance.
- Train management on the Workplace Code, since it has been PVH's experience that noncompliance may often stem from a lack of understanding of Code provisions.
- Play an advisory role, rather than the leading role, in the remediation process, so as to encourage managers to take ownership of the process and gain the skills to "self-manage" compliance programs.

PVH reported that the CEIP process was used to address various noncompliance issues, most notably excessive overtime, which is a recurring issue in many factories despite ongoing efforts to remediate the problem. In such factories, the PVH team worked with managers to analyze the underlying reasons that workers were required to work long hours or did not have one in seven days off from work, as required by the Code. They found that bottlenecks in particular departments and inefficiencies in the production process were among the contributing factors. As a result, different managers took different approaches to addressing these issues, including: developing special monitoring practices to observe production inefficiencies and noncompliance; instituting a system of incentive rates for workers that allowed them to earn more and produce more, therefore cutting overtime; and establishing a two-shift system.

While FLA independent external monitoring visits reveal that overtime is a persistent and far-reaching issue, they can provide some preliminary evidence of PVH's work to engage factories on this topic. At the time of drafting this report, the FLA tracking chart about a factory in the Philippines where PVH sources includes evidence of the company's efforts to train the factory to address noncompliance issues more systematically. Please see PVH's tracking charts (available at <http://www.fairlabor.org/all/transparency/reports.html>) to review this factory report in detail.

It is worth noting here that PVH also introduced the Engagement and Impact Program for Footwear (EIPF) to management representatives of 60 footwear factories at a PVH conference in China in October 2003. The FLA expects to receive additional information on the impact of CEIP and this footwear project as they are rolled out.

B. Improvements in Implementing the FLA Requirements

- PVH added four new full-time positions to its Human Rights team. It also reorganized its regional leadership team with a view to concentrating on strategic issues in each region; the region that once was overseen by the Asia regional leader was split into two: India and Southeast Asia, and China and the Far East.
- Human Rights staff members received training in management skills, conflict prevention and resolution, and English language skills (complementing the local languages all human rights staff members have for their respective regions) depending on the needs of the individual staff member. Staff members also participated in a series of 6 (re)training sessions on PVH's Critical Engagement and Impact Program, as well as periodic exchanges (in-person and by phone) that focused on endemic compliance issues and challenges, including hours of work, worker compensation, and freedom of association and collective bargaining. The program's trainings often focused at the regional level, but also allowed for exchanges across regions to share good practice and other learning. The team's annual training took place in Hong Kong in January 2003 and lasted two days.
- PVH developed a training program for its agent's staff in Latin America relating to monitoring and remediation. This involved 2 one-week training courses for the staff, one in Honduras and the other in Brazil. Similarly, the Human Rights staff conducted training sessions for sourcing staff, so as to integrate compliance into PVH sourcing and other business practices.
- Focusing on training sourcing partners, PVH hosted mandatory Awareness and Training sessions for vendors and factory owners/managers in New York, Maine, Hong Kong, China, India, Bangladesh, Brazil, England, Thailand, Brazil and Honduras. The sessions focused on implementation of PVH's Code. PVH's "Most Commonly Asked Questions: Vendors Manual" was also updated during the year.

4. FLA Independent External Monitoring in PVH's Applicable Facilities

E. An Introduction to FLA Independent External Monitoring

FLA independent external monitoring (IEM) is one way that the FLA verifies Participating Companies' compliance activities in the factories where they produce. The FLA conducts unannounced independent external monitoring visits in approximately 5% of all Participating Company applicable facilities that are deemed to be high risk (and no less than 3.5% of the company's total factory list), and reports on all noncompliance findings in those factories. By observing these monitoring reports and the company's ensuing remediation, the FLA can verify a company's progress in developing systems for effective prevention and remediation of noncompliance issues each year. The FLA tracking charts (which can be accessed at <http://www.fairlabor.org/all/transparency/reports.html>) provide detailed information about monitoring findings and PVH's approach to remediation of noncompliance issues.

B. Summary of FLA Year Two Independent External Monitoring in PVH's Applicable Facilities

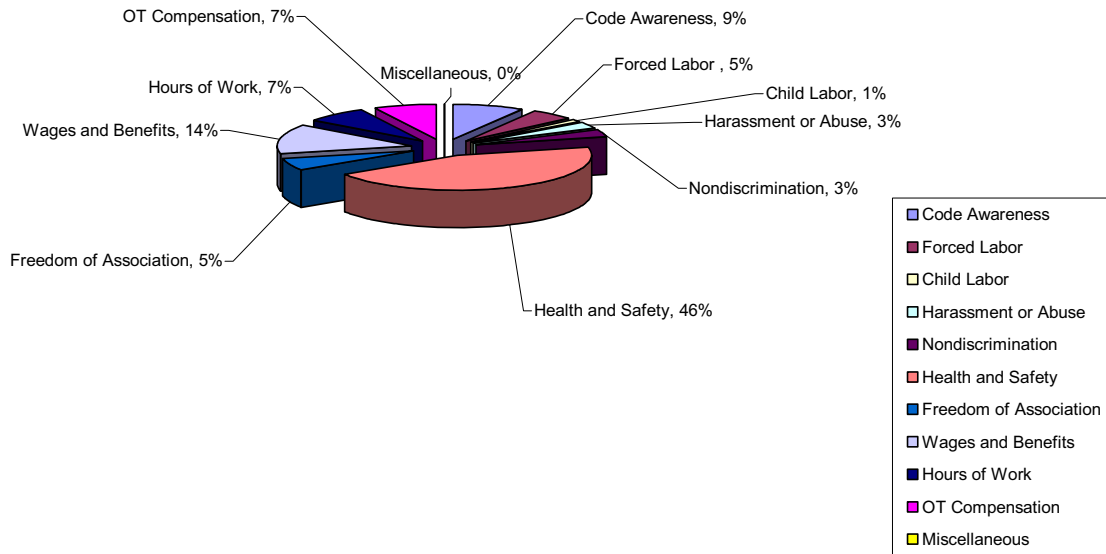
The following table provides information about FLA independent monitoring visits undertaken in PVH applicable facilities in Year Two. It provides background information about the factories, the monitors, and their visits.

PVH Independent External Monitoring (IEM) Summary – Year Two		
Number of IEMs in Year Two:		6
Remediation shared with other FLA Companies:		2
Remediation undertaken independently:		4
Total person days spent monitoring facilities:		35
Average person days per facility:		6
Average number of workers per independently monitored facility:		1,190
Regions	Independent External Monitoring Visits	FLA-Accredited Monitors Conducting Visits
East Asia -- China	2	Kenan Institute Asia (2)
Southeast Asia -- Vietnam, Philippines	2	Global Standards (1), Bureau Veritas (1)
South Asia -- India	1	Bureau Veritas (1)
Americas -- Dominican Republic	1	A & L Group, Inc. (1)

C. Independent External Monitoring Results

Phillips Van Heusen **Noncompliance Issues Grouped by Code Provision** *Number of IEMs = 5*

Please note: This pie chart provides a very cursory overview of noncompliance issues organized by FLA Code Provision. Click on any Code Provision name in the legend of the website version of this report for a list of FLA Benchmarks that are used to measure compliance with that Provision. A more detailed explanation of these issues follows in the section following the pie chart.



Please visit the FLA tracking charts (at <http://www.fairlabor.org/all/transparency/reports.html>) to learn more about PVH's approach to remediation of all of the issues summarized here.

The figure above displays the percentage breakdown by Code Provision of the total non-compliance issues reported by FLA independent monitors in PVH facilities, which PVH addressed through remediation in Year Two. Because the monitoring report for one of the facilities was not available at the time when this report was written, the data illustrated here represents findings from 5 out of 6 factory visits. Non-compliance findings with regard to **Health and Safety** were the most frequently reported issues,

making up 46% of the total non-compliance issues identified.²² The most commonly reported and remediated Health and Safety issues were related to inadequate safety postings and evacuation procedures, fire safety, safety equipment and chemical management.

Issues related to Hours and Wages were also found, with a total of 28% of all findings relating to **Wages and Benefits** (14%), **Hours of Work** (7%) and **Overtime Compensation** (7%). The top Hours and Wages issues that were reported by FLA monitors and taken up by PVH through corrective action plans were related to overtime limitations and inadequate time-recording systems.

Other Code Provisions were reported by FLA monitors with less frequency. As discussed in previous sections, the FLA is working to develop systems for more effective monitoring and remediation of the Code Provisions that are particularly complex and difficult to assess, such as Nondiscrimination, Freedom of Association and Collective Bargaining, and Harassment and Abuse.

There were no findings of forced or bonded labor in facilities producing for PVH. Likewise, there were no findings of underage workers in these facilities. The **Forced Labor** (5%) and **Child Labor** (1%) noncompliance reported above related to other benchmarks categorized under these Code provisions. Please follow the links in the graph above to learn more about the benchmarks for these and other FLA Code provisions, and visit the FLA factory tracking charts to learn more about PVH's approach to remediation of the non-compliance issues mentioned above.

²² Health and safety are often the most evident and measurable noncompliance issues in many facilities worldwide, and therefore figure very highly in the total number of findings.

9) Reebok

1. Reebok Company Profile

Please note: In April 2004, Reebok footwear became the first FLA-Accredited Compliance Program. The last section of this report on Reebok will address the accreditation of the company's footwear program.

Company Name: **Reebok International, Ltd.**

Year of FLA Implementation: **Footwear: 2nd year**
Apparel: 2nd year

FLA Initial Implementation Period Ends: **Footwear: Dec 2003**
Apparel: Dec 2004

Company's Annual Consolidated Revenue in FY 2003 (millions): **\$3,485**

Company Status: **Public [NYSE: RBK]**

FLA Applicable Brands / Brand's Percentage of Total Consolidated Revenue:

Reebok® footwear / 50%

Reebok® apparel* / 34%

***including Reebok®, Onfield®, and Group Athletica® brands**

Total Applicable Facilities Worldwide in FLA Y2:

Footwear: 41 applicable facilities

Apparel: 543 applicable facilities

See endnotes for a list of where^{xx}

Applicable Facilities Subject to Internal Monitoring Visits in FLA Y2:

Footwear: 41 applicable facilities

Apparel: 233 applicable facilities

See endnotes for a list of where

Total FLA Independent External Monitoring Visits in FLA Y2:

Footwear: 2 applicable facilities monitored by FLA

Apparel: 20 applicable facilities monitored by FLA

Part 4 below provides detailed information. The factory tracking charts available at <http://www.fairlabor.org/all/transparency/reports.html> give individual reports on each monitoring visit.

Compliance Staff Worldwide:

16 fulltime, 7 part-time staff worldwide – based in Europe, Americas and Asia – are responsible for compliance in both footwear and apparel factories

Part 2 below provides detailed program information.

Third parties contracted by compliance team? **Yes**

See endnotes for a list of the third parties and the work conducted.^{xxi}

Notes:

- **Reebok is included in FLA Year One report, which can be accessed at http://www.fairlabor.org/all/transparency/annual_report.html**
- **Reebok footwear received FLA Accreditation in April 2004.**
- **Reebok is a Category A university licensee.**

See endnotes for a list of the universities,^{xxii} or access the FLA database to learn about where licensed goods are produced.

2. Reebok's Labor Compliance Program in Year Two²³

Reebok's Human Rights Program is responsible for implementing Reebok's Human Rights Production Standards, which correspond with the FLA's Workplace Code of Conduct. In Year Two, the Human Rights team was comprised of 16 full-time and 7 part-time staff members, who were based around the world. Reebok divided its apparel and footwear sourcing base into three regions: South Asia/Europe/Middle East; East/North Asia; and Latin America/Mexico/United States. The program is headed by the Vice President of Human Rights Programs, who is based in the US and reports to Reebok International Ltd.'s CEO and Chairman of the Board.

In Year Two, all of the internal monitoring visits to Reebok footwear's facilities, as well as the majority of internal monitoring visits to Reebok apparel's facilities, were conducted by Reebok's Human Rights staff. (See FLA Year One report for details about Reebok's monitoring approach.) Reebok also contracted third-party monitors to monitor 19 apparel facilities (see endnote xxi for the list). Furthermore, sourcing agents contracted by Reebok were required by the company to conduct audits in apparel factories before recommending them for production. Sourcing agents were held accountable for labor compliance, facing financial or other penalties from Reebok if they did not make good faith efforts to ensure Reebok Standards were upheld in factories in their purview.

²³ For the six companies that were part of the first FLA Public Report, Year Two spans from July 2002 until December 2003, rather than the January-December 2003 reporting period for other companies included in this report. The FLA extended the Year Two reporting period for these companies in order to transition to a reporting cycle that is based on the calendar year.

The Human Rights Program cooperated with other departments at Reebok to improve compliance in factories. Reebok's senior management participated in discussions about implementing the company's Standards, while sourcing managers attended annual trainings to learn about Reebok's Human Rights policies and practices. Moreover, the Human Rights headquarters team provided sourcing and production managers with factory compliance data, and Human rights field staff met regularly with country managing directors. On various occasions, sourcing managers supported remediation efforts required of factories by the Human Rights Program.

3. Features of Reebok's Labor Compliance Program in Year Two²⁴

A. Compliance Systems Developed in Year Two

1. Worker Participation Programs

The FLA Year One report described two pilot projects that Reebok undertook in China, which created the space for legal, democratic elections of worker representatives in two footwear factories. In Year Two, Reebok continued to monitor the situation in these facilities, and applied its experiences there in another apparel facility with a view to creating an environment for free elections there as well. Moreover, the company actively shared its experiences and strategies with other companies with a view to developing broader acceptance of alternative forms of worker representation in China. Reebok took several other approaches to involving workers in processes to improve workplaces:

- Reebok instituted the Worker Communication Skill Transfer Program, which targeted existing worker organizations (either unions or welfare committees) in eight facilities. In Indonesia, Reebok trained representatives from two factories to conduct worker interviews and record worker responses systematically. In China, one factory's union committee members learned about wage calculation and how to check time-recording devices in order to respond more effectively to workers' complaints about wages and working hours. In Thailand, welfare committees learned about local laws and ways to address common problems in the five footwear facilities where they worked.
- In order to encourage local actors to play a leading role in factory compliance, Reebok monitors discussed compliance findings with worker representatives in footwear factories, and occasionally in apparel factories. Reebok also instructed factory management to arrange regular meetings with worker representatives, if they were present in factories, in order to develop channels for direct communication. The goal was for workers and management to address issues without Reebok's direct and sustained intervention. In a footwear factory in China, for example, Reebok monitors relayed complaints relating to overtime noncompliance from workers to the worker committee. After investigating and documenting the situation, the committee reportedly was able to influence management to discipline the supervisor responsible for illegal overtime, and ultimately end the practice.

²⁴ Please note that this section in no way seeks to capture all of the compliance activities reported to the FLA by companies. Instead, the FLA considers it an overview of company activities that will provide the reader with a better understanding of each company's approach and focus in Year Two.

- Reebok asked factories to develop and then implement action plans for worker training on the Reebok Standards, and verified that such training took place during internal monitoring visits by Reebok staff. According to Reebok's calculations, most footwear facilities have instituted worker training programs, and 40-50% of all apparel facilities have training programs in place.

Findings from FLA independent external monitoring visits support Reebok's self-assessment of the need for improved systems of worker representation in the company's applicable facilities. In addition to limited freedom of association in many facilities, findings from apparel factories in South and Southeast Asia, in particular, highlighted the need for continued management and worker education of Reebok's Standards and workers' rights. Reports from FLA independent external monitoring in Reebok's applicable facilities illustrate how the company applied some of the programs described above to address these issues.

2. Capacity-Building in Factories

- Reebok conducted training sessions in 12 factories in the Philippines to educate factory populations about Reebok Standards. In Year Two, the company also developed regional trainings for managers (sometimes accompanied by union leaders or worker representatives), which enabled participants to learn about common noncompliance and different approaches to remediation from one another. Reebok offered six such regional training sessions in Indonesia, the Philippines, Turkey, and Italy.
- Through its Compliance Problem Resolutions (CPR) program, Reebok also experimented with a new regional approach to preventing noncompliance. If a pattern of noncompliance appears in a region, the CPR program requires all Reebok applicable factories in a given country or region to institute policies and procedures to address the noncompliance issue. For example, in Honduras, a CPR communication was sent to suppliers requesting them to investigate union blacklisting and inform Reebok of their findings. Factories were expected to demonstrate that non-discrimination policies and hiring and termination procedures were in place. CPR communications were also sent to factories in China relating to inaccurate record-keeping, and in Indonesia relating to harassment and intimidation of union members. Factories have reportedly been responsive to CPR communications; however, evidence about the effectiveness of the program had still to be collected at the time of reporting.
- During Year Two, Reebok targeted factories with long-standing relationships with the company and a high-volume of Reebok business in order to help them integrate compliance into overall management systems. The staff developed a training module for agents, factory owners, and management and compliance staff, which focused on sustainability. At the Los Angeles meeting, participants worked through small-group exercises and case studies to develop remediation plans that provided long-term solutions to common noncompliance issues. Factories were then required to implement these policies. This program will be rolled out further in Year Three.

Particular examples of Reebok efforts to implement long-term corrective action plans through training, in particular, can be seen in reports from FLA independent external monitoring in Reebok applicable facilities, which can be accessed at <http://www.fairlabor.org/all/transparency/reports.html>.

B. Improvements in Implementing the FLA Requirements

- Reebok added four labor compliance professionals to its team in the field and at headquarters during the reporting period. New staff was added in China, Sri Lanka, and at headquarters in the US.
- Reebok hired consultants to conduct a training needs assessment for all of its Human Rights staff, which concluded that monitors wanted to improve their capacity for training others about implementing the Standards. As a result, Reebok hired a Hong Kong-based training organization to conduct a two-day “Train the Trainers” workshop to increase Reebok monitors’ abilities to train agents, management, and workers to develop remediation plans that have sustainable solutions. Human Rights monitors were videotaped and critiqued while presenting issues such as preventing harassment in factories, developing non-discrimination policies, and factory problem-solving systems.
- Reebok Human Rights staff participated in a week-long training session in Sri Lanka, which covered new directions and regional teams’ experiences with pilot programs, including: sustainable monitoring; factory self-evaluation; Reebok’s human rights tracking system; benchmarking compliance within and across regions; approaches to improved worker representation; health and safety developments; and integration of human rights into Reebok’s business structure.
- Reebok held trainings for agents in Korea, Japan, Hong Kong, Australia, United States and Canada to teach them about Reebok Standards and the company’s systems for implementing them.
- Reebok took a more systematic approach to some aspects of its monitoring program. Reebok conducted unannounced visits to selected factories with a view to analyzing a particular issue, and visited all footwear factories to monitor freedom of association. Based on monitoring findings across a region, the Human Rights staff was then able to design remediation efforts that would address the issue on a regional basis, rather than by factory.
- The Human Rights team updated *The Guide to Reebok Human Rights Production Standards*, which is a reference tool for factory managers. The team also revised the manual used to educate sourcing managers and Human Rights monitors about the new factory selection process.

4. FLA Independent External Monitoring in Reebok's Applicable Facilities

F. An Introduction to FLA Independent External Monitoring

FLA independent external monitoring (IEM) is one way that the FLA verifies Participating Companies' compliance activities in the factories where they produce. The FLA conducts unannounced independent external monitoring visits in approximately 5% of all Participating Company applicable facilities that are deemed to be high risk (and no less than 3.5% of the company's total factory list), and reports on all noncompliance findings in those factories. By observing these monitoring reports and the company's ensuing remediation, the FLA can verify a company's progress in developing systems for effective prevention and remediation of noncompliance issues each year. The FLA tracking charts (available at <http://www.fairlabor.org/all/transparency/reports.html>) provide detailed information about monitoring findings and Reebok's approach to remediation of noncompliance issues.

B. Summary of FLA Year Two Independent External Monitoring in Reebok's Applicable Facilities

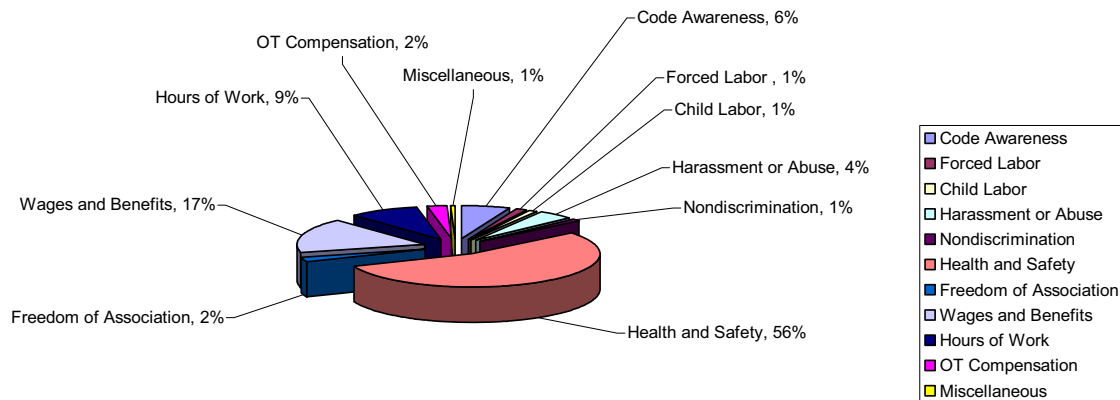
The following table provides information about FLA independent monitoring visits undertaken in Reebok's Applicable Facilities in Year Two. It provides background information about the factories, the monitors, and their visits.

Reebok Independent External Monitoring (IEM) Summary – Year Two		
Number of IEMs in Year Two:	22	
Remediation shared with other FLA Companies:	11	
Remediation undertaken independently:	11	
Total person days spent monitoring facilities:	206*	
*Please note: This total does not include one Reebok IEM conducted by COVERCO in Guatemala. COVERCO's methodology differs from the standard FLA audit in that monitors visit the factory repeatedly over a four-month period and a total number of person days is not calculated.		
Average person days per facility:	9*	
Average number of workers per independently monitored facility:	627	
Regions	Independent External Monitoring Visits	FLA-Accredited Monitors Conducting Visits
East Asia -- China	5	Societe General du Serveillance (3), Bureau Veritas (2)
Southeast Asia -- Philippines, Vietnam, Indonesia, Thailand, Malaysia	8	Kenan Institute Asia (2), Bureau Veritas (4), Societe General du Serveillance (2)
South Asia -- India, Bangladesh	3	T-Group Solutions (2), LIFT-Standards (1)
Europe, Africa, Middle East (EAME) -- Turkey	1	Societe General du Serveillance (1)
Americas -- USA, Peru	5	Coverco (1), ALGI (3), Cotecna (1)

C. Independent External Monitoring Results

Reebok
Noncompliance Issues Grouped by Code Provision
Number of IEMs = 22

Please note: This pie chart provides a very cursory overview of noncompliance issues organized by FLA Code Provision. Click on any Code Provision name in the legend of the website version of this report for a list of FLA Benchmarks that are used to measure compliance with that Provision. A more detailed explanation of these issues follows in the section following the pie chart.



Please visit the FLA tracking charts (at <http://www.fairlabor.org/all/transparency/reports.html>) to learn more about Reebok’s approach to remediation of all of the issues summarized here.

The figure above displays the percentage breakdown by Code Provision of the total noncompliance issues reported by FLA independent monitors in Reebok contract facilities, which Reebok addressed through remediation in Year Two. Non-compliance findings with regard to **Health and Safety** were the most frequently reported issues, making up 56% of the total non-compliance issues identified.²⁵ The most commonly

²⁵ Health and safety are often the most evident and measurable issues in a facility, and therefore figure very highly in the total number of findings.

reported and remediated Health and Safety issues related to the posting of evacuation procedures, noncompliance with requirements for safety equipment and the use of personal protective equipment, and inadequate ventilation or facility maintenance.

Noncompliance with the FLA's Hours and Wages standard was also common, with a total of 28% of all findings relating to **Wages and Benefits** (17%), **Hours of Work** (9%), and **Overtime Compensation** (2%). The top Hours and Wages issues that were reported by FLA monitors and taken up by Reebok through corrective action plans related to findings of factories' failures to pay the legally-mandated minimum wage, worker awareness of wages and benefits, noncompliance with overtime limitations, and inadequate overtime compensation.

Other Code Provisions were reported by FLA monitors with less frequency. As discussed in previous sections, the FLA is working to develop systems for more effective monitoring and remediation of the Code Provisions that are particularly complex and difficult to assess, such as Freedom of Association and Collective Bargaining, Nondiscrimination, and Harassment and Abuse.

There were no findings of forced or bonded labor in facilities producing for Reebok. Likewise, there were no findings of underage workers in these facilities. The **Forced Labor** (1%) and **Child Labor** (1%) noncompliance reported above related to other benchmarks categorized under these Code provisions. Please follow the links in the graph above to learn more about the benchmarks for these and other FLA Code provisions, and visit the FLA factory tracking charts to learn more about Reebok's approach to remediation of all of the noncompliance issues mentioned above.

5. FLA Accreditation of Reebok Footwear's Labor Compliance Program

In April 2004, the FLA Board of Directors voted to accredit Reebok footwear's compliance program. The decision was based on the FLA staff's assessment that included audits both at headquarters and at the field level, and visits to a number of footwear supplier facilities. Staff interviewed Reebok personnel; inspected files; observed the annual compliance staff training; reviewed factory records in the database; observed Reebok field staff in footwear factories; and analyzed findings from a total of 9 independent external monitoring visits conducted at Reebok footwear facilities over the course of the past two years.

This accreditation assessment^{xxiii} focused exclusively on Reebok footwear's compliance program during the initial implementation period, which lasted from July 2001 until December 2003.²⁶ The compliance program implements FLA Standards in the factories that produce Reebok footwear around the world (totaling 45 in Year One, later consolidated to 41 in Year Two – go to endnote xx to see where they are located). While many of the activities undertaken by Reebok relating to footwear also applied to Reebok apparel, the footwear compliance program is distinct in many ways from the apparel program. It is for this reason that Reebok submitted two separate Monitoring Plans for footwear (with a 2-year implementation period) and apparel (a 3-year period). The apparel program will be eligible for accreditation next year, along with several other companies' programs.

²⁶ This period is longer than the expected two years due to changes made in the FLA's monitoring process during this start-up period.

By accrediting Reebok footwear, the FLA Board formally recognized that the program has fulfilled the requirements set forth by the FLA and in the Monitoring Plan that Reebok footwear submitted upon entering the FLA. Accreditation should not be mistaken to mean that a program is perfect, however. When accrediting a program the FLA stresses the need for continued improvement at the level of the factory and the company. In the event that the FLA finds that a company is not acting in good faith to uphold its obligations, it retains the right to retract accreditation.

FLA Assessment of Reebok Footwear's Compliance Program – In Brief

The FLA determined that Reebok Human Rights staff are highly active in most footwear factories producing for Reebok. The program deals with a relatively small number of facilities (41 in total) and has generally long-term relationships with them. The staff undertakes all monitoring and remediation in footwear factories, visiting major suppliers at least once a month and subcontractors at least once annually. Regular presence in the majority of footwear factories affords the Human Rights staff opportunities to coach factory management to make long-term improvements in compliance. Especially notable during the implementation period were Reebok footwear's efforts to experiment with various approaches to improve labor-relations systems in factories, particularly in two Chinese footwear factories where workers democratically elected worker representatives (read more about the projects in the FLA Year One Public Report). These two pilot projects are widely referred to as models for improved freedom of association in China.

Despite the fact that Reebok's footwear program fulfilled or surpassed the minimum requirements for each of the ten criteria below, there is still room for improvement in the program's efforts. The FLA staff believes that ongoing training is necessary for Reebok Human Rights staff, and that improved mainstreaming of compliance into sourcing and other business departments may further increase the impact of the program. The footwear program can also continue to improve by applying to smaller and subcontractor facilities the lessons learned through projects focused mainly at major footwear facilities.

Overall, the company is a notably active participant in the FLA, and has encouraged footwear facilities to participate and increasingly take the lead in ongoing and new activities that promise to bring about improved workplace conditions. Please see the chart below for a brief summary of ways in which Reebok footwear fulfilled particular FLA requirements for accreditation.

Reebok Footwear's Fulfillment of FLA Requirements for Program Accreditation

July 2001 through December 2003

Adopted and Communicated the Workplace Code of Conduct to Workers and Management at Applicable Facilities

Reebok's Human Rights Production Standards exceed the FLA Workplace Standards. Reebok's "Notice to Workers" presents the Standards in simple and clear language. The "Notice" is posted in all footwear facilities, and has been translated into the respective languages spoken by the workers and managers in each factory.

The program is notable in that it provided employees of all major footwear facilities with Code handbooks, and most footwear facilities had Code and worker rights training for employees in 2003. The Human Rights staff also encouraged union members to give the trainings in factories where they were present. The FLA looks forward to seeing these education efforts carried out in all Reebok footwear facilities in the future.

FLA IEM findings indicate that factory education programs may indeed have improved Code awareness in Reebok footwear factories. While there were several cases where workers were not aware of the Code in Year One (based on 7 IEM visits), FLA monitors found no cases of a lack of awareness in the 2 factories visited in Year Two. Further monitoring in footwear facilities can provide more conclusive information about the impact of these programs.

Trained Internal Compliance Staff to Monitor and Remediate Noncompliance Issues

Among other less formal training activities, Reebok Human Rights staff participated in week-long annual trainings. The second annual training built on the first by focusing discussions on methods for long-term solutions to noncompliance. In Year Two, Human Rights staff also participated in a 3-day "Train the Trainers" program, which aimed to develop the skills of the staff to train business partners. The FLA observed that more Human Rights staff training is needed to implement Reebok footwear's ambitious plans effectively and to build factories' problem-solving and compliance capacity.

Conducted Internal Monitoring of Applicable Facilities

Reebok Human Rights staff monitored major footwear facilities at least once a month, while it monitored subcontractors at least once annually. The FLA recommends that Reebok footwear evaluate its targeted, "risk-based" approach to monitoring with a view to measuring the extent to which all Code Provisions are implemented in all footwear facilities, regardless of a factory's size, location, or sourcing importance to the company.

Submitted to Unannounced, Independent External Monitoring (IEM) Visits to Factories Throughout its Supply Chain

Reebok footwear provided factory lists, factory profiles, and related information to the FLA as required during Years One and Two. Reebok ensured that no FLA monitors were denied access to footwear factories, records, and workers during unannounced visits. The company also cooperated with FLA staff following IEMs to ensure that remediation and follow-up took place and were reported in FLA factory tracking charts, which are available for review on the FLA website.

Remediated Noncompliance Issues in a Timely Manner

Following FLA IEM visits, the Human Rights staff developed remediation plans with footwear factories, which were implemented in a reasonable timeframe (usually 60 days). FLA staff also visited several factories that were internally monitored by Reebok Human Rights staff and observed that remediation had been completed.

Reebok footwear also has begun to experiment with new approaches to "sustainable compliance." As discussed elsewhere in this report, this approach focuses on developing management structures and labor relations systems in factories that can lead to long-term labor compliance. The program is relatively new, so FLA encourages its continued development.

Taken Steps to Prevent Persistent Patterns of Noncompliance, or Instances of Serious Noncompliance

The company used data from internal monitoring visits to track trends in noncompliance, and reported its findings to the FLA. The FLA observed that findings from Reebok footwear's internal monitoring in Year One impacted systematic compliance efforts in Year Two. Reebok footwear's preventive programs included an Air Quality Testing Program in footwear facilities, which led to measurable improvements in the air quality. Similarly, Reebok footwear focused on improving workers' understanding of chemical hazards in order to increase use of personal protective equipment.

Reebok footwear's efforts relating to worker participation are especially notable with regard to the prevention of noncompliance. Pilot projects in two Chinese footwear factories, where worker representatives were freely and democratically elected, stand as models for many working in the labor rights field. Also noteworthy were Reebok footwear's projects in Southeast Asia that allowed for worker representatives from footwear factories in different countries to meet with each other and learn through exchanges and training.

Reebok footwear experimented with a new "Compliance Problems Resolutions" (CPR) program. The program sought to prevent common noncompliance issues on a regional basis by requiring that all factories institute certain personnel and management policies and procedures in order to prevent noncompliance issues. The CPR program also addressed freedom of association in footwear facilities in Indonesia and problematic time-recording practices in China.

Additional details about Reebok's projects can be accessed by in Part three above, or in the FLA's Year One report on Reebok.

Collected and Managed Compliance Information Effectively

Reebok footwear uses a database, the Human Rights Tracking System (HRTS), to collect and organize factory compliance information. The database can be accessed worldwide by relevant Reebok employees, who use it to record monitoring results and remediation progress and to analyze trends in noncompliance. The FLA noted that the HRTS is separate from Reebok footwear's sourcing database, which may hinder the exchange of factory information between the Human Rights staff and other departments.

The Reebok Human Rights staff provides progress reports to the FLA on a quarterly basis.

Provided Workers with Confidential Reporting Channels to Report Noncompliance Issues to the Company

The contact information of the local Reebok footwear monitor appears on all "Notice to Workers" posters. In Year One, the company distributed mailers to all footwear workers to report noncompliance, and suggestion boxes were used in many footwear facilities. In the past year, Reebok also created a webpage for individual complaints. FLA staff has observed footwear workers calling or text messaging Reebok monitors' cell phones to report noncompliance. By entering all worker complaints into the compliance database, Reebok footwear can improve its data collection and monitor the effectiveness of staff follow-up on various issues.

**Consulted with Non-governmental Organizations, Unions,
and Other Local Experts in Its Labor Compliance Work**

Reebok footwear monitors are responsible for managing NGO contacts in their respective regions or countries. Reebok held NGO consultations in India, China, Indonesia, and Thailand. Two substantial projects in China – i.e., the aforementioned pilot in 2 footwear facilities and a health and safety training project in a number of large footwear facilities -- were conducted in collaboration with leading NGOs from Hong Kong during Reebok footwear's initial implementation period.

Reebok Human Rights staff was instructed to consult with union leaders and worker representatives whenever they were present in a factory.

Paid FLA Dues and Met Other Procedural and Administrative Requirements

All Reebok footwear dues and administration and monitoring fees were paid on time; all contracts were duly signed; and all required factory lists were submitted as required by the FLA.

Zephyr Graf-X

1. Zephyr Graf-X Company Profile

Company Name: **Zephyr Graf-X**

Year of FLA Implementation: **1st year**

FLA Initial Implementation Period Ends: **Dec 2005**

Annual Consolidated Revenue in FY 2003 (millions): **Range: \$10-50***

*The FLA provides revenue ranges for companies that are not traded publicly

Company Status: **Zephyr is privately owned**

FLA Applicable Brands / Brand's Percentage of Total Consolidated Revenue:

Zephyr® / 100%

Total Applicable Facilities Worldwide in FLA Y2:

4 applicable facilities

See endnotes for a list of where^{xxiv}

Applicable Facilities subject to Internal Monitoring Visits in FLA Y2:

2 applicable facilities

See endnotes for a list of where

Total FLA Independent External Monitoring Visits in FLA Y2:

1 applicable facility independently monitored by FLA

Part 4 below provides detailed information. The factory tracking charts available at <http://www.fairlabor.org/all/transparency/reports.html> give individual reports on each monitoring visit.

Compliance Staff Worldwide:

2 staff members based at company headquarters have a compliance component to their job responsibilities.

Part 2 below provides detailed program information.

Notes:

▪ **Zephyr Graf-X is an FLA Category A University Licensee.**

See endnotes for a list of the universities,^{xxv} or access the FLA database to learn about where licensed goods are produced.

2. Zephyr Graf-X's Labor Compliance Program in Year Two²⁷

In Year Two, Zephyr completed the **first year** of its three-year initial implementation period of the FLA program. Zephyr adopted the FLA Code of Conduct as the basis for implementing its compliance program. Being a relatively small participating company, Zephyr does not have a designated compliance department within its company structure. The key person responsible for carrying out the functions of Zephyr's compliance program is the CEO of the company, who is assisted by the Licensing Director. The CEO, who speaks Korean, communicates daily with the factories, conducts internal monitoring, and follows up with the factories directly regarding remediation.

In 2003, Zephyr had one main supplier which operates four facilities. The CEO conducted one full compliance audit of the main supplier and one follow-up audit of the facility monitored by an FLA-accredited monitor. The CEO also visited three of the four facilities in Year Two, which included meetings and interviews with factory management and employees from different departments. The active involvement of Zephyr's CEO in compliance work facilitates the mainstreaming of compliance into the core business of the company.

3. Features of Zephyr Graf-X's Labor Compliance Program in Year Two²⁸

A. Compliance Systems Developed in Year Two

In the **first year** of its initial implementation of the FLA program, Zephyr's compliance program focused on establishing systems and developing materials for implementing FLA company obligations.

- In Year Two, Zephyr initiated various efforts to create an informed workplace, as required by the FLA. A "Welcome Packet" was created and distributed to Zephyr's main supplier outlining the Code standards and the company's expectations of compliance. The supplier was requested to submit a signed statement committing to the Code on an annual basis. Responding to findings from the FLA's independent monitoring visit, Zephyr required the supplier to post the Code of Conduct in the local language and provide individual copies of the Code to all workers, and to obtain signatures from workers stating that they had read and understood the Code.
- Zephyr took steps to establish a confidential reporting channel that would allow employees to report non-compliance to Zephyr without fear of retaliation. This initiative consisted of installing suggestion boxes in areas outside the purview of management where employees could register their complaints. Zephyr's CEO

²⁷ For first year companies, the FLA Year Two ran from January-December 2003.

²⁸ Please note that this section in no way seeks to capture all of the compliance activities reported to the FLA by companies. Instead, the FLA considers it an overview of company activities that will provide the reader with a better understanding of each company's approach and focus in Year Two.

oversaw and confirmed the installation of the suggestion boxes in two of the four production facilities.

- Zephyr has also identified areas in which it aims to improve in the next few years of FLA implementation. In 2004, Zephyr will conduct full compliance audits of the two facilities that were not audited in 2003. Zephyr also recognizes the need for compliance training of its staff, such as improving monitoring techniques and knowledge of local laws where its supplier facilities are located.

B. Improvements in Implementing the FLA Requirements

In Year Two, Zephyr completed the **first year** of its initial implementation of the FLA program. Progress on its fulfillment of FLA requirements will be reported on in next year's report.

4. FLA Independent External Monitoring in Zephyr Graf-X's Applicable Facilities

A. An Introduction to FLA Independent External Monitoring

FLA independent external monitoring (IEM) is one way that the FLA verifies Participating Companies' compliance activities in the factories where they produce. The FLA conducts unannounced independent external monitoring visits in approximately 5% of all Participating Company applicable facilities that are deemed to be high risk (and no less than 3.5% of the company's total factory list), and reports on all noncompliance findings in those factories. By observing these monitoring reports and the company's ensuing remediation, the FLA can verify a company's progress in developing systems for effective prevention and remediation of noncompliance issues each year. The FLA tracking charts (accessed at <http://www.fairlabor.org/all/transparency/reports.html>) provide detailed information about monitoring findings and Zephyr's approach to remediation of noncompliance issues.

B. Summary of FLA Year Two Independent External Monitoring in Zephyr’s Applicable Facilities

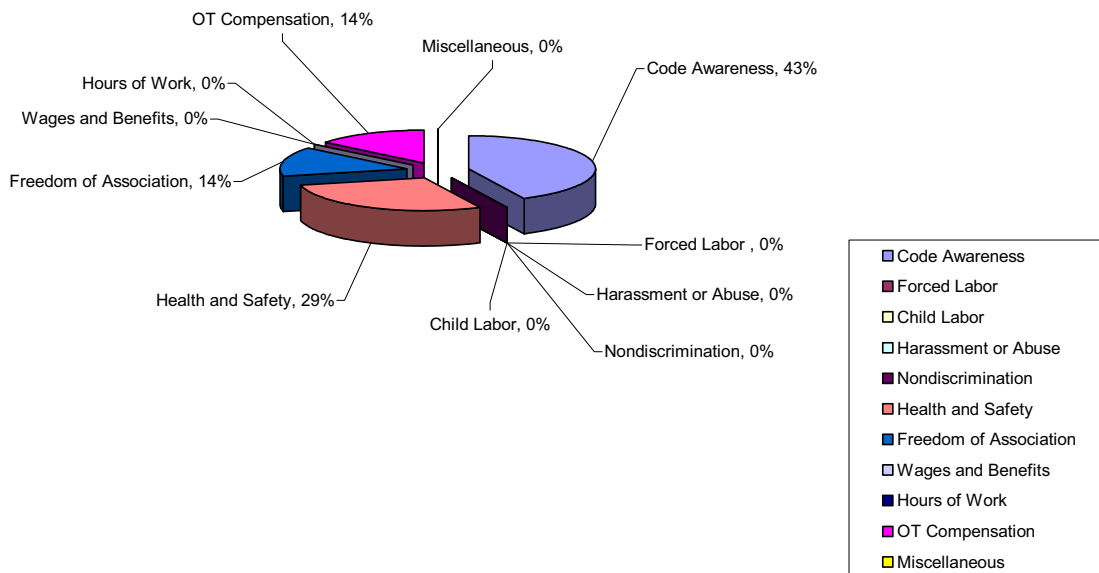
The following table provides information about FLA independent monitoring visits undertaken in Zephyr applicable facilities in Year Two. It provides background information about the factories, the monitors, and their visits.

Zephyr Graf-X Independent External Monitoring (IEM) Summary – Year Two		
Number of IEMs in Year Two:		1
Remediation shared with other FLA Companies:		0
Remediation undertaken independently:		1
Total person days spent monitoring facilities:		1
Average person days per facility:		1
Average number of workers per independently monitored facility:		10
Regions	Independent External Monitoring Visits	FLA-Accredited Monitors Conducting Visits
Americas -- USA	1	A & L Group, Inc. (ALGI)

C. Independent External Monitoring Results

Zephyr Graf-X **Noncompliance Issues Grouped by Code Provision** *Number of IEMs = 1*

Please note: This pie chart provides a very cursory overview of noncompliance issues organized by FLA Code Provision. Click on any Code Provision name in the legend for a list of FLA Benchmarks that are used to measure compliance with that Provision. A more detailed explanation of these issues follows in the sections following the pie chart.



Please visit <http://www.fairlabor.org/all/transparency/reports.html> to learn more about Zephyr's approach to remediation of the issues summarized here.

The figure above displays the percentage of total noncompliance issues reported by FLA independent monitors, which Zephyr took up through remediation in Year Two. In the case of Zephyr Graf-X, one applicable was monitored in Year Two, in accordance with FLA's factory sampling policy (see section 4-A for further information).

There were a total of 8 noncompliance issues reported in the 10-person facility in California. Almost half of the reported noncompliance issues related to a **lack of awareness among management and workers** about Zephyr's Code of Conduct, so Zephyr has committed to improving workers' awareness in cooperation with the facility. Please review this FLA factory tracking chart (accessed at

<http://www.fairlabor.org/all/transparency/reports.html>) to learn more about Zephyr's approach to remediation of these and other noncompliance issues.

adidas' FLA Applicable Facilities and Monitoring Activities in Year Two

In accordance with the FLA Charter, the chart below lists the countries where adidas's applicable facilities were located during the reporting period, as well as the number of internal and FLA independent external monitoring visits that took place during that time.

Please note that this chart represents only one of a number of activities undertaken by participating companies to ensure factory compliance with the FLA Workplace Code of Conduct. The number of site visits conducted by a participating company does not indicate whether one or more of a company's applicable facilities are in compliance with the Code. While this information can help readers gain a better grasp of the geographic scope and focus of participating companies' compliance efforts, it should be interpreted in the context of the more qualitative characteristics of each company's compliance program.

Location of Factories (Country)	Number of Applicable Facilities	adidas' Internal Monitoring (Number of Facilities Visited)	FLA Independent External Monitoring (Number of Facilities Visited)
China	76	48	2
Portugal	41	17	0
Mexico	31	29	1
Turkey	30	21	0
Vietnam	27	19	3
Indonesia	25	21	1
Thailand	24	20	2
Taiwan R.O.C.	21	7	0
Malaysia	16	9	1
USA	15	1	0
Italy	13	2	0
Tunisia	11	3	0
Bulgaria	10	7	0
UK	10	2	0
El Salvador	9	7	0
Honduras	7	4	1
Philippines	6	6	0
Singapore	6	6	0
Germany	6	0	0
Pakistan	5	0	1
Hong Kong	4	3	0
Canada	4	1	0
Cambodia	3	3	0
Korea	3	0	0
Lao P.D.R.	3	2	0
Greece	3	3	0
Macedonia	3	3	0
Morocco	3	2	0
Macau	2	1	0
Sri Lanka	2	2	0
Albania	2	2	0

Spain	2	0	0
Ukraine	2	2	0
India	1	1	0
Japan	1	0	0
Mauritius	1	0	0
Brazil	1	0	0
Columbia	1	0	0
Peru	1	0	0
Bosnia Herzegovina	1	1	0
Croatia	1	1	0
Hungary	1	0	0
Ireland	1	1	0
Poland	1	0	0
Guatemala		0	1
Total Global	436	257	13

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Third Parties Contracted by adidas for Compliance Support in Year Two		
Name of Monitoring Group, Organization, etc.	Work Conducted	Number of Factories
Verite	Freedom of Association training for workers and management of several apparel factories in El Salvador	4
Intechnica, Germany	Development of health & safety guidance materials; environmental best practice guidelines; training workshops in Europe and Asia.	Training workshops for 69 suppliers
International SOS Committee	Performed occupational health audits in China; evaluated occupational health hazards; long term strategy for remediating/preventing workplace hazards.	3
Third Parties Engaged by adidas for Compliance Programs in Year Two		
Name of Organization	Work Conducted	Number of Factories
ILO Geneva, ILO Jakarta, US Labor Department	Visit of Indonesian factory to review Labor-Management Committee (LMC) program	1
Workers Rights Consortium (WRC)	Visit of Indonesian factories for verification of compliance action plan; remediation progress report issues by WRC in October 2003, with ongoing follow-up about factory progress	2

Reproductive Health and Information Research Center: Maria Stopes International; Strategically Managing Aids Responses Together (SMARTWork), Vietnam.	Developed and distributed materials on women's health issues in Vietnam (Phase one of pilot project).	2
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Universities, Colleges and Secondary Schools Buying Licensed Goods from adidas

Name of School	Location
American University	Washington DC
Arizona State University	Arizona
Boston College	Massachusetts
University of California at Berkeley	California
University of California at Los Angeles	California
University of Colorado at Boulder	Colorado
Colorado State University	Colorado
Columbia University	New York
Dartmouth College	New Hampshire
University of Delaware	Delaware
Duke University	North Carolina
University of Florida	Florida
Florida State University	Florida
Fordham University	New York
University of Georgia	Georgia
Georgia Institute of Technology	Georgia
Harvard University	Massachusetts
University of Illinois at Urbana-Champaign	Illinois
University of Iowa	Iowa
University of Kansas	Kansas
Kansas State University	Kansas
University of Kentucky	Kentucky
University of Louisville	Kentucky
Marquette University	Wisconsin
University of Maryland	Maryland
Marymount University	Virginia
University of Miami	Florida
Michigan State University	Michigan
University of Missouri at Columbia	Missouri
University of Nebraska	Nebraska
University of Nevada at Las Vegas	Nevada
University of New Hampshire	New Hampshire
University of New Mexico	New Mexico
University of North Carolina at Chapel Hill	North Carolina
North Carolina State University	North Carolina
Northwestern University	Illinois
University of Notre Dame	Indiana
Ohio State University	Ohio
Pennsylvania State University	Pennsylvania
University of Pittsburgh	Pennsylvania

Princeton University	New Jersey
Purdue University	Indiana
St. John's University	New York
San Diego State University	California
Santa Clara University	California
Seton Hall University	New Jersey
University of South Florida	Florida
University of Utah	Utah
Villanova University	Virginia
University of Virginia	Virginia
Virginia Tech	Virginia
University of Washington at Seattle	Washington
West Virginia University	West Virginia
University of Wisconsin at Milwaukee	Wisconsin
University of Wyoming	Wyoming
Yale University	Connecticut

iv Eddie Bauer's FLA Applicable Facilities and Monitoring Activities in Year Two

In accordance with the FLA Charter, the chart below lists the countries where Eddie Bauer's applicable facilities were located during the reporting period, as well as the number of internal and FLA independent external monitoring visits that took place during that time.

Please note that this chart represents only one of a number of activities undertaken by participating companies to ensure factory compliance with the FLA Workplace Code of Conduct. The number of site visits conducted by a participating company does not indicate whether one or more of a company's applicable facilities are in compliance with the Code. While this information can help readers gain a better grasp of the geographic scope and focus of participating companies' compliance efforts, it should be interpreted in the context of the more qualitative characteristics of each company's compliance program.

Location of Factories (Country)	Number of Applicable Facilities	Eddie Bauer Internal Monitoring (Number of Facilities Visited)*	FLA Independent External Monitoring (Number of Facilities Visited)
<i>*Please note that some internal monitoring visits were conducted in facilities that were not used for Eddie Bauer production in Year Two. This is a result of the pre-sourcing audit process Eddie Bauer instituted during this period, which requires factories to undergo monitoring before Eddie Bauer will source there. Part 3 of the report on Eddie Bauer provides more information about this process.</i>			
Cambodia	6	4	0
China	101	79	2
Hong Kong	52	30	2
Indonesia	1	4	1
Japan	3	0	0
Macau	8	2	0
Malaysia	4	6	0

Philippines	2	5	0
Singapore	1	2	0
Taiwan	2	4	0
Thailand	8	13	1
Vietnam	2	8	0
Bangladesh	4	0	0
India	2	6	0
Pakistan	3	3	1
Sri Lanka	11	4	0
Maldives	2	0	0
Madagascar	3	3	0
Mauritius	10	0	0
Zimbabwe	1	0	0
Turkey	1	1	0
Bahrain	4	3	0
UAE	2	2	0
Israel	1	0	0
United Kingdom	1	0	0
Australia	4	0	0
New Zealand	1	0	0
Columbia	1	0	0
Dominican Republic	6	3	0
Guatemala	2	1	0
Mexico	14	7	0
El Salvador	3	3	1
Peru	1	1	0
Canada	6	3	0
United States	15	4	1
TOTAL	288	201	9

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Third Parties Contracted by Eddie Bauer for Compliance Support in Year Two		
Name of monitoring group, agent, etc.	Work conducted	Number of factories monitored, if applicable
Global Social Compliance	First-Time Apparel Factory Audits	34

vi **GEAR For Sports' FLA Applicable Facilities and Monitoring Activities in Year Two**

In accordance with the FLA Charter, the chart below lists the countries where GEAR's applicable facilities were located during the reporting period, as well as the number of internal and FLA independent external monitoring visits that took place during that time.

Please note that this chart represents only one of a number of activities undertaken by participating companies to ensure factory compliance with the FLA Workplace Code of Conduct. The number of site visits conducted by a participating company does not indicate whether one or more of a company's applicable facilities are in compliance with the Code. While this information can help readers gain a better grasp of the geographic scope and focus of participating companies' compliance efforts, it should be interpreted in the context of the more qualitative characteristics of each company's compliance program.

Location of Factories (Country)	Number of Applicable Facilities	GEAR For Sports Internal Monitoring (Number of Facilities Visited)	FLA Independent External Monitoring (Number of Facilities Visited)
Honduras	4	4	1
Guatemala	2	2	0
Malaysia	8	7	0
Indonesia	1	1	0
Singapore	1	1	0
Canada	1	1	0
Mexico	2	2	0
Peru	5	0	0
Columbia	2	0	0
Korea	1	0	0
China	1	0	0
Taiwan	3	0	0
Vietnam	1	0	0
United States	2	2	0
TOTAL	34	20	1

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Third Parties Contracted by Gear for Compliance Support in Year Two		
Name of Monitoring Group, Organization, etc.	Work Conducted	Number of Factories Monitored, If Applicable
Intertek	Factory Audits	2

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Universities, Colleges and Secondary Schools Buying Licensed Goods from GEAR for Sports (including Champion Custom Products)

Name of School	Location
University of Alabama	Alabama
American University	Washington DC
Appalachian State University	North Carolina
University of Arizona	Arizona
Arizona State University	Arizona
Ball State University	Indiana
Boise State University	Idaho
Boston College	Massachusetts
Boston University	Massachusetts
Brown University	Rhode Island
University of California at Berkeley	California
University of California at Davis	California
University of California at Irvine	California
University of California at Los Angeles	California
University of California at San Diego	California
University of California at Santa Barbara	California
University of California at Santa Cruz	California
California State University at Longbeach	California
California State University at Northridge	California
California State University at Sacramento	California
Carnegie Mellon University	Pennsylvania
Colgate University	New York
Colorado State University	Colorado
Columbia University	New York
Cornell University	New York
Creighton University	Nebraska
Dartmouth College	New Hampshire
University of Dayton	Ohio
University of Delaware	Delaware
Denison University	Ohio
University of Detroit- Mercy	Michigan
Duke University	North Carolina
Ferris State University	Michigan
University of Florida	Florida
Florida State University	Florida
Fordham University	New York
Furman University	South Carolina
George Mason University	Virginia
University of Georgia	Georgia
Georgia Institute of Technology	Georgia
Harvard University	Massachusetts
Illinois State University	Illinois
University of Iowa	Iowa
James Madison University	Virginia
University of Kansas	Kansas
Kansas State University	Kansas

University of Kentucky	Kentucky
Lincoln University	Pennsylvania
Louisiana State University and A&M College	Louisiana
University of Louisville	Kentucky
Marquette University	Wisconsin
University of Maryland	Maryland
Marymount University	Virginia
Massachusetts Institute of Technology	Massachusetts
University of Memphis	Tennessee
University of Miami	Florida
University of Michigan	Michigan
Michigan State University	Michigan
Michigan Technological University	Michigan
University of Missouri at Columbia	Missouri
University of Nebraska	Nebraska
University of Nevada at Las Vegas	Nevada
University of New Hampshire	New Hampshire
University of New Mexico	New Mexico
New Mexico State University	New Mexico
University of North Carolina at Greensboro	North Carolina
North Carolina State University	North Carolina
Northeastern Illinois University	Illinois
Northwestern University	Illinois
University of Notre Dame	Indiana
Ohio State University	Ohio
University of Pennsylvania	Pennsylvania
Pennsylvania State University	Pennsylvania
University of Pittsburgh	Pennsylvania
Princeton University	New Jersey
Purdue University	Indiana
Rutgers University	New Jersey
St. Cloud State University	Minnesota
St. John's University	New York
St. Joseph's University	Pennsylvania
San Diego State University	California
San Jose State University	California
Santa Clara University	California
Seton Hall University	New Jersey
University of South Florida	Florida
University of Southern California	California
Syracuse University	New York
Temple University	Pennsylvania
University of Texas at Austin	Texas
University of Texas, Medical Branch at Galveston	Texas
Tufts University	Massachusetts
University of Utah	Utah
Utah State University	Utah
Valdosta State University	Georgia
Vanderbilt University	Tennessee
Villanova University	Virginia
University of Virginia	Virginia

Virginia Tech	Virginia
Washington University	Missouri
Western Washington University	Washington
West Virginia University	West Virginia
University of Wisconsin at Milwaukee	Wisconsin
Wright State University	Wisconsin
University of Wyoming	Wyoming
Xavier University	Ohio
Yale University	Connecticut

^{ix} **LCI's FLA Applicable Facilities and Monitoring Activities in Year Two**

In accordance with the FLA Charter, the chart below lists the countries where LCI's applicable facilities were located during the reporting period, as well as the number of internal and FLA independent external monitoring visits that took place during that time.

Please note that this chart represents only one of a number of activities undertaken by participating companies to ensure factory compliance with the FLA Workplace Code of Conduct. The number of site visits conducted by a participating company does not indicate whether one or more of a company's applicable facilities are in compliance with the Code. While this information can help readers gain a better grasp of the geographic scope and focus of participating companies' compliance efforts, it should be interpreted in the context of the more qualitative characteristics of each company's compliance program.

Location of Factories (Country)	Number of Applicable Facilities	LCI Internal Monitoring (Number of Facilities Visited)	FLA Independent External Monitoring (Number of Facilities Visited)
<i>Please note:</i> internal monitoring numbers include visits to factories that were not included on LCI's active factory list. Approximately 50% of all <u>active</u> facilities were internally monitored in Year Two.			
China	70	51	5
Korea	39	41	0
Hong Kong	28	20	2
India	25	25	2
Indonesia	13	6	1
Sri Lanka	13	8	0
Taiwan	11	7	0
Mexico	9	8	0
Philippines	8	2	1
Turkey	8	5	0
Macau	6	6	0
Saipan	5	3	0
Thailand	5	1	0
Vietnam	4	7	0

Dominican Republic	4	4	0
Macedonia	4	0	0
Peru	3	1	1
Guatemala	2	0	1
Mongolia	2	1	0
Colombia	2	0	0
Mauritius	2	2	0
Jordan	1	1	0
United Kingdom	1	0	0
Japan	1	0	0
South Africa	1	0	0
Madagascar	1	0	0
Bangladesh	1	0	0
El Salvador	1	1	0
USA	1	0	0
Malaysia	1	0	0
Italy	1	0	0
Honduras	0	0	0
Swaziland	0	1	0
Maldives	0	0	0
Canada	0	0	0
Turkemenistan	0	0	0
Total	273	199	13

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Third Parties Contracted by Liz Claiborne, Inc. for Compliance Support		
Name of Monitoring Group, Organization, etc.	Work Conducted	Number of Factories Monitored, If Applicable
Global Social Compliance	Internal audits in various countries	34
Kenan Institute – Thailand	Internal audit in Thailand	1
Kenan Institute – Thailand	Follow-up on FLA independent external monitoring visit in Thailand	1

^{xi} **Nike’s FLA Applicable Facilities and Monitoring Activities in Year Two**

In accordance with the FLA Charter, the chart below lists the countries where Nike’s applicable facilities were located during the reporting period, as well as the number of internal and FLA independent external monitoring visits that took place during that time.

Please note that this chart represents only one of a number of activities undertaken by participating companies to ensure factory compliance with the FLA Workplace Code of Conduct. The number of site visits conducted by a participating company does not indicate whether one or more of a company’s applicable facilities are in compliance with the Code. While this information can help readers gain a better grasp of the geographic scope and focus of participating companies’ compliance efforts, it should be interpreted in the context of the more qualitative characteristics of each company’s compliance program.

Location of Factories (Country)	Number of Applicable Facilities	Nike Internal Monitoring (Number of Facilities Visited)	FLA Independent External Monitoring (Number of Facilities Visited)
<i>Please note: the number of applicable facilities listed below includes all factories that were on Nike’s factory list during the 18 month reporting period. The actual factory list at any given time included 800-900 factories, which was the basis for the FLA IEM sample.</i>			
ALBANIA	1	1	0
ARGENTINA	10	8	0
AUSTRALIA	12	0	0
BANGLADESH	11	9	2
BELARUS	2	2	0
BRAZIL	23	19	1
BULGARIA	7	7	0
CAMBODIA	2	2	0
CANADA	20	19	0
CHILE	2	0	0
CHINA	199	171	9
COLOMBIA	1	1	0
DOMINICAN REPUBLIC	5	4	1
ECUADOR	1	0	0
EGYPT	5	5	0
EL SALVADOR	11	8	0
FIJI	2	1	0
GERMANY	1	0	0
GREECE	4	2	0
GUATEMALA	4	4	0
HONDURAS	11	11	1
HONG KONG	12	12	0
HUNGARY	1	0	0
INDIA	43	33	4
INDONESIA	53	40	5
ISRAEL	3	2	0
ITALY	8	8	0

JAPAN	29	25	0
JORDAN	2	2	0
KOREA	68	50	0
LITHUANIA	1	1	0
MACAU	5	4	0
MACEDONIA	1	1	0
MALAYSIA	64	43	3
MEXICO	61	50	3
MICRONESIA	1	0	0
MOLDOVA	1	1	0
MOROCCO	7	7	0
NEW ZEALAND	1	0	0
PAKISTAN	5	4	1
PERU	1	1	0
PHILIPPINES	8	8	0
PORTUGAL	26	20	0
ROMANIA	2	1	0
SINGAPORE	2	2	0
SOUTH AFRICA	10	6	0
SPAIN	7	1	0
SRI LANKA	46	33	0
SWITZERLAND	1	1	0
TAIWAN	33	28	0
THAILAND	73	60	5
TUNISIA	11	11	0
TURKEY	32	32	0
UK	1	1	0
USA	77	54	2
VIETNAM	44	44	3
TOTAL	1074	860	40

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Third Parties Contracted by Nike for Monitoring Support in Year Two		
Name of Monitoring Groups	Work Conducted	Number of Factories Monitored, If Applicable
Bureau Veritas	Pre-sourcing Audit	11
Cal Safety Compliance Corp.	Pre-sourcing Audit	9
IA Capital	Pre-sourcing Audit	4
Intertek	Pre-sourcing Audit	16
Price Waterhouse Coopers* *Effective on August 31, 2003, Nike no longer contracted PWC for social compliance audits	Pre-sourcing Audit	150

Strata Works	Pre-sourcing Audit	16
Responsible Business Initiatives	Pre-sourcing Audit	1
Third Parties Involved with Nike for Factory Capacity Building Programs in Year Two		
Name of Organization	Work Conducted	Number of Factories Engaged in the Program
Global Alliance for Workers & Communities	Worker assessment, health education for workers, life skills for workers, supervisor training	35
International SOS (ISOS)	Assessment, coaching, counseling on occupational health and safety, clinical infrastructure and staff development	19
Mitra Perempuan	Training, counseling & referral services, and capacity-building training for the factory investigation teams.	2
Xiao Chen Worker Hotline Center	Building internal grievance process -- training and consultation	5
Local educational authorities in footwear producing countries	Provided evening education for workers in partnership with footwear facilities	27

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Universities, Colleges and Secondary Schools Buying Licensed Goods from Nike

Name of School	Location
University of Alabama	Alabama
University of Arizona	Arizona
Arizona State University	Arizona
Boise State University	Idaho
Boston College	Massachusetts
Boston University	Massachusetts
University of California at Berkeley	California
University of Colorado at Boulder	Colorado
Colorado State University	Colorado
Columbia University	New York
Cornell University	New York
University of Delaware	Delaware
Duke University	North Carolina
University of Florida	Florida
Florida State University	Florida
George Mason University	Virginia
University of Georgia	Georgia
Georgia Institute of Technology	Georgia
Harvard University	Massachusetts
University of Illinois at Urbana-Champaign	Illinois
Illinois State University	Illinois
University of Iowa	Iowa
University of Kansas	Kansas

Kansas State University	Kansas
University of Kentucky	Kentucky
University of Maine at Orono	Maine
Marquette University	Wisconsin
University of Maryland	Maryland
Massachusetts Institute of Technology	Massachusetts
University of Memphis	Tennessee
University of Miami	Florida
University of Michigan	Michigan
University of Missouri at Columbia	Missouri
University of Nebraska	Nebraska
University of Nevada at Las Vegas	Nevada
University of New Hampshire	New Hampshire
University of New Mexico	New Mexico
New Mexico State University	New Mexico
University of North Carolina at Chapel Hill	North Carolina
University of North Carolina at Greensboro	North Carolina
Northwestern University	Illinois
Ohio State University	Ohio
Pennsylvania State University	Pennsylvania
University of Pittsburgh	Pennsylvania
University of Portland	Oregon
Princeton University	New Jersey
Purdue University	Indiana
Rutgers University	New Jersey
St. Cloud State University	Minnesota
St. John's University	New York
San Diego State University	California
San Jose State University	California
Seton Hall University	New Jersey
University of Southern California	California
Syracuse University	New York
Temple University	Pennsylvania
University of Texas at Austin	Texas
University of Utah	Utah
Utah State University	Utah
Vanderbilt University	Tennessee
Villanova University	Virginia
University of Virginia	Virginia
Virginia Tech	Virginia
University of Washington at Seattle	Washington
West Virginia University	West Virginia
University of Wisconsin at Milwaukee	Wisconsin
University of Wyoming	Wyoming
Xavier University	Ohio
Yale University	Connecticut

xiv **Nordstrom’s FLA Applicable Facilities and Monitoring Activities in Year Two**

In accordance with the FLA Charter, the chart below lists the countries where Nordstrom’s applicable facilities were located during the reporting period, as well as the number of internal and FLA independent external monitoring visits that took place during that time.

Please note that this chart represents only one of a number of activities undertaken by participating companies to ensure factory compliance with the FLA Workplace Code of Conduct. The number of site visits conducted by a participating company does not indicate whether one or more of a company’s applicable facilities are in compliance with the Code. While this information can help readers gain a better grasp of the geographic scope and focus of participating companies’ compliance efforts, it should be interpreted in the context of the more qualitative characteristics of each company’s compliance program.

Location of Factories (Country)	Number of Applicable Facilities	Nordstrom Internal Monitoring (Number of Facilities Visited)	FLA Independent External Monitoring (Number of Facilities Visited)
Belgium	1	0	0
Bolivia	1	0	0
Brazil	1	1	0
Canada	11	11	0
China	61	61	4
Colombia	1	1	0
Dominican Republic	6	6	0
Greece	1	0	0
Hong Kong	58	58	2
India	14	14	1
Israel	4	4	0
Italy	14	12	0
Japan	2	1	0
Jordan	1	1	0
Korea	4	4	0
Lithuania	2	2	0
Macau	14	14	1
Madagascar	1	0	0
Malaysia	6	5	1
Mauritius	3	3	0
Mexico	4	4	0
Morocco	1	1	0
Nepal	1	1	0
Peru	5	4	1
Philippines	6	6	0
Poland	1	0	0
Portugal	11	6	0
Romania	7	6	0
Saipan	1	1	0

Scotland	1	1	0
Singapore	1	1	0
South Africa	3	3	0
Sri Lanka	4	4	0
Taiwan	2	2	0
Turkey	19	18	1
Thailand	9	5	0
Tunisia	2	2	0
Uruguay	1	1	0
USA	17	17	1
TOTAL	302	281	12

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Third Parties Contracted by Nordstrom for Compliance Support in Year Two		
Name of Monitoring Group, Organization, etc.	Work Conducted	Number of Factories Monitored, If Applicable
Cal Safety Compliance Corp.	Pre-sourcing Factory Audits	123
Bureau Veritas	Pre-sourcing Factory Audits	66
Agent 1 (primarily Asia, Asia Minor)*	Factory Auditing and Remediation Support	89
Agent 2 (primarily Asia)*	Factory Auditing and Remediation Support	46
Agent 3 (primarily Asia Minor)*	Factory Auditing and Remediation Support	11
Agent 4 (primarily Middle East)*	Factory Auditing and Remediation Support	5

* FLA does not require companies to publicly disclose buying agent information, which is considered to be proprietary.

xvi **Patagonia’s FLA Applicable Facilities and Monitoring Activities in Year Two**

In accordance with the FLA Charter, the chart below lists the countries where Patagonia’s applicable facilities were located during the reporting period, as well as the number of internal and FLA independent external monitoring visits that took place during that time.

Please note that this chart represents only one of a number of activities undertaken by participating companies to ensure factory compliance with the FLA Workplace Code of Conduct. The number of site visits conducted by a participating company does not indicate whether one or more of a company’s applicable facilities are in compliance with the Code. While this information can help readers gain a better grasp of the geographic scope and focus of participating companies’ compliance efforts, it should be interpreted in the context of the more qualitative characteristics of each company’s compliance program.

Location of Factories (Country)	Number of Applicable Facilities	Patagonia Internal Monitoring (Number of Facilities Visited)	FLA Independent External Monitoring (Number of Facilities Visited)
Canada	1	0	0
China	5	1	0
Columbia	2	1	0
Costa Rica	2	0	0
Dominican Republic	2	1	0
France	2	0	0
Greece	1	1	0
Hong Kong	5	0	0
Israel	1	1	0
Korea	2	1	0
Malaysia	1	0	1
Mexico	4	0	0
Morocco	2	2	0
Nicaragua	0	1	0
Philippines	1	0	0
Portugal	4	0	0
Romania	1	0	0
Thailand	5	1	1
Tunisia	2	2	0
Turkey	1	1	0
USA	14	1	1
Vietnam	2	0	0
Total	60	14	3

Third Parties Contracted by Patagonia for Compliance Support in Year Two		
Name of Monitoring Group, Organization, etc.	Work Conducted	Number of Factories Monitored, If Applicable
Cal Safety Compliance Corporation	Full compliance monitoring visit	14

xviii **PVH's FLA Applicable Facilities and Monitoring Activities in Year Two**

In accordance with the FLA Charter, the chart below lists the countries where PVH's applicable facilities were located during the reporting period, as well as the number of internal and FLA independent external monitoring visits that took place during that time.

Please note that this chart represents only one of a number of activities undertaken by participating companies to ensure factory compliance with the FLA Workplace Code of Conduct. The number of site visits conducted by a participating company does not indicate whether one or more of a company's applicable facilities are in compliance with the Code. While this information can help readers gain a better grasp of the geographic scope and focus of participating companies' compliance efforts, it should be interpreted in the context of the more qualitative characteristics of each company's compliance program.

Location of Factories (Country)	Number of Applicable Facilities	PVH Internal Monitoring (Number of Facilities Visited)	FLA Independent External Monitoring (Number of Facilities Visited)
Bangladesh	7	7	0
Brazil	21	21	0
Cambodia	6	6	0
China	35	35	2
Dominican Republic	7	7	1
Egypt	2	2	0
El Salvador	2	2	0
Honduras	2	2	0
Hong Kong	5	5	0
India	26	26	1
Indonesia	7	7	0
Israel	2	2	0
Italy	16	16	0
Jamaica	1	1	0
Jordan	1	1	0
Korea	6	6	0
Macau	3	3	0
Malaysia	3	3	0
Mexico	2	2	0
Mongolia	4	4	0

Pakistan	2	2	0
Peru	1	1	0
Philippines	6	6	1
Romania	4	4	0
Sri Lanka	4	4	0
Taiwan	6	6	0
Thailand	4	4	0
Tunisia	1	1	0
Ukraine	1	1	0
USA	1	1	0
Vietnam	2	2	1
Total	190	190	6

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Third Parties Contracted by PVH for Compliance Support in Year Two		
Name of Monitoring Group, Organization, etc.	Work Conducted	Number of Factories Monitored, If Applicable
A & L Group, Inc.	Pre-sourcing audits and re-evaluations	6
Global Social Compliance	Pre-sourcing audits and re-evaluations	17
Global Standards	Pre-sourcing audits and re-evaluations	4
Intertek	Pre-sourcing audits and re-evaluations	23
Bureau Veritas (MTL)	Pre-sourcing audits and re-evaluations	7
Verite	Pre-sourcing audits and re-evaluations	3

^{xx} **Reebok’s FLA Applicable Facilities and Monitoring Activities in Year Two**

In accordance with the FLA Charter, the chart below lists the countries where Reebok’s applicable facilities were located during the reporting period, as well as the number of internal and FLA independent external monitoring visits that took place during that time.

Please note that this chart represents only one of a number of activities undertaken by participating companies to ensure factory compliance with the FLA Workplace Code of Conduct. The number of site visits conducted by a participating company does not indicate whether one or more of a company’s applicable facilities are in compliance with the Code. While this information can help readers gain a better grasp of the geographic scope and focus of participating companies’ compliance efforts, it should be interpreted in the context of the more qualitative characteristics of each company’s compliance program.

Reebok Footwear, Year Two:

Location of Factories (Country)	Number of Applicable Facilities	Reebok Footwear's Internal Monitoring (Number of Facilities Visited)	FLA Independent External Monitoring (Number of Facilities Visited)
Brazil	1	1	0
China	14	14	0
India	3	3	1
Indonesia	7	7	1
Italy	2	2	0
Korea	1	1	0
Lesotho	1	1	0
Mexico	2	2	0
Taiwan	2	2	0
Thailand	6	6	0
Vietnam	2	2	0
Total	41	41	2

Reebok Apparel, Year Two:

Location of Factories (Country)	Number of Applicable Facilities	Reebok Apparel's Internal Monitoring (Number of Facilities Visited)	FLA Independent External Monitoring (Number of Facilities Visited)
Bangladesh	8	7	1
Bulgaria	5	5	0
Cambodia	5	5	0
Canada	15	5	0
China	61	45	5
Costa Rica	2	0	0
Dominican Republic	2	1	0
El Salvador	13	7	1
Greece	1	1	0
Guatemala	9	7	1
Honduras	6	6	0
Hong Kong	1	0	0
India	8	5	1
Indonesia	25	17	2
Italy	4	4	0
Japan	12	0	0
Jordan	1	0	0
Kenya	1	0	0
Korea	61	9	0
Lesotho	1	0	0
Macau	3	0	0
Malaysia	7	0	1
Mexico	23	9	2
Pakistan	4	1	0
Peru	14	3	0
Philippines	10	10	1
Poland	1	0	0
Portugal	27	7	0
Russia	4	0	0
Spain	21	2	0
Sri Lanka	24	14	0
Swaziland	1	0	0
Taiwan	45	17	0
Thailand	4	4	1
Tunisia	1	0	0
Turkey	13	13	1
United Kingdom	2	0	0
United States	66	4	1
Vietnam	32	25	2
Total	543	233	20

Third Parties Contracted by Reebok Apparel* for Compliance Support in Year Two		
Name of Monitoring Group, Organization, etc.	Work Conducted	Number of Factories Monitored
Intertek	Audits conducted globally	5
CalSafety Compliance Corp	Audits conducted in United States	3
Société General de Surveillance	Audits conducted globally, majority in Sri Lanka	10
Bureau Veritas	Audit conducted in Sri Lanka	1

**No third party monitors were used in Reebok footwear facilities*

Universities, Colleges and Secondary Schools Buying Licensed Goods from Reebok

Name of School	Location
Arizona State University	Arizona
Boston College	Massachusetts
University of California at Los Angeles	California
University of Dayton	Ohio
Illinois State University	Illinois
University of Iowa	Iowa
Michigan State University	Michigan
Ohio State University	Ohio
University of Southern California	California
Virginia Tech	Virginia
Wright State University	Wisconsin

How does a Company's Labor Compliance Program Achieve Fair Labor Association Accreditation?

When a company joins the FLA, it commits to establish a workplace standards program that complies with FLA requirements, opting to implement the program during a two- or three-year initial implementation period. At the end of that period the FLA carries out an in-depth evaluation of the company's performance, and reports its findings in the FLA's annual public report. In considering whether to accredit a company's labor compliance program in accordance with the FLA Charter, the staff and Board evaluate the extent to which a company has:

- Adopted and communicated the Workplace Code of Conduct to workers and management at applicable facilities.
- Trained internal compliance staff to monitor and remediate noncompliance issues.
- Conducted internal monitoring of applicable facilities.
- Submitted to unannounced, independent external monitoring visits to factories throughout its supply chain.
- Remediated noncompliance issues in a timely manner.
- Taken steps to prevent persistent patterns of noncompliance, or instances of serious noncompliance.
- Collected and managed compliance information effectively.
- Provided workers with confidential reporting channels to report on noncompliance issues to the company.
- Consulted with non-governmental organizations, unions and other local experts in its work.
- Paid FLA dues and met other procedural and administrative requirements.

If the FLA determines that a company's labor compliance program has adequately fulfilled the requirements outlined above, the program receives FLA accreditation. Accreditation is reviewed every two years. The FLA retains the right to retract FLA accreditation if it finds that a company is not acting in good faith to uphold its FLA obligations and to continuously improve.

xxiv Zephyr's FLA Applicable Facilities and Monitoring Activities in Year Two

In accordance with the FLA Charter, the chart below lists the countries where Zephyr Graf-X's applicable facilities were located during the reporting period, as well as the number of internal and FLA independent external monitoring visits that took place during that time.

Please note that this chart represents only one of a number of activities undertaken by participating companies to ensure factory compliance with the FLA Workplace Code of Conduct. The number of site visits conducted by a participating company does not indicate whether one or more of a company's applicable facilities are in compliance with the Code. While this information can help readers gain a better grasp of the geographic scope and focus of participating companies' compliance efforts, it should be interpreted in the context of the more qualitative characteristics of each company's compliance program.

Location of Factories (Country)	Number of Applicable Facilities	Zephyr Internal Monitoring (Number of Facilities Visited)	FLA Independent External Monitoring (Number of Facilities Visited)
South Korea	2	1	0
United States	1	1	1
Russia	1	0	0
TOTAL	4	2	1

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Universities, Colleges and Secondary Schools Buying Licensed Goods from Zephyr Graf-X

Name of School	Location
University of Alabama	Alabama
American University	Washington DC
Appalachian State University	North Carolina
University of Arizona	Arizona
Arizona State University	Arizona
Ball State University	Indiana
Boise State University	Idaho
Boston College	Massachusetts
Boston University	Massachusetts
Brown University	Rhode Island
University of California at Berkeley	California
University of California at Davis	California
University of California at Irvine	California
University of California at Los Angeles	California
University of California at Riverside	California
University of California at Santa Barbara	California
University of California at Santa Cruz	California
California State University at Longbeach	California
California State University at Northridge	California
California State University at Sacramento	California
University of Colorado at Boulder	Colorado
Colorado State University	Colorado
Columbia University	New York
Cornell University	New York
Creighton University	Nebraska
Dartmouth College	New Hampshire
University of Dayton	Ohio
University of Delaware	Delaware
University of Detroit- Mercy	Michigan
Duke University	North Carolina
Ferris State University	Michigan
University of Florida	Florida
Florida State University	Florida
Furman University	South Carolina
University of Georgia	Georgia
Georgia Institute of Technology	Georgia
Harvard University	Massachusetts

Illinois State University	Illinois
University of Iowa	Iowa
James Madison University	Virginia
Johns Hopkins University	Maryland
University of Kansas	Kansas
Kansas State University	Kansas
University of Kentucky	Kentucky
Louisiana State University and A&M College	Louisiana
University of Louisville	Kentucky
University of Maine at Orono	Maine
Marquette University	Wisconsin
University of Maryland	Maryland
University of Memphis	Tennessee
University of Miami	Florida
University of Michigan	Michigan
Michigan State University	Michigan
University of Missouri at Columbia	Missouri
University of Nebraska	Nebraska
University of Nevada at Las Vegas	Nevada
University of New Hampshire	New Hampshire
University of New Mexico	New Mexico
New Mexico State University	New Mexico
University of North Carolina at Chapel Hill	North Carolina
North Carolina State University	North Carolina
Northwestern University	Illinois
University of Notre Dame	Indiana
Ohio State University	Ohio
University of Pennsylvania	Pennsylvania
Pennsylvania State University	Pennsylvania
University of Pittsburgh	Pennsylvania
Princeton University	New Jersey
Purdue University	Indiana
Rutgers University	New Jersey
St. Cloud State University	Minnesota
St. John's University	New York
St. Joseph's University	Pennsylvania
San Diego State University	California
San Jose State University	California
Santa Clara University	California
Seton Hall University	New Jersey
University of South Florida	Florida
University of Southern California	California
Syracuse University	New York
Temple University	Pennsylvania
University of Texas at Austin	Texas
University of Utah	Utah
Utah State University	Utah
Vanderbilt University	Tennessee
Villanova University	Virginia
University of Virginia	Virginia
Virginia Tech	Virginia

University of Washington at Seattle	Washington
Western Washington University	Washington
West Virginia University	West Virginia
Williams College	Massachusetts
University of Wisconsin at Milwaukee	Wisconsin
Wright State University	Wisconsin
University of Wyoming	Wyoming
Xavier University	Ohio
Yale University	Connecticut